[1975]

3 Coleman

* JFG

1) Highway Legislate
exp. June 30, 1975
can somebody get an answer

2) need - Public Works employment
Grant $700/yr
$700/yr
need

3) No grant - need -
supposed to testify -

4) Ethics - - season pass to any National League
1,000 to legal Defense

THE WHITE HOUSE

WASHINGTON

May 27, 1975

MEMORANDUM FOR : MIKE DUVAL

FROM : JIM CANNON Jim

SUBJECT : Delays

Jim Lynn pointed out at this morning's 8:00 a.m. Senior Staff Meeting that his memo to the President on Highway Legislation had been delayed.

As you know, our recommendation was due to the Staff Secretary by noon on Friday, May 23. I understand your helpfulness in assisting Jerry Jones in securing recommendations from other staff offices and doing a revised paper for the President. The point of this memorandum is to remind you that either I or one of the deputies must be notified by the date and time a paper for the President is due if the deadline cannot be kept.

cc: Dick Dunham
Jim Cavanaugh

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Duval
5/23

Date: May 21, 1975 Time:

FOR ACTION: Phil Buchen
Jim Cannon
Jack Marsh
Robert T. Hartmann
Max Friedersdorf
Bill Seidman

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Friday, May 23, 1975 Time: noon

SUBJECT:

Lynn memo (5/21/75) re: Highway Legislation

ACTION REQUESTED:

____ For Necessary Action X For Your Recommendations

____ Prepare Agenda and Brief ____ Draft Reply

X For Your Comments ____ Draft Remarks

REMARKS:

1975 MAY 21 AM 8 30

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.

Jerry H. Jones
Staff Secretary

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

ACTION

MAY 21 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. LYNN (Signed) James T. Lynn

SUBJECT: Highway Legislation

Events of the past few months have raised substantial questions about the Administration's 1976 highway funding levels and longer term legislation. Decisions are needed concerning our 1976 funding strategy and unresolved issues in the highway legislation. The attached memo provides background on the current status of the highway program and a further discussion of each issue.

Issue #1: What should be the Administration's strategy to control the 1976 highway funding level?

- Congressional sources indicate that a 1976 deferral of highway funds, tied to the Administration's proposed $5.2 billion program, would be quickly overturned. Justice, Transportation (DOT), and OMB legal staff believe the courts will order the release of any funds which we would propose to defer in 1976. This would result in a program of between $7.5 and $8.5 billion based on estimates of how quickly funds could be obligated.

- DOT/Domestic Council/OMB recommend that the Administration negotiate with key congressional committees a revised 1976 funding level (around $6.7 billion) controlled by a legislative limitation on 1976 obligations and tied to specific congressional actions on highway legislation.

Decision

- Negotiate a revised, controlled 1976 funding level ________
- Submit a deferral in 1976 with $5.2 billion program ________

Highway Legislation

Issue #2: Should States be permitted to preempt 1¢ of Federal gas tax revenues ($1 billion annually) initially in 1977 or in 1978 as originally proposed in the 1976 Budget?

- In light of the $6.6 billion 1975 highway program, congressional anticipation of a $7+ billion program in 1976, and recent annual contract authorizations of $6.5 billion, Congress and interest groups have strongly indicated that the proposed $5.5 billion 1977 program is unacceptable.

DOT has proposed, with OMB and Domestic Council concurrence, that the effective date of provisions permitting gas tax preemption by the States be shifted from 1978 into 1977 to increase the total 1977 program to an acceptable level, provide better visibility for the preemption provisions, and assist States with cash problems.

Decision

- Permit state preemption of 1¢ gas tax in 1977 ___________
- Keep 1978 as initial state preemption date ___________

Issue #3: What provisions should be provided for funding mass transit projects built in lieu of urban Interstate Highways?

- DOT with the concurrence of the Domestic Council has proposed separate funding independent of the Interstate Highway process for mass transit substitutions. DOT believes separate funding is necessary to encourage substitutions for low priority, urban highway projects because the large size and differing construction pace of transit projects require faster funding.

- OMB believes that mass transit projects can be staged to match the availability of funds from the Interstate apportionment process and that the $2-$3 billion increase in highway and mass transit funding proposed by DOT is not needed in light of recently expanded mass transit and highway program levels. Control of these additional funds would be extremely difficult.

Decision

- New funding, independent of Interstate process ___________
- Fund mass transit within present Interstate process ______

Issue #4: Should DOT be legislatively required to delegate all project approval authority to the States in the non-interstate programs if environmental regulations are delegated?

