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APPROVED

JUN - 4 1975

Statement
Issued 6/5/75

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

MAY 29 1975

To archive
6/5/75

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 3786 - Federal Share of Highway
Projects
Sponsors - Rep. Howard (D) New Jersey and 16 others

Last Day for Action

June 4, 1975 - Wednesday

Purpose

Temporarily defers the required State matching share for all Federal-aid highway projects and authorizes the transfer of funds among categories of Federal-aid highways other than the Interstate System.

Agency Recommendations

Office of Management and Budget	Disapproval (Veto message attached)
Department of the Treasury	Disapproval
Department of Transportation	Approval
Council of Economic Advisers	Disapproval (<u>Informally</u>)

Discussion

H.R. 3786 would make two temporary changes in the financing of Federal-aid highway programs to facilitate the full use by the States of the \$2 billion in deferred Federal-aid highway funds that you ordered released on February 12, 1975 and the \$9.1 billion released by the Congress in April to expedite highway construction and generate employment. The bill is a response to the fact that the release had not been planned for by the States and that they had not, therefore, made financial arrangements necessary to provide matching funds, a problem made more difficult by rising highway construction costs and the failure of gasoline tax revenues to grow as originally estimated.



The first temporary change would permit States to defer until December 31, 1976, payment of the State share of Federal-aid highway projects for which Federal funds are obligated between February 12 and September 30, 1975. The State share is 10% on Interstate System projects and 30% on most other categories of projects. The deferral would be the equivalent of an interest free Federal loan. After December 31, 1976, no Federal highway aid could be approved until the State had repaid the deferred amounts to the Highway Trust Fund.

The second temporary change would authorize the States to transfer funds among the various categories of Federal-aid highways, except for the Interstate System, between February 12 and September 30, 1975. These transfers among categories would later be restored by deductions and additions to future Federal apportionments to offset these shifts. Some States have exhausted their apportionments in some categories in which projects are ready to move ahead, while unused apportionments are available in other categories in which projects are not ready. The temporary transfer authority, which would permit acceleration of construction, was supported by DOT as a desirable increase in State flexibility.

The first change -- deferral of State matching -- was opposed by DOT principally because:

- . Although State repayment must be made before January 1, 1977, the deferral under the bill could be a precedent for further deferrals of State matching and for extension of similar treatment to other Federal grant programs;
- . To the extent that States, which have matching funds available, take advantage of the deferral, Federal funds would merely substitute temporarily for State funds, and no additional construction and employment generation would occur; and
- . Further deferrals of matching requirements for the Federal-aid highway program could occur at a time when it might be inflationary.

The problem with which H.R. 3786 was designed to deal is substantially smaller now than it appeared when the enrolled bill was introduced in late February. The Department of Transportation advises that few States have been prevented from accelerating their highway programs because of the unavailability of matching funds. As of May 15, almost \$1.1 billion of the released funds has been

obligated by 35 States, and the remainder is expected to be obligated by June 30. In its views letter, the Department cites this rate of obligations as evidence that the problem of State matching funds is not a major national problem. It should be pointed out, however, that those few States that do have cash problems will be unable to accelerate their highway programs. It appears that those States may include Arizona, Delaware, Illinois, Kansas and Ohio. Other States have complained of problems with matching funds but have either been able to secure matching funds or face other obstacles which preclude rapid acceleration of their highway programs. There would probably be little additional construction and employment created by this bill, therefore. In addition, the deferral provisions of the bill apply to all projects approved since February 12. To the extent that States would defer matching on projects already approved or underway, little additional economic stimulus would occur.

DOT and OMB estimate that under the bill Federal outlays in fiscal year 1976 would increase by as much as \$500 million, which would be contrary to your hold-the-line policy against legislation which would increase the budget deficit. Most of these increased Federal outlays would probably substitute for available State matching funds for projects already approved and obligated.

Moreover, it seems likely that pressures would grow first to extend the September 30, 1975, cutoff date for eligibility of projects for deferred matching and, by the fall of 1976 when States will probably still be experiencing fiscal tightness, to postpone or repeal the December 31, 1976, deadline for State repayment.

The Department of Transportation, while acknowledging "the definite weaknesses of H.R. 3786," believes a veto would be unwise and reluctantly recommends that the bill be signed for the following reasons:

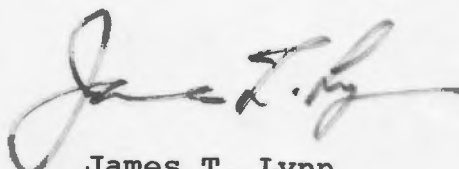
- "1. The vocal support for the bill from the Nation's Governors.
2. The continuing high unemployment rate in the construction industry.
3. The temporary loan nature of the program.

4. The support for the bill by the House Public Works Committee with which the Administration must work on such major issues as airport legislation, highway legislation, and regulatory reform.
5. Given the support for the bill from the States and localities, and the fact that both the House and Senate passed the bill by voice vote with no dissent, an override of this veto appears rather likely."

For the reasons outlined above -- the lessening of the problem, the marginal economic benefits that the bill would stimulate, the large increase in 1976 outlays, and the potential precedential effect of the bill -- we recommend that H.R. 3786 be vetoed. Attached for your consideration is a draft of a veto message.

* * * * *

The Department of Transportation advises us that three members of Congress are likely to react most strongly to a veto: Representative Howard (D) New Jersey; Senator Bentsen (D) Texas; and Senator Montoya (D) New Mexico.



James T. Lynn
Director

Enclosures

THE WHITE HOUSE

ACTION

WASHINGTON

Last day - June 4

May 30, 1975

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON *J.C.*

SUBJECT:

ENROLLED BILL: FEDERAL SHARE
OF HIGHWAY PROJECTS, H.R. 3786

This bill would permit States to defer until December 31, 1976, payment of the State share of Federal-aid highway projects for those projects where funds are obligated between February 12 and September 30, 1975. Under the current law, the State share is 10% for Interstate projects and 30% for most other categories. States would be required to pay back the deferred amounts, and future highway funds would be held up after December 31, 1976, until the full amount was repaid. Some of your advisors have urged you to veto H.R. 3786 because of this provision.

The bill would also temporarily authorize States to transfer funds among the various categories of Federal highway grants except for the Interstate category. This provision is supported by all your advisors.

The proponents of this bill argue that some States have run out of matching funds because they had not planned on the \$2 billion in deferred highway funds you released on February 12 and the \$9.1 billion released by the Congress in April when they refused to support your deferral. Also, they argue that State gasoline tax revenues are lower than had been anticipated. The bill has received strong support from the National Governors' Conference, will result in providing more construction jobs and, if the provisions of the bill are ultimately followed, outlays in the future will be reduced when the repayments are made.

We have been advised that the following States may be unable to accelerate their highway programs without this bill: Arizona, Delaware, Illinois, Kansas and Ohio. In addition, many States



are expected to make use of the provision allowing for transfer of funds among categories.

