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Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

FEDERAL-AID HIGHWAY ACT OF 1975

The President is transmitting today to the Congress, the Federal-Aid Highway Act of 1975. Covering the fiscal years 1977-1980, the Act has the following key objectives:

- Emphasize the Federal interest in completing and maintaining an effective national Interstate highway system.
- Permit new flexibility to State and local officials in utilizing non-Interstate Federal highway assistance.
- Provide responsible funding authorizations for the highway program, consistent with other transportation and national priorities.

BACKGROUND

The twenty-year-old Highway Trust Fund expires on October 1, 1977. The current Federal-aid highway program consists of approximately thirty categorical programs. Interstate system projects are funded with 90% Federal funds and 10% matching from the States. Other projects are funded on a 70/30 basis.

The 42,500-mile Interstate system is nearly completed with 85% open to traffic.

KEY PROVISIONS OF THE PROPOSAL

-- Program Structure

1. To expedite completion of an inter-city Interstate system, Interstate funding will be gradually increased from the current annual level and the apportionment formula and operating procedures will be revised to place highest priority on expediting the completion of Interstate routes of national significance. Lower priority will be placed on completion of routes primarily serving local needs.

2. To enhance State and local flexibility in using Federal transportation assistance, approximately thirty highway categorical grant programs will be consolidated into four broad programs: Interstate system, urban and suburban transportation assistance program (areas over 50,000 population), rural transportation assistance program (any area not covered under the urban program), and the highway safety improvement program. Furthermore, urban, rural, and safety funds will be available for use on highways not on the Federal-aid systems and for projects to improve public transportation.

-- Financing Structure

1. The Highway Trust Fund's October 1, 1977, termination date would be eliminated and the Trust Fund would be extended indefinitely. It would be maintained exclusively for the construction and improvement of the Interstate system.

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2. Beginning October 1, 1976, revenues from the Federal gasoline tax going into the Highway Trust Fund would be reduced from four cents to one cent. In addition, the Trust Fund would continue to receive revenues from other user taxes (tires, auto and truck parts, etc.) and the diesel fuel tax.

3. In view of their close relationship to general community improvement and local transportation needs, all non-Interstate Federal highway programs -- including rural, urban and safety improvement -- would be financed out of the General Fund. Two of the three cents no longer going into the Highway Trust Fund would be returned to the General Fund of the U.S. Treasury.

4. The remaining one cent of the three cents would be repealed in any State which correspondingly raises its State gasoline tax by at least one cent after September 30, 1976. If a State determines not to increase its own gasoline tax, the excess Federal revenues would go into the General Fund. It would not be mandatory that States use this one cent from the Federal gasoline tax for transportation purposes, though this would be encouraged to meet State needs for matching Federal transportation programs, for State/local highway maintenance, and for public transportation investments.

FEDERAL HIGHWAY TAXES

<u>Current</u>	<u>President's Proposal</u>
A) 4¢/gal. gas tax goes to Trust Fund (approximately \$4 billion per year)	1¢/gal. - Highway Trust Fund 2¢/gal. - Transferred to General Fund 1¢/gal. - This 1¢ federal gas tax will be repealed if and when the respective State increases its gas tax by one or more cents
B) All other highway-related excise taxes - Trust Fund (approximately \$2 billion per year)	No change

REVENUE-FUNDING ESTIMATES

The revised fiscal structure would result in the following estimated revenues for each fiscal year:

<u>REVENUES (\$ in billions)</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Highway Trust Fund	3.3	3.4	3.5	3.7
General Fund	2.0	2.1	2.1	2.2

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<u>FUNDING LEVELS</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Interstate System Program (Highway Trust Fund)	3.25	3.4	3.55	3.7
Other Non-Interstate Programs <u>1/</u> (General Fund)	2.2	2.2	2.2	2.2
State Tax Preemption (Uses at State discretion)	1.0	1.0	1.1	1.1
TOTAL	6.45	6.6	6.85	7.0

1/ In addition to the programs authorized in this bill, programs authorized in companion legislation -- such as the State and Community Grant program for highway safety -- would be shifted to the General Fund.

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