- DOT wants to be able to delegate complete environmental responsibilities to a State and still retain approval authority in other areas which would provide maximum Federal discretion.

- CEQ believes that environmental responsibilities should be delegated only if all other decision making responsibilities are delegated. They feel the DOT proposal would lead to unnecessary litigation and confusion. OMB supports the CEQ proposal because it would encourage additional delegation to the States of non-interstate responsibilities. The Domestic Council concurs.

Decision

- Require delegation of all responsibilities ___________
- Permit separate environmental delegation ___________

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

MAY 21 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. LYNN (Signed) James T. Lynn

SUBJECT: Highway Legislation

Several events having a significant impact on the highway program have occurred since you approved the basic concepts of the proposed new Federal-Aid Highway legislation in January.

- In February, you ordered the release of an additional $2 billion of Federal-Aid Highway funds to stimulate employment.

- In April, the Senate overturned the deferral of the remaining $9.1 billion of Federal-Aid Highway funds, forcing the release of these funds in 1975.

- In the past few months, we have lost several additional appellate cases on the highway deferral issue as well as a Supreme Court case on a related issue.

The Secretary of Transportation has completed his review of the proposed legislation and has submitted a bill for final clearance before submission to the Congress. Decisions need to be made on our strategy for funding 1976 and on the three remaining open issues in the proposed new legislation.

One of the major objectives of the proposed highway legislation is to achieve reasonable long-term funding levels that are consistent with our fiscal objectives and program priorities. The Administration's posture on 1976 funding will be a key ingredient in negotiations with the Congress on the longer term levels. Table 1 summarizes the Administration's originally proposed funding along with subsequent changes and future options.

Table 1

Federal-Aid Highway
Program Level
($ in billions)

	1975	1976	1977	1978	1979	1980
Federal-Aid Program (Jan Est.)						
- Highway Assistance	4.6	5.2	5.5	5.7	5.8	5.9
- State Revenue Preemption	--	--	--	1.0	1.0	1.0
Total	4.6	5.2	5.5	6.7	6.8	6.9
Admin. Feb. Release	2.0	--	--	--	--	--
Current Admin. Prop.	6.6	5.2	5.5	6.7	6.8	6.9
1976--Est. Negotiated Limitation (Issue #1) (DOT/Dom. Council/OMB)		+1.5				
1977 State Preemption Shift (Issue #2) (DOT/Dom. Council/OMB)			+1.0			
Est. Negotiated Outcome (DOT/Dom. Council/OMB)	6.6	6.7	6.5	6.7	6.8	6.9
Mass Transit Authorization (Issue #3) (DOT/Dom. Council)		← +$1.0-$3.0 →				
Est. Unconstrained Congressional Program	6.8	7.5	8.0	8.5	9.0	9.0

Impact of Changes on Deficit

	1976	1977
Release of $2B in February	+1.0	+0.4
Negotiated limitation on obligation (Issue 1)	+0.2	+0.5
Congressional Program (in addition to above)	+0.2	+0.3
1977 State Preemption Shift (Issue 2)	---	+1.0
Mass Transit Substitution (Issue 3)	---	+0.1

Funding for 1976

Issue #1: What should be the Administration's strategy in attempting to control the 1976 program level?

Discussion: Congressional sources indicate that a proposed 1976 deferral, based on the Administration's $5.2 billion program, would probably be quickly overturned. Even if we chose to defer funds in 1976, Justice, Transportation (DOT), and OMB legal staff believe that the courts would probably order the release of all highway funds in 1976. Given the availability of over $9 billion in previously authorized highway funds and the small chance of sustaining a deferral before the courts or in the Congress, other mechanisms to control funding levels in 1976 and beyond must be explored.

This problem is further complicated by the availability of additional funding during 1976. Under current procedures an additional $6.5-7.0 billion of new funds will become available for obligation in 1976 (in addition to the $9 billion that will be available in July). Our proposed legislation seeks to shift the availability of these new funds into 1977.

Additionally there are difficulties with the distribution of these funds. Presently available authorizations are legislatively distributed among the States. Some "fast spending" States will exhaust their authorizations early in 1976 or the transition quarter if the Administration's proposal to shift availability dates is adopted. They will therefore be unable to obligate their normal share of a $5.2 billion or larger program. OMB and DOT staff are studying the feasibility of providing special authorizations for these States to enable them to make the transition from the old highway programs into the new program.

DOT and OMB are seeking your approval to attempt to negotiate with the key congressional committees a revised 1976 funding level which would be tied to a congressional limitation on annual obligations (in the DOT Appropriations Act) and agreements on key provisions of the proposed highway legislation.