Opponents of the bill argue that this is no more than an interest-free loan which may never be repaid if future legislation waiving the repayment provision were enacted. Some States that have not run out of funds are likely to take advantage of this "loan" and the outlay impact in fiscal '76 will probably be in the \$300-\$500 million range. This provision establishes very bad precedent and may be inflationary.

The bill passed in both Houses by voice vote without dissent. Max Friedersdorf advises that it is difficult to predict whether a veto could be sustained, but there is a fair chance.

DOT advises that an override is likely. The strongest proponents in the Senate are Bentsen and Montoya, and in the House they are Howard (N.J.) and Harsha.

See Tab A for additional facts contained in the enrolled bill memorandum prepared by Jim Lynn.

DECISION

(1) Sign H.R. 3786 (Tab D) MLF
(Coleman, Cannon, Seidman, Buchen/Lazarus (reluctantly))

Issue Signing Statement (Tab B) MLF
(approved by Paul Theis)

- or -

(2) Veto _____
(Lynn, Friedersdorf, Treasury, CEA)

Issue veto message (Tab C) _____
(approved by Paul Theis)



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 6-6-75

TO: Bob Linder

FROM: Jim Frey

Enclosed is the CEA views letter on H.R. 3786 for inclusion in the enrolled bill file. Thanks.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 30, 1975

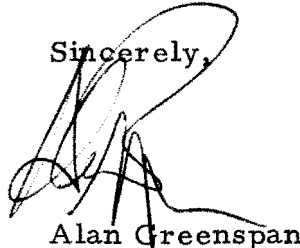
Dear Mr. Frey:

This is in response to your request for the views of the Council of Economic Advisers on H. R. 3786, "To authorize the increase of the Federal share of certain projects under title 23, United States Code."

The Council sees no economic reason to increase the percentage share of Federal funding of highway projects to 100 percent from current levels.

We therefore recommend veto of the legislation.

Sincerely,



Alan Greenspan

Mr. James Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Washington, D. C. 20503



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

May 30, 1975

MEMORANDUM TO ROBERT D. LINDER

FROM: James M. Frey *Frey*
SUBJECT: Enrolled bill H.R. 3786

Director Lynn sent to the White House today his memorandum on enrolled bill H.R. 3786 (Federal share of highway projects) together with a draft veto message.

At his request, I am attaching a revised penultimate paragraph for that message.

DRAFT VETO MESSAGE -
H.R. 3786

Revised penultimate paragraph

Under the bill States could defer their matching share on projects approved since February 12. In most cases, Federal funds -- in effect interest free loans -- would merely substitute for available State funds and would produce little additional construction and few additional jobs. At the same time, H.R. 3786 could add as much as \$500 million to Federal expenditures and the deficit in fiscal year 1976. Congressional actions and inactions have already added \$7.3 billion to the 1975 deficit and \$4.4 billion to the 1976 deficit. As the Congress knows, I have stressed the importance of keeping the deficit for 1976 below \$60 billion. This bill together with other measures being considered by the Congress would increase that deficit to an intolerable level of \$100 billion or more.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 30

Time: 930am

FOR ACTION: Mike Duval
Max Friedersdorf
Ken Lazarus
Paul Theis
Bill Seidman

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: May 30

Time: 4:30pm

SUBJECT:

Enrolled Bill H.R. 3786 - Federal Share of Highway
Projects

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Reluctantly recommend approval accompanied by a signing message setting forth the concerns of OMB and interested agencies as to the potential precedential effect of the bill. The bill is apparently designed to program a recapture of 1976 outlays and, therefore, most of the adverse impact on budget deficits would be very temporary.

KEN LAZARUS 5/30/75

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.

James H. Cavanaugh
For the President

THE WHITE HOUSE
WASHINGTON

DATE: 5/31

TO: Bill Kendall/Vern Loen

FROM: Max L. Friedersdorf

Comments Please

July
recommend
Veto

Dec. By 4/30

*Vote vote both houses - no reading
in order to sustain*
MK

V.L.

RKW

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 30

Time: 930am

FOR ACTION: Mike Duval
Max Friedersdorf
Ken Lazarus
Paul Theis
Bill Seidman

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: May 30

Time: 4:30pm

SUBJECT:

Enrolled Bill H.R. 3786 - Federal Share of Highway
Projects

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

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.

James M. [unclear]
For the President

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MAY 29 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 3786 - Federal Share of Highway
Projects
Sponsors - Rep. Howard (D) New Jersey and 16 others

Last Day for Action

June 4, 1975 - Wednesday

Purpose

Temporarily defers the required State matching share for all Federal-aid highway projects and authorizes the transfer of funds among categories of Federal-aid highways other than the Interstate System.

Agency Recommendations

Office of Management and Budget

Disapproval (Veto
message attached)

Department of the Treasury

Disapproval

Department of Transportation

Approval

Council of Economic Advisers

Disapproval (Informally)

Discussion

H.R. 3786 would make two temporary changes in the financing of Federal-aid highway programs to facilitate the full use by the States of the \$2 billion in deferred Federal-aid highway funds that you ordered released on February 12, 1975 and the \$9.1 billion released by the Congress in April to expedite highway construction and generate employment. The bill is a response to the fact that the release had not been planned for by the States and that they had not, therefore, made financial arrangements necessary to provide matching funds, a problem made more difficult by rising highway construction costs and the failure of gasoline tax revenues to grow as originally estimated.

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

May 30, 1975

MEMORANDUM TO ROBERT D. LINDER

FROM: James M. Frey *Frey*
SUBJECT: Enrolled bill H.R. 3786

Director Lynn sent to the White House today his memorandum on enrolled bill H.R. 3786 (Federal share of highway projects) together with a draft veto message.

At his request, I am attaching a revised penultimate paragraph for that message.

*To: Connaugh
5-30-75
10:00 A.M.*

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 30

Time: 930am

FOR ACTION: Mike Duval *veto* cc (for information): Jim Cavanaugh
 Max Friedersdorf *Sign (Wolkhus)* Jack Marsh
 Ken Lazarus *Sign*
 Paul Theis *ok*
 Bill Seidman *Sign*

FROM THE STAFF SECRETARY

DUE: Date: May 30

Time: 4:30pm

SUBJECT:

Enrolled Bill H.R. 3886 - Federal Share of Highway Projects

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing



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.

K. R. COLE, JR.
For the President

TO THE HOUSE OF REPRESENTATIVES

I am returning herewith, without my approval, H.R. 3786, a bill that would authorize a temporary increase in the Federal share of Federal-aid highway projects.

This legislation grew out of a concern three months ago that the States might not be able to obtain the matching funds necessary to make full use of the \$2 billion in Federal funds that I ordered released from reserve on February 12 and the additional \$9.1 billion that the Congress ordered released in April. The release of those Federal-aid highway funds was intended to increase the level of highway construction and thereby create additional jobs in a period of high unemployment. If the States were in fact unable to obtain matching funds, construction projects would not get underway and the purpose of these releases would not be achieved.