Such an agreement would:

- Provide a mechanism to control obligations outside the deferral process, hopefully reducing the 1976 program by $0.5-1.0 billion below an unconstrained level.

- Undoubtedly require the Administration to agree to a program level of roughly $6.7 billion in 1976, about $1.5 billion in excess of the 1976 budget level (1976 outlays of about $0.2B) and provision of special authorizations in "problem" States.

- Assist the Administration in negotiating key provisions of the highway legislation by offering to compromise on 1976 funding in exchange for reasonable authorization levels.

Unless the Administration is prepared to negotiate on 1976 funding, it will be very difficult to enter into a meaningful dialogue with the Congress on highway issues. Given the overall collapse of our current deferral strategy we have little to lose from efforts to reach a funding compromise.

Decision

Attempt to negotiate an acceptable revised 1976 funding level (Supported by DOT, Domestic Council and OMB) ☐

Stick with current 1976 funding level ($5.2B) ☐

See me for further discussions ☐

Outline of Highway Legislation

The proposed legislation conforms closely with earlier policy decisions reached among DOT, the Domestic Council, and OMB with your concurrence (TAB A).

The legislation would reaffirm the Federal commitment to the completion of the Interstate Highway System by:

--Extending the Highway Trust Fund beyond the present 1977 expiration date for the exclusive use of Interstate Highway Program.

--Prioritizing completion of the Interstate System by focusing resources on segments necessary for intercity connectivity, the prime Federal interest.

--Modestly increasing authorizations in 1978-1980 ($150 million annually above current levels).

The proposal would substantially lessen the Federal involvement in the non-interstate highway system, which should be primarily a state and local responsibility, by:

--Consolidating the present maze of 30+ categorical grants into three broad programs to be used at state and local discretion for a wider range of transportation activities.

--Decreasing direct Federal assistance for non-interstate programs by about $1 billion from levels currently provided by the Congress, but permitting the States to preempt 1¢ of the present Federal gasoline tax ($1 billion annually) for unrestricted local use.

--Funding the non-interstate highway program from the general fund, thus forcing non-interstate highway programs to compete more directly for resources with other Federal programs, and concurrently shifting 2¢ ($2 billion annually) of Federal gasoline revenues into the General Fund.

<u>Open Issues</u>

Three issues remain to be resolved regarding the highway legislative proposal: Timing of state preemption of 1¢ of Federal gas tax revenues, funding for mass transit substitution, and delegation of project approval and environmental impact statement responsibilities to the States.

<u>Timing of State Gas Tax Preemption</u>

<u>Issue #2</u>: Should States be permitted to preempt 1¢ of Federal gas tax revenues ($1 billion annually) initially in 1977 or in 1978?

<u>Discussion</u>: The original highway proposal, announced in the Budget and State of the Union Messages, permitted state preemption of 1¢ of the Federal gas tax beginning in 1978.

Shifting the preemption to 1977 would:

--Provide total Federal highway funding to the States of $6.5 billion in 1977 ($5.5 billion from Federal-Aid programs and $1 billion from tax preemption), the minimum level the Congress will consider in light of recent annual authorizations of $6.5 billion, the 1975 program of $6.6 billion, and the anticipated 1976 program level of around $7.0 billion. (Table 1 shows long term funding proposals).

--Focus additional attention on the positive aspects of our preemption proposals which have been largely ignored by congressional and interest group critics of the Administration's proposal because of the distant "1978" implementation date.

--Give the States, which are hard pressed for cash, an additional $1 billion in cash in 1977, helping to relieve pressures to increase the Federal matching share of highway programs.

On the other hand, 1977 preemption authority would increase the cost of the Administration's proposal for fiscal year 1977 by about $1 billion. Other financing changes, agreed to by DOT/OMB have reduced the cost of the original proposal by $150 million annually in 1978-1980.

Decision

Permit state preemption of 1¢ gas tax in 1977 (Supported by DOT, Domestic Council and OMB) ☐

Keep 1978 as initial state preemption date ☐

Funding for Mass Transit Substitution

Issue #3: What provisions should be provided in the legislation regarding the timing and source of funding for mass transit projects built in lieu of urban Interstate Highways?

Discussion: Under current procedures, funding for mass transit projects, substituted for urban Interstate Highway segments, is tied to the Interstate Highway apportionment formula. Each State receives an annual share of the total Interstate authorizations based on its share of the cost to complete the Interstate System (including the mass transit substitutions). These funds are then divided among Interstate Highway or Mass Transit Substitution projects at the discretion of the State.