To avoid that possibility, H.R. 3786 would make two temporary changes in the financing of Federal-aid highway program. The first temporary change would permit the States to defer their matching requirement on projects for which Federal funds have been approved between February 12 and September 30, 1975. The States would have to repay the amounts deferred before January 1, 1977, to be eligible for further Federal aid.

The second temporary change, to which I do not object, would permit the States to reallocate temporarily Federal funds among different categories of Federal-aid highways except for the interstate system. This change would permit certain projects to go forward which otherwise could not be undertaken now.

I find it necessary, however, to withhold my approval from the bill because of its deferral of State matching requirements. The anticipated problem to which it is addressed has not materialized. Most States have been able to obtain matching funds; in only a few does there still seem to be a problem. As of May 15 almost \$1.1 billion of the funds released has been obligated, and the remainder of the \$2 billion released in February is expected to be obligated by June 30.

Under the bill States could defer their matching share on projects approved since February 12. In most cases, Federal funds -- in effect interest free loans -- would merely substitute for available State funds and would produce little additional construction and few additional jobs. At the same time, H.R. 3786 would add as much as \$500 million to Federal expenditures and the deficit in fiscal year 1976. As the Congress knows, I have stressed the importance of keeping the deficit for 1976 below \$60 billion. This bill together with other measures being considered by the Congress would increase that deficit to an intolerable level of \$100 billion or more.

I am, therefore, constrained to veto this bill.

THE WHITE HOUSE

June , 1975



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

MAY 28 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H. R. 3786, "To authorize the increase of the Federal share of certain projects under title 23, United States Code."

The enrolled enactment would authorize the Federal Government to advance to States the non-Federal share of highway projects approved during the period February 12, 1975 to September 30, 1975. The States would be required to repay these advances before January 1, 1977. There is no provision for interest on the advances.

This proposal does not appear to be consistent with the President's stated objective of holding the fiscal 1976 deficit to \$60 billion. The proposal could establish an undesirable precedent for interest-free advances of the non-Federal share of project costs in other areas.

The Department has not considered this legislation previously and does not know if executive branch views were submitted to the Congress regarding it. However, in view of the foregoing, we would support a recommendation that the enrolled enactment not be approved by the President.

Sincerely yours,


General Counsel



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

May 23, 1975

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

Reference is made to your request for the views of the Department of Transportation concerning H.R. 3786, an enrolled bill

"To authorize the increase of the Federal share of certain projects under Title 23, United States Code."

The major feature of this bill would permit States to advance Federal-aid highway projects without contributing any matching funds. This waiver of matching requirements would be in effect from February 12 through September 30 of this year.

In addition, the bill would permit States to transfer non-interstate program apportionments from one category to another without restriction. These transfers would have to be restored during the following two years.

This bill was triggered by President Ford's release of an additional \$2 billion in Federal-aid highway funds on February 11 of this year. This release caught a number of States by surprise and they complained that they had insufficient matching funds to take advantage of the additional money available. From our perspective, we did not perceive this as a major national problem and, in fact, the rate of obligation of Federal-aid highway funds since the February release provides evidence supporting this view.

The real impact of this bill will be to provide States with short-term interest free loans since they must pay back the required State matching funds in the future. The additional FY 1976 Federal budget outlay exposure could be up to \$500 million, although an additional \$300 million is a more probable estimate. Of course, this increase in Federal outlays in 1976 would be offset by reductions in future Federal outlays.

This is a bill that has been opposed by the Department. We opposed it primarily because we believed that it established an undesirable precedent in permitting Federal funds to be used to make 100 percent grants, thus weakening the Federal-State partnership in this program.

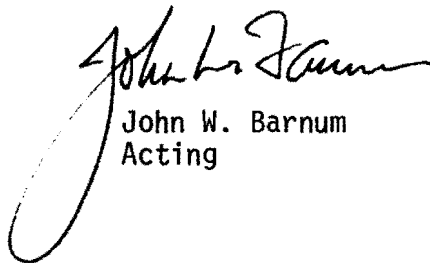
With regard to the provision concerning transferability between non-interstate program categories, we note that this approach is consistent with our new highway bill. We were also successful in ensuring that funds could not be transferred from the interstate program -- an approach which could have increased total long-run Federal highway obligations and weakened our efforts to expedite completion of the interstate system.

While we certainly acknowledge the definite weaknesses of H.R. 3786, we believe that a veto would be unwise for the following reasons:

1. The vocal support for the bill from the Nation's Governors.
2. The continuing high unemployment rate in the construction industry.
3. The temporary loan nature of the program.
4. The support for the bill by the House Public Works Committee with which the Administration must work on such major issues as airport legislation, highway legislation, and regulatory reform.
5. Given the support for the bill from the States and localities, and the fact that both the House and Senate passed the bill by voice vote with no dissent, an override of this veto appears rather likely.

In view of the above, the Department reluctantly recommends that this bill be signed.

Sincerely,



John W. Barnum
Acting

RP

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 30

Time: 930am

FOR ACTION: Mike Duval
Max Friedersdorf
Ken Lazarus
Paul Theis
Bill Seidman

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: May 30

Time: 4:30pm

SUBJECT:

Enrolled Bill H.R. 3786 - Federal Share of Highway
Projects

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

*Pass - (Roger has reported)
sign. [Signature]*

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.

James H. Cavanaugh
For the Staff Secretary

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: May 30

Time: 930am

OK-LD

FOR ACTION: Mike Duval
Max Friedersdorf
Ken Lazarus
Paul Theis
Bill Seidman

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

ok/AT

DUE: Date: May 30

Time: 4:30pm

SUBJECT:

Enrolled Bill H.R. 3786 - Federal Share of Highway
Projects

ACTION REQUESTED:

- | | |
|---|--|
| <input type="checkbox"/> For Necessary Action | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

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

OK-2D

TO THE HOUSE OF REPRESENTATIVES:

I am returning ~~herewith~~ without my approval, H.R. 3786, a bill that would authorize a temporary increase in the Federal share of Federal-aid highway projects.

This legislation grew out of a concern three months ago that the States might not be able to obtain the matching funds necessary to make full use of the \$2 billion in Federal funds that I ordered released from reserve on February 12 and ~~the~~ ^{funds released by} additional \$9.1 billion that the Congress ~~ordered released~~ in April. The release of those Federal-aid highway funds was intended to increase the level of highway construction and thereby create additional jobs in a period of high unemployment. If the States were in fact unable to obtain matching funds, construction projects would not get underway and the purpose of these releases would not be achieved.

To avoid that possibility, H.R. 3786 would make two temporary changes in the financing of Federal-aid highway program. The first temporary change would permit the States to defer their matching requirement on projects for which Federal funds have been approved between February 12 and September 30, 1975. The States would have to repay the amounts deferred before January 1, 1977, to be eligible for further Federal aid.

The second temporary change, to which I do not object, would permit the States to reallocate temporarily Federal funds among different categories of Federal-aid highways except for the interstate system. This change would permit certain projects to go forward which otherwise could not be undertaken now.



DRAFT VETO MESSAGE -
H.R. 3786

OK LD
INSERT

Revised penultimate paragraph

Under the bill States could defer their matching share on projects approved since February 12. In most cases, Federal funds -- in effect interest free loans -- would merely substitute for available State funds and would produce little additional construction and few additional jobs. At the same time, H.R. 3786 could add as much as \$500 million to Federal expenditures and the deficit in fiscal year 1976. Congressional actions and inactions have already added \$7.3 billion to the 1975 deficit and \$4.4 billion to the 1976 deficit. As the Congress knows, I have stressed the importance of keeping the deficit for 1976 below \$60 billion. This bill together with other measures being considered by the Congress would increase that deficit to an intolerable level of \$100 billion or more.

ADD
OMB
4/8/74

I find it necessary, however, to withhold my approval from the bill because of its deferral of State matching requirements. The anticipated problem to which it is addressed has not materialized. Most States have been able to obtain matching funds; in only a few does there still seem to be a problem. As of May 15, almost \$1.1 billion of the funds released ^{have} been obligated, and the remainder of the \$2 billion released in February is expected to be obligated by June 30.

Under the bill, States could defer their matching share on projects approved since February 12. In most cases, Federal funds -- in effect, interest free loans -- would merely substitute for available State funds and would produce little additional construction and few additional jobs. At the same time, H.R. 3786 would add as much as \$500 million to Federal expenditures and the deficit in fiscal year 1976. As the Congress knows, I have stressed the importance of keeping the deficit for 1976 below \$60 billion. This bill, together with other measures being considered by the Congress, would increase that deficit to an intolerable level of \$100 billion or more.

OK insert
LAW
CMB

I ~~am~~ ^{must} therefore, ~~constrained to~~ veto this bill.

THE WHITE HOUSE

June 1975

Lee Dwyer
6/5/75

STATEMENT BY THE PRESIDENT

I have signed into law H. R. 3786, a bill that will permit greater flexibility to the States in the use of Federal-aid highway funds and enable them to temporarily defer their matching share for certain projects.

The major benefit of this legislation is that it will permit States to temporarily reallocate Federal funds among the various categories of Federal-aid highway programs, except for the Interstate System. This change will permit the States to move forward with certain job-creating highway projects which they could otherwise not undertake at this time. This is also consistent with my view that the number of categories in the Federal highway program should be reduced.

Unfortunately, this legislation permits the States to defer until December 31, 1976, the payment of their matching requirement on projects for which Federal funds have been approved between February 12 and September 30, 1975.

Although I strongly oppose in principle deferring matching requirements by State and local governments, this one-time exception is made to enable the States to take advantage of the special jobs-producing highway funds which I released in February and of the additional funds made available by the Congress in April. Importantly, H.R. 3786 contains a tough provision which requires States to either pay up their deferred matching share by the end of 1976 or lose future Federal highway grants. For these reasons, I have signed this legislation to insure that all States will be able to take advantage of their fair share of these special highway funds and to proceed with projects which will stimulate employment in the construction industry.

#

DRAFT - SIGNING

dy
OK

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

Memorandum
from [unclear]
5/29/75

I am signing into law H.R. 3786, a bill that will authorize a temporary increase in the Federal share of Federal-aid highway projects and permit greater flexibility in the use of Federal highway funds.

The major benefit of this legislation is that it permits States to temporarily reallocate Federal funds among the different categories of Federal-aid highway programs except for the Interstate System program. This change will permit certain projects to go forward which otherwise ~~cannot~~ ^{could not} be undertaken at this time. ~~Most importantly,~~ This is consistent with my general view that the number of categories in the Federal highway program should be reduced. ^{at the same time} This will give the States greater flexibility in the use of ~~their~~ Federal highway funds.

Memorandum

The legislation also permits the States to defer their matching requirement on projects for which Federal funds have been approved between February 12 and September 30, 1975. The States would have to repay the amounts deferred before January 1, 1977, in order to be eligible for further Federal aid. This provision was enacted by Congress to ensure that all States can take full advantage of the additional Federal highway funds which I released on February 12, and additional funds that the Congress made available in April, designed to stimulate employment in the construction industry.

Although I strongly oppose the waiver of matching requirements of State and local governments as a general principle, I nevertheless feel that it is only equitable to allow all States to participate in these additional Federal highway funds designed to create more jobs. I have decided to make an exception in this case ^{because} ~~for two~~ important reasons. ~~First, these funds are in the Highway Trust Fund and therefore are user revenues, primarily dedicated for highway construction. Second, H.R. 3786 is very~~ ^{confusing a} ~~tough~~ ^{ough} on the repayment requirement of the deferred matching share. Any State that does not fully repay the deferred funds will be ineligible for future Federal highway grants after the end of 1976. Because of this ^{strict} ~~tough~~ repayment provision ~~and the fact that these are Highway Trust Fund grants.~~ I have decided to sign this legislation ~~in order~~ to ensure that all States can take advantage of their fair share of the special highway funds made available to create more jobs.

STATEMENT BY THE PRESIDENT

I am signing into law H.R. 3786, a bill that will authorize a temporary increase in the Federal share of Federal-aid highway projects and permit greater flexibility in the use of Federal highway funds.

The major benefit of this legislation is that it permits States to temporarily reallocate Federal funds among the different categories of Federal-aid highway programs except for the Interstate System program. This change will permit certain projects to go forward which otherwise could not be undertaken at this time. This is consistent with my general view that the number of categories in the Federal highway program should be reduced. At the same time, this will give the States greater flexibility in the use of Federal highway funds.

The legislation also permits the States to defer their matching requirement on projects for which Federal funds have been approved between February 12 and September 30, 1975. The States would have to repay the amounts deferred before January 1, 1977, in order to be eligible for further Federal aid. This provision was enacted by Congress to ensure that all States can take full advantage of the additional Federal highway funds which I released on February 12, and additional funds that the Congress made available in April, designed to stimulate employment in the construction industry.



Although I strongly oppose the waiver of matching requirements of State and local governments as a general principle, I nevertheless feel that it is only equitable to allow all States to participate in these additional Federal highway funds designed to create more jobs. I have decided to make an exception in this case because H.R. 3786 contains a tough repayment requirement of the deferred matching share. Any State that does not fully repay the deferred funds will be ineligible for future Federal highway grants after the end of 1976. Because of this strict repayment provision, I have decided to sign this legislation to ensure that all States can take advantage of their fair share of the special highway funds made available to create more jobs.

INCREASING THE FEDERAL SHARE OF HIGHWAY PROJECTS

MARCH 21, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. JONES of Alabama, from the Committee on Public Works and Transportation, submitted the following

REPORT

together with

SEPARATE VIEWS

[To accompany H.R. 3786]

The Committee on Public Works and Transportation, to whom was referred the bill (H.R. 3786), to authorize the increase of the Federal share of certain projects under title 23, United States Code, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That, notwithstanding any other provision of law, the Federal share of any project approved by the Secretary of Transportation under section 106(a), and of any project for which the United States becomes obligated to pay under section 117, of title 23, United States Code, during the period beginning February 12, 1975, and ending June 30, 1975 (both dates inclusive), shall be such percentage of the construction cost as the State highway department requests, up to and including 100 per centum.