DOT has proposed that upon substitution of a mass transit project for an Interstate Highway segment, separate funding be created in the Urban Mass Transportation Administration (UMTA) in addition to and independent of the Interstate Highway funding. Under this proposal, contract authorization would be available for the entire project at the time of the substitution, but Congress would be asked to establish a limitation on the rate of obligation of these funds similar to present congressional restrictions on UMTA obligations.

The DOT proposal would:

--Permit tailoring of funding availability to the requirements of individual mass transit projects, particularly important because DOT believes that the large size and differing construction schedules of such transit projects necessitate faster obligation of funds.

--Encourage mass transit substitution for low priority highway projects by providing earlier availability of funds.

--Eliminate the need for difficult annual state trade-offs between highway and mass transit for apportioned funds by providing separate transit funding.

--Eliminate the need to reduce the Interstate Highway Program when making a mass transit substitution by providing additional, separate transit funding.

On the other hand, the DOT separate funding proposal would:

--Increase transportation program levels by $2-$3 billion above the Administration's proposed highway and mass transit programs during the next five years.

--Provide special treatment for large mass transit projects, which OMB believes can be timed to reflect availability of funds, while forcing large urban highway projects to be staged to match the levels of Interstate apportionments.

DOT strongly endorses new funding provisions independent of the Interstate apportionment process because it will permit faster construction of transit projects, encourage transit substitutions, and partially alleviate pressure to increase mass transit program funding.

OMB opposes the independent funding because it does not believe the mass transit timing problem is so severe that it requires a $2-$3 billion expansion of transportation programs over the next five years.

Decisions

New funding, independent of Interstate apportionment process (Supported by DOT and Domestic Council) /_/

Fund mass transit substitutions within present Interstate process (Supported by OMB) /_/

Delegation of Project Approval and Environmantal Impact Statement Responsibilities to the States

Issue #4: Should DOT be legislatively required to delegate all project approval authority for non-interstate highway programs to the States if Environmental Impact Statement (EIS) responsibilities are delegated?

Discussion: A key thrust of the new highway legislation is the delegation of additional authority to the States for the non-interstate highway programs. DOT proposes that they be given the authority to delegate all project selection, design, and approval authority to the States. DOT wishes to be able to delegate EIS responsibility for any project in which they have not substantially affected the approval of the project. CEQ has requested that provisions be included in the legislation permitting delegation of EIS responsibility only if all other decisions affecting approval of similar classes of projects have been delegated to the States.

DOT wants to retain the flexibility of exercising review authority over specific areas in the approval process of all or a portion of a State's projects and having the ultimate veto power over specific projects. As long as DOT does not substantially interfere with the project approval process, DOT believes that EIS delegation should be permitted. This would encourage maximum delegation of all responsibilities to the States while preserving the Federal option to intervene if all is not going well. It would also permit Federal highway funds to be used by DOT as a lever to achieve broader transportation objectives.

CEQ believes that whoever ultimately controls project approval should also exercise environmental responsibilities. If DOT retains review authority over portions of the approval process, CEQ feels that DOT ultimately controls the decision and should assume EIS responsibilities. They believe the DOT proposal would: lead to massive amounts of litigation over who actually retained project control for specific projects; create general public confusion about Federal environmental responsibilities; cause unnecessary, duplicative impact statements; and provide a bad precedent for inappropriate delegation in other areas.

OMB questions the wisdom of having the environmental delegation issue controlling all other Federal delegation. We are, however, sympathetic to CEQ concerns about excessive litigation and confusion with the DOT proposal. Overall we favor the CEQ approach because it would force new delegation to the States by tying together the EIS and other approvals. If we ultimately wish to transfer the non-interstate program to the States, this alternative is more attractive.

Decision

Permit delegation of environmental responsibilities without delegation of all other project approval responsibilities (Supported by DOT) [ ]

Legislatively require delegation of all project approval responsibilities to a State for particular classes of projects if environmental responsibilities are to be delegated (Supported by CEQ, Domestic Council and OMB) [ ]

Attachments

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

INFORMATION

JAN 23 1975

MEMORANDUM FOR THE PRESIDENT

THROUGH: Roy L. Ash

FROM: Walter D. Scott /s/ Walter D. Scott

SUBJECT: New Aviation and Highway Legislation

Following discussions with you in early December concerning legislation for the extension and modification of the Federal aviation and highway programs, agreement has been reached on the major provisions of these proposals. DOT is currently drafting the necessary legislation. Key aspects of these proposals will be highlighted in your Budget Message. In addition, we recommend that the legislation be transmitted with a short, written Presidential Transportation Message within three weeks.