Sec. 2. The total amount of such increases in the Federal share as are made pursuant to the first section of this Act for any State shall be repaid to the United States by such State before January 1, 1977. Such repayments shall be deposited in the Highway Trust Fund. No project shall be approved under section 106 or section 117 of title 23, United States Code, for any project in any State which has failed to make its repayment in accordance with this section until such repayment has been made.

Sec. 3. Notwithstanding any other provision of law, any money apportioned under section 104(b) of title 23, United States Code, for any one Federal-aid highway system in a State (other than the Interstate System) may be used during the period beginning February 12, 1975, and ending June 30, 1975 (both dates inclusive), for any project in that State on any Federal-aid highway system (other than the Interstate System). The Secretary shall deduct from moneys apportioned to a State under section 104(b) of title 23, United States Code, after the

date of enactment of this section for a Federal-aid highway system on which money has been used under authority of the preceding sentence, an amount equal to the money so used, and the deducted amount shall be repaid and credited to the last apportionment made for the system for which the money so used was originally apportioned. Each deduction made under the preceding sentence shall be at least 50 per centum of the annual apportionment to which the deduction applies until full repayment has been made.

INTRODUCTION

Over the past few months, the ranks of the Nation's unemployed have grown at an alarming rate. There are now 7.5 million Americans out of work, and the prospect looms for even greater joblessness over the next several months.

Department of Labor statistics show that the overall rate of unemployment climbed from 5.4 percent in August 1974 to 8.2 percent in January and February 1975. Unemployment in the construction trades rose from 11.3 percent to 15.9 percent during the same period. 688,000 construction workers were unable to find work during the month of February.

In an effort to generate employment and to expedite highway construction, the President on February 12 ordered the release of \$2 billion in impounded Federal-aid highway funds. Release of the additional funds increases the highway program funding level for fiscal year 1975 to \$6.6 billion. As of the end of February, \$3.1 billion of this amount had been obligated, leaving some \$3.5 billion available to be obligated before the end of the fiscal year. For the time being, States are being permitted to obligate on a first-come, first-served basis, subject only to individual State apportionment limitations.

Accelerated construction of highways is an effective means of putting people to work; and the Committee is gratified that the President has taken this action. The Department of Transportation has estimated that approximately 107,000 on-site and related industry jobs can be created by this recent release of impounded funds. Depending on the pattern of spending of workers employed in the program, newly induced jobs outside the industry could go as high as 150,000.

The release of impounded funds is not an exclusive remedy for unemployment in the highway construction trade. Certain statutory changes are needed to help the States meet the requirements for matching Federal-aid highway funds and to permit greater latitude in the use of funds for the greatest and most immediate impact on the unemployment problem.

On March 5 and 6, the Subcommittee on Surface Transportation conducted public hearings to ascertain whether or not pending legislative measures dealing with these problems could facilitate the obligation of funds during the remainder of this fiscal year. A total of 19 witnesses were heard, and nine additional statements and supporting materials were filed with the subcommittee. Testimony was received from Members of Congress, Governors, Federal and State officials, and industry and environmental interest groups.

On March 13, the subcommittee reported to the full committee H.R. 3786, a bill to increase the Federal matching share for Federal-aid

highways and certain public mass transportation projects approved under title 23, United States Code between February 12, and the end of this fiscal year. The increase could be up to 100 percent at State option, with the provision that the State would have to repay the amount of the increase in the Federal share before January 1, 1977.

INCREASED FEDERAL MATCHING

Over the years, the Federal Government and the various State governments have shared in the responsibility for administering and financing the Federal-aid highway program. With Federal financial assistance and under Federal leadership, the States have developed the world's most efficient highway system for the transportation of people, goods, and services. Demonstrating an effective partnership arrangement since its inception, the Federal-aid highway program is an example of enlightened public administration.

The committee is not recommending a permanent change to the traditional concept for Federal-State financing of the Nation's highways. For decades, the States have sustained a capability to match Federal funds.

Due to the unexpected release of \$2 billion in impounded highway funds some States cannot at this time meet the requirements for additional State matching. Furthermore, the present condition of the economy and rising highway maintenance costs are beginning to restrict the capability of some States to match previously released funds. A diminution of the highway program in the various States so affected would aggravate economic hardship and high unemployment.

Therefore, as during the 1957 recession, it is necessary to relax temporarily the requirements for State matching. However, it should be emphasized that this is a temporary measure and that requirements for matching will be resumed on July 1, 1975. It is in the public interest and vital to the protection of Federal funds that participation on the part of the States be resumed at that time.

H.R. 3786, as reported by the committee, is a temporary measure which permits an increase in the Federal matching share for Federal-aid highways and certain public mass transportation projects approved under title 23, United States Code, during the period from February 12, 1975, to the end of this fiscal year. Generally, the States' share of the cost of projects is 10 percent for the Interstate System and 30 percent for other Federal-aid highway systems, and varying percentages for special categorical programs. To provide for temporary financing of the States' share, the Federal share of the cost of projects can be increased up to 100 percent. Such increases will be made upon request of any State and will come from the State's existing apportionments of Federal-aid highway funds. In return, the State must agree to repay such advanced amount prior to January 1, 1977, with non-Federal funds. The repayments will be deposited in the Highway Trust Fund, thereby restoring to the apportionments from which advances were made the amounts so advanced. The failure on the part of any State to honor this commitment would result in the withholding of approval of future Federal-aid highway projects in the State.

Wholesale release of impounded highway funds coupled with a relaxed matching requirement can be effective as a means of fighting unemployment in the highway construction industry. However, there is no exclusive remedy for the problem. For example, greater flexibility in the use of funds can enhance a State's capability to deal effectively with its own unique unemployment situation.

Accordingly, the bill was amended in committee to permit a transfer of funds among and within categories (except for the Interstate System), including a transfer of funds between urban and rural areas within a State. Apportionment limitations for individual categories would be set aside; however, in no event could a State obligate more than the total of its current apportionments. The amendment would be effective from February 12, 1975, until the end of fiscal year 1975.

Furthermore, the amendment provides that funds must be repaid to the categories from which originally transferred by deducting at least 50 percent of each future annual apportionment from the recipient categories and transferring such amounts annually until full repayment has been made to the categories from which funds were originally transferred. The committee intends that such annual deductions shall not exceed 50 percent of the annual apportionments of the recipient category unless so requested by the State.

As an example, amounts transferred to the secondary system in a State may be greater than the State's annual apportionment for the secondary system. By restricting the mandatory annual repayment to 50 percent of the secondary system apportionment, annual funding for the secondary system would not necessarily be depleted.

NONMAJOR FEDERAL ACTIONS

Federal Highway Administration regulations provide guidance as to types of projects ordinarily considered to be nonmajor actions. These include projects such as construction of a new rural two-lane highway which does not provide new access to an area and which would not be likely to precipitate significant changes in land use or development patterns, modernization of an existing highway by resurfacing, widening less than a single lane width, adding shoulders, adding auxiliary lanes for localized purposes (weaving, climbing, speed changes, etc.), and correcting substandard curves and intersections, and safety projects such as grooving, glare screen, safety barriers, energy attenuators, etc.

Nonmajor projects are generally the small, labor-intensive projects which can be advanced quickly with a minimum of preliminary planning and red tape. In a recent communication, the States were directed by the Federal Highway Administration to give preference for the remainder of the fiscal year to projects on which work can commence within 45 days after approval of a project. This strategy is intended to have maximum possible impact on the unemployment situation.

The subcommittee received a substantial amount of testimony on this subject during the hearings. The committee recommends that the existing guidelines be interpreted and administered as liberally as possible to expedite highway construction and provide jobs.

CONSTRUCTION STANDARDS

The Federal-aid highway system is built to the highest construction standards in the world. These standards mean increased safety and capacity for the system and lower vehicle operating costs. They also mean large expenditures for a given amount of highway built. Under normal conditions, a highway built today will last for 20 years as a working, structurally sound facility.

Today, there are thousands of miles of older highways, built to earlier standards, which are long past their useful lives. Intensive maintenance cannot significantly deter their continued physical deterioration. They require a stronger measure of rehabilitation. Because there are so many and because today's construction standards are so high, the Federal Government and the States do not have the fiscal resources to reconstruct them before they become extremely hazardous and lose their usefulness. What is required is some intermediate step, more substantial than maintenance yet not as costly as full reconstruction in order to preserve them until more complete measures can be undertaken.

Consideration of this situation should be undertaken when new highway legislation affecting title 23, United States Code, comes before the Congress.

In the meanwhile, it is the opinion of the committee that section 109 (a) and (b) of title 23, United States Code, grant the Secretary sufficient authority to adopt standards to meet this need. It is the committee's opinion, concurred in by the testimony of the Federal Highway Administration, that, in the interests of safety, or structural and riding adequacy, policies should be adopted that would permit Federal funding of such projects as:

(a) Resurfacing, or widening and resurfacing, of existing rural and urban pavements with or without revision of horizontal or vertical alinement or other geometric features;

(b) Replacement of existing structures that are structurally or geometrically inadequate, or which constitute capacity restrictions, to a width at least equal to the American Association of State Highway and Transportation Officials (AASHTO) minimums;

(c) Replacement or rehabilitation of structures or structural components, decks, or other major elements of existing structures; where such replacement or rehabilitation is necessary to preserve the integrity of the structure but does not change basic structure geometrics; and

(d) Construction of bicycle paths in rural and urban areas, either within or outside highway right-of-way.

Further, it is the opinion of the committee that the projects described in paragraphs (a) through (d) are very often nonmajor actions. Determinations by the Secretary of Transportation along these lines will help assure the primary benefits that will be derived from the release of impounded Federal-aid highway funds at this time in terms of the stimulation of the highway construction industry and the reduction in unemployment that will result. In order to maximize this benefit, it is important that the States be able to obligate the impounded funds that are released as quickly as possible.

COMPLIANCE WITH CLAUSE 2(1) OF RULE XI OF THE RULES OF THE HOUSE
OF REPRESENTATIVES

(1) With reference to clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, no separate hearings were held on the subject matter of this legislation by the Subcommittee on Investigations and Review. However, the Subcommittee on Surface Transportation held hearings on this subject matter which resulted in the reported bill.

(2) With respect to clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives the bill, as reported, does not provide new budget authority or increased tax expenditures. Accordingly, a statement pursuant to section 308(a) of the Congressional Budget Act is not required.

(3) With reference to clause 2(1)(3)(C) of rule XI of the Rules of the House of Representatives, the committee has not received an estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act.

(4) With reference to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee has not received a report for the Committee on Government Operations pertaining to this subject matter.

(5) With reference to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the following information is provided:

(a) On February 11, 1975, the President released an additional \$2 billion of impounded highway funds to provide a stimulus to the economy. This action raised the total program level for Federal-aid Highways from \$4.6 billion to \$6.6 billion for fiscal year 1975.

(b) H.R. 3786, as reported, permits an increase in the Federal share up to total cost on projects approved between February 12, 1975, and June 30, 1975. The purpose of this authorization is to insure that the States will be able to meet the goal of obligating the entire \$6.6 billion before the end of this fiscal year, including the \$2 billion released in February. Any amounts advanced to the States upon their request pursuant to this bill must be repaid to the Federal Government before January 1, 1977.

(c) This bill will not affect prices and costs since it does not authorize additional funds. Instead, it permits the substitution, temporarily, of Federal funds for State funds with no net increase of cash flow into the economy. Also, the supply of and demand for equipment and materials is unaffected by this funding arrangement, given the commitment to increase the program level for the current fiscal years. Therefore, H.R. 3786, as reported, would not have an inflationary impact on the national economy.

COSTS OF THE LEGISLATION

Clause 7(a) of rule XIII of the Rules of the House of Representatives requires a statement of the estimated cost to the United States which would be incurred in carrying out H.R. 3786. There would be no additional costs resulting from enactment of H.R. 3786.

VOICE

The committee ordered the bill reported by voice vote.

PROVISIONS OF EXISTING LAW REFERRED TO IN THE BILL, AS REPORTED

For the information of the Members, the following provisions of existing law are referred to in the bill, as reported:

SECTIONS 104(b), 106, AND 117 OF TITLE 23 OF THE
UNITED STATES CODE

§ 104. Apportionment

(a) * * *

* * * * *

(b) On or before January 1 next preceding the commencement of each fiscal year, except as provided in paragraphs (4) and (5) of this subsection, the Secretary, after making the deduction authorized by subsection (a) of this section, shall apportion the remainder of the sums authorized to be appropriated for expenditure upon the Federal-aid systems for that fiscal year, among the several States in the following manner:

(1) For the Federal-aid primary system:

One-third in the ratio which the area of each State bears to the total area of all the States; one-third in the ratio which the population of rural areas of each State bears to the total population of rural areas of all the States as shown by the latest available Federal census; one-third in the ratio which the mileage of rural delivery routes and intercity mail routes where service is performed by motor vehicles in each State bears to the total mileage of rural delivery and intercity mail routes where service is performed by motor vehicles in all the States at the close of the next preceding calendar year, as shown by a certificate of the Postmaster General, which he is directed to make and furnish annually to the Secretary. No State (other than the District of Columbia) shall receive less than one-half of 1 per centum of each year's apportionment.

(2) For the Federal-aid secondary system:

One-third in the ratio which the area of each State bears to the total area of all the States; one-third in the ratio which the population of rural areas of each State bears to the total population of rural areas of all the States as shown by the latest available Federal census; and one-third in the ratio which the mileage of rural delivery and intercity mail routes where service is performed by motor vehicles, certified as above provided, in each State bears to the total mileage of rural delivery and intercity mail routes where service is performed by motor vehicles in all the States. No State (other than the District of Columbia) shall receive less than one-half of 1 per centum of each year's apportionment.

(3) For extensions of the Federal-aid primary and Federal-aid secondary systems within urban areas:

In the ratio which the population in municipalities and other urban places of five thousand or more in each State bears to the total population in municipalities and other urban places of five thousand

or more in all the States as shown by the latest available Federal census.

(4) For the Interstate System, for the fiscal years ending June 30, 1957, June 30, 1958, and June 30, 1959:

One-half in the ratio which the population of each State bears to the total population of all the States as shown by the latest available Federal census, except that no States shall receive less than three-fourths of 1 per centum of the funds so apportioned; and one-half in the manner provided in paragraph (1) of this subsection. The sums authorized by section 108(b) of the Federal-Aid Highway Act of 1956 for the fiscal years ending June 30, 1958, and June 30, 1959, shall be apportioned on a date not less than six months and not more than twelve months in advance of the beginning of the fiscal year for which authorized.

(5) For the Interstate System for the fiscal years 1960 through 1979:

For the fiscal years 1960 through 1966, in the ratio which the estimated cost of completing the Interstate System in such State, as determined and approved in the manner provided in this paragraph, bears to the sum of the estimated cost of completing the Interstate System in all of the States. For the fiscal years 1967 through 1979, in the ratio which the Federal share of the estimated cost of completing the Interstate System in such State, as determined and approved in the manner provided in this paragraph, bears to the sum of the estimated cost of the Federal share of completing the Interstate System in all of the States. Each apportionment herein authorized for the fiscal years 1960 through 1979, inclusive, shall be made on a date as far in advance of the beginning of the fiscal year for which authorized as practicable but in no case more than eighteen months prior to the beginning of the fiscal year for which authorized. As soon as the standards provided for in subsection (b) of section 109 of this title have been adopted, the Secretary, in cooperation with the State highway departments, shall make a detailed estimate of the cost of completing the Interstate System as then designated, after taking into account all previous apportionments made under this section, based upon such standards and in accordance with rules and regulations adopted by him and applied uniformly to all of the States. The Secretary shall transmit such estimates to the Senate and the House of Representatives within ten days subsequent to January 2, 1958. Upon approval of such estimate by the Congress by concurrent resolution, the Secretary shall use such approved estimate in making apportionments for the fiscal years ending June 30, 1960, June 30, 1961, and June 30, 1962. The Secretary shall make a revised estimate of the cost of completing the then designated Interstate System, after taking into account all previous apportionments made under this section, in the same manner as stated above, and transmit the same to the Senate and the House of Representatives within ten days subsequent to January 2, 1961. Upon approval of such estimate by the Congress by concurrent resolution, the Secretary shall use such approved estimate in making apportionments for the fiscal years ending June 30, 1963, June 30, 1964, June 30, 1965, and June 30, 1966. The Secretary shall make a revised estimate of the cost of completing the then designated Interstate System, after taking into account all previous apportionments made

under this section, in the same manner as stated above, and transmit the same to the Senate and the House of Representatives within ten days subsequent to January 2, 1965. Upon the approval of such estimate by the Congress, the Secretary shall use the Federal share of such approved estimate in making apportionments for the fiscal years ending June 30, 1967; June 30, 1968; and June 30, 1969. The Secretary shall make a revised estimate of the cost of completing the then designated Interstate System after taking into account all previous apportionments made under this section, in the same manner as stated above, and transmit the same to the Senate and the House of Representatives within ten days subsequent to January 2, 1968. Upon the approval by the Congress, the Secretary shall use the Federal share of such approved estimate in making apportionments for the fiscal years ending June 30, 1970, and June 30, 1971. The Secretary shall make a revised estimate of the cost of completing the then designated Interstate System after taking into account all previous apportionments made under this section in the same manner as stated above, and transmit the same to the Senate and the House of Representatives on April 20, 1970. Upon the approval by the Congress, the Secretary shall use the Federal share of such approved estimate in making apportionments for the fiscal years ending June 30, 1972, and June 30, 1973. The Secretary shall make a revised estimate of the cost of completing the then designated Interstate System after taking into account all previous apportionments made under this section in the same manner as stated above, and transmit the same to the Senate and the House of Representatives within ten days subsequent to January 2, 1972. Upon the approval by Congress, the Secretary shall use the Federal share of such approved estimate in making apportionments for the fiscal years ending June 30, 1974, June 30, 1975, and June 30, 1976. The Secretary shall make a revised estimate of the cost of completing the then designated Interstate System after taking into account all previous apportionments made under this section in the same manner as stated above, and transmit the same to the Senate and the House of Representatives within ten days subsequent to January 2, 1975. Upon the approval by Congress, the Secretary shall use the Federal share of such approved estimate in making apportionments for the fiscal years ending June 30, 1977, and June 30, 1978. The Secretary shall make a revised estimate of the cost of completing the then designated Interstate System after taking into account all previous apportionments made under this section in the same manner as stated above, and transmit the same to the Senate and the House of Representatives within ten days subsequent to January 2, 1977. Upon the approval by Congress, the Secretary shall use the Federal share of such approved estimates in making apportionments for the fiscal year ending June 30, 1979. Whenever the Secretary, pursuant to this subsection, requests and receives estimates of cost from the State highway departments, he shall furnish copies of such estimates at the same time to the Senate and the House of Representatives.

(6) For the Federal-aid urban system:

In the ratio which the population in urban areas, or parts thereof, in each State bears to the total population in such urban areas, or parts

thereof, in all the States as shown by the latest available Federal census. No State shall receive less than one-half of 1 per centum of each year's apportionment.

* * * * *

§ 106. Plans, specifications, and estimates.

(a) Except as provided in section 117 of this title, the State highway department shall submit to the Secretary for his approval, as soon as practicable after program approval, such surveys, plans, specifications, and estimates for each proposed project included in an approved program as the Secretary may require. The Secretary shall act upon such surveys, plans, specifications, and estimates as soon as practicable after the same have been submitted, and his approval of any such project shall be deemed a contractual obligation of the Federal Government for the payment of its proportional contribution thereto. In taking such action, the Secretary shall be guided by the provisions of section 109 of this title.

(b) In addition to the approval required under subsection (a) of this section, proposed specifications for projects for construction on (1) the Federal-aid secondary system, except in States where all public roads and highways are under the control and supervision of the State highway department, and (2) the Federal-aid urban system, shall be determined by the State highway department and the appropriate local road officials in cooperation with each other.

(c) Items included in any such estimate for construction engineering shall not exceed 10 per centum of the total estimated cost of a project financed with Federal-aid primary, secondary, or urban funds, after excluding from such total estimated cost, the estimated costs of rights-of-way, preliminary engineering, and construction engineering: *Provided*, That such limitation shall be 15 per centum in any State with respect to which the Secretary finds such higher limitation to be necessary. For any project financed with interstate funds, such limitation shall be 10 per centum.

(d) In such cases as the Secretary determines advisable, plans, specifications, and estimates for proposed projects on any Federal-aid system shall be accompanied by a value engineering or other cost reduction analysis.

* * * * *

§ 117. Certification acceptance.

(a) The Secretary may discharge any of his responsibilities under this title relative to projects on Federal-aid systems, except the Interstate System, upon the request of any State, by accepting a certification by the State highway department, or that department, commission, board, or official of any State charged by its laws with the responsibility for highway construction, of its performance of such responsibilities, if he finds such projects will be carried out in accordance with State laws, regulations, directives, and standards establishing requirements at least equivalent to those contained in, or issued pursuant to, this title.

(b) The Secretary shall make a final inspection of each such project upon its completion and shall require an adequate report of the estimated, and actual, cost of construction as well as such other information as he determines necessary.

(c) The procedure authorized by this section shall be an alternative to that otherwise prescribed in this title. The Secretary shall promulgate such guidelines and regulations as may be necessary to carry out this section.

(d) Acceptance by the Secretary of a State's certification under this section may be rescinded by the Secretary at any time if, in his opinion, it is necessary to do.

(e) Nothing in this section shall affect or discharge any responsibility or obligation of the Secretary under any Federal law, including the National Environmental Policy Act of 1969 (42 U.S.C. 4321, et seq.), section 4 (f) of the Department of Transportation Act (49 U.S.C. 1653 (f)), title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000 (d), et seq.), title VIII of the Act of April 11, 1968 (Public Law 90-284, 42 U.S.C. 3601 et seq.), and the Uniform Relocation Assistance and Land Acquisition Policies Act of 1970 (42 U.S.C. 4601, et seq.), other than this title.

SEPARATE VIEWS OF MS. ABZUG

The Committee has made a serious mistake in its reversal of the Transportation Subcommittee's decision to decategorize all impounded highway monies for the period February 12, 1975-June 30, 1975.

The decategorization amendment as perfected would have meant that all the States could have taken advantage of the released funds rather than just some of them. And it would mean that all of the impounded funds could have been spent, rather than just some of it. More importantly, the larger urban states where unemployment is particularly high would have been able to be considered equally not discriminatorily as is now the case.

This is because those states, reflecting a national phenomenon, have exhausted most of the highway money appropriated to them except for the interstate funds. One half of all impounded highway funds are in the interstate program. This is due in part to the long lead times and bureaucratic impediments associated with interstate projects. Thus, it is generally true that States have moved primary and urban projects. The evidence is unmistakably clear that they could move more of these projects and thus stimulate the construction industry. But they cannot do this if the released highway funds are not flexible and decategorized, including the interstate program. This is most evidently the case in Alabama, Illinois, Louisiana, New Jersey, New York, Ohio, Pennsylvania and Massachusetts.

The Transportation Subcommittee endorsed this concept almost unanimously. The full committee accepted the concept of flexibility but refused to extend it to the interstate program. Yet, with an adequate payback mechanism whereby the interstate program and any other highway category and the Highway Trust Fund would be made whole no later than January 1, 1977, there is no logical reason not to extend flexibility where it is most necessary. Rather, the Committee evidenced a mania of protectionism towards the interstate that was misplaced, unnecessary and singularly destructive.

It cannot be denied that by virtue of the amendment I offered:

- (1) No State could have used another State's appropriations; and
- (2) Each State that, in effect, transferred money from one category to another must pay it back to the particular category from whence it came; and
- (3) No more funds than is presently allowed by the highway law could have been spent on mass transit.

Finally, the Act would have only obtained only until July 1, 1975 and only for funds obligated since February 12, 1975.

This flexibility was an emergency measure to relieve an emergency situation. The Administration released the funds so it could be spent so it could create jobs. This bill and amendment allowed the money to be spent where otherwise it may not be.

If we are sincere about fighting unemployment, the Congress should pass this bill with my amendment to give the states the tools and the vehicle they need to bring the federal dollar to the people. Otherwise, this bill is a useless gesture and the release of impounded funds a cruel hoax.



Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To authorize the increase of the Federal share of certain projects under title 23,
United States Code.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law, the Federal share of any project approved by the Secretary of Transportation under section 106(a), and of any project for which the United States becomes obligated to pay under section 117, of title 23, United States Code, during the period beginning February 12, 1975, and ending September 30, 1975 (both dates inclusive), shall be such percentage of the construction cost as the State highway department requests, up to and including 100 per centum.

SEC. 2. The total amount of such increases in the Federal share as are made pursuant to the first section of this Act for any State shall be repaid to the United States by such State before January 1, 1977. Such repayments shall be deposited in the Highway Trust Fund. No project shall be approved under section 106 or section 117 of title 23, United States Code, for any project in any State which has failed to make its repayment in accordance with this section until such repayment has been made.

SEC. 3. Notwithstanding any other provision of law, any money apportioned under section 104(b) of title 23, United States Code, for any one Federal-aid highway system in a State (other than the Interstate System) may be used during the period beginning February 12, 1975, and ending September 30, 1975 (both dates inclusive), for any project in that State on any Federal-aid highway system (other than the Interstate System). The Secretary shall deduct from moneys apportioned to a State under section 104(b) of title 23, United States Code, after the date of enactment of this section for a Federal-aid highway system on which money has been used under authority of the preceding sentence, an amount equal to the money so used, and the deducted amount shall be repaid and credited to the last apportionment made for the system for which the money so used was originally apportioned. Each deduction made under the preceding sentence shall be at least 50 per centum of the annual apportionment to which the deduction applies until full repayment has been made.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

June 5, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have signed into law H.R. 3786, a bill that will permit greater flexibility to the States in the use of Federal-aid highway funds and enable them to temporarily defer their matching share for certain projects.

The major benefit of this legislation is that it will permit States to temporarily reallocate Federal funds among the various categories of Federal-aid highway programs, except for the Interstate System. This change will permit the States to move forward with certain job-creating highway projects which they could otherwise not undertake at this time. This is also consistent with my view that the number of categories in the Federal highway program should be reduced.

Unfortunately, this legislation permits the States to defer until December 31, 1976, the payment of their matching requirement on projects for which Federal funds have been approved between February 12 and September 30, 1975.

Although I strongly oppose in principle deferring matching requirements by State and local governments, this one-time exception is made to enable the States to take advantage of the special jobs-producing highway funds which I released in February and of the additional funds made available by the Congress in April. Importantly, H.R. 3786 contains a tough provision which requires States to either pay up their deferred matching share by the end of 1976 or lose future Federal highway grants. For these reasons, I have signed this legislation to insure that all States will be able to take advantage of their fair share of these special highway funds and to proceed with projects which will stimulate employment in the construction industry.

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May 23, 1975

Dear Mr. Director:

The following bills were received at the White House on May 23rd:

S. 249
H.R. 3786 -
H.R. 7136

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.