The aviation and highway proposals were developed with the objectives of:

--Increasing the efficiency and effectiveness of these programs by focusing Federal financing and oversight on national transportation system requirements while increasing state and local direction and flexibility.

--Dealing equitably with the complex trust fund/user charge policy issues in both programs by better matching dedicated revenues, beneficiaries, and program costs while proposing a straightforward solution to the deferred funds problem.

--Ensuring that the Administration is a full partner in Congressional deliberations by proposing programs with reasonable Congressional and interest group support.

The aviation legislation will provide contract authority to fund the Airport Grant Program at $350 million per year and to extend authorizations for the FAA Airway Facilities Program at $250 million per year through 1978. Under this proposal, most airport grant funding will be shifted from individual Federal project approval to a formula distribution system.

Federal aviation operating expenses will be funded from the aviation trust fund, and user fees will be adjusted by instituting general aviation landing fees (requested in the last Congress), decreasing the air carrier ticket tax on domestic passengers, and increasing the international departure tax. Unobligated grant funds of $0.2 billion will be allowed to lapse. Attachment A provides more detail on this proposal.

The highway legislation will provide $22.7 billion of contract authority for the Federal-aid highway program for 1977 through 1980, and extend the highway trust fund through 1980. Construction of the interstate system which will be financed from the trust fund, will be expedited by increasing funding levels and focusing efforts on completion of unfinished segments critical to national intercity connectivity. The non-interstate programs, to be financed from general funds, will be consolidated from over 30 restrictive categorical grants into three broad programs with provisions for "off-system" funding. Trust fund receipts will be reduced to the level of the proposed interstate system expenditures by shifting 2¢ of the gas tax into the general fund and permitting states to preempt 1¢ of all motor fuel taxes ($1.2 billion) in 1978. In addition, the $11 billion of deferred highway funds will be rescinded or exhausted by not requesting additional funds for 1976 and the transitional budget period. Attachment B provides more detail on this proposal.

Although these initiatives contain many provisions that will be supported by certain interest groups, the proposals for eliminating deferred funds and reducing the scope of the highway trust fund will face broad and substantial resistance. Authorizations for these programs have come from user financed trust funds, and in most cases are already apportioned to State and local bodies. We have reviewed many alternatives for reducing or eliminating unobligated balances, and have reluctantly concluded that there is no painless way of dealing with this problem. The straightforward approach recommended in these proposals essentially calls for "wiping the slate clean" for these programs. Likewise, it appears necessary to limit highway trust fund receipts and restrict its program to elements with high national interest if we are to get long term highway funding levels consistent with our fiscal objectives and other program priorities.

Overall, the proposals offer an opportunity to substantially increase local direction and management of these major grant programs while focusing the Federal involvement on projects of national interest. Most states, local bodies, and user groups will strongly support these efforts to eliminate unnecessary Federal involvement in and increase the efficiency and effectiveness of these grant programs.

Aviation Legislation

...Key objectives of legislation are to:

--Reduce Federal involvement in local airport development and increase local flexibility in use of funds.

--Establish principle of user responsibility for financing a portion of airway system operating costs.

--Allocate user fees more equitably among aviation system users.

--Stop the growth in aviation trust fund "surplus" and eliminate unobligated airport program funds.

--Continue funding Federal airway capital development at present levels.

...Airport grant provisions would authorize a three-year program which would:

--Provide for direct formula grants to air carrier airports ($50 per air carrier departure with a $25,000 annual minimum per airport) to replace present project approval program. ($260M).

--Expand projects eligible for funding to include development of passenger and baggage handling facilities (but not terminals per se) and eliminate local matching requirements.

--Establish a $50M annual discretionary capital assistance and planning grant program to meet special requirements of national priority at air carrier and general aviation reliever airports, not adequately provided for through formula funding.

--Allocate general aviation grants on a formula basis to the states with gradual shift of program management and funding responsibilities to the states. In 1978, the last year of this transition, states would fund the program from preempted Federal aviation gas tax revenues.

--Allow $194M in unobligated airport grant funds to lapse on June 30, 1975.

--Overall increase the annual new obligational authority for the airport grant program from the present $325M to $350M while reducing the Federal involvement (and Federal grant administrative staff).

...Aviation fee structure would be modified to more equitably match fees with the burden different users place on the system by:

--Reducing the domestic passenger ticket tax from 8% to 7% ($110M annual reduction).

--Raising the international enplanement fee from $3 to $5 ($30M annual increase).

--Instituting new general aviation landing fees of $5 and $10 at airports with FAA traffic control towers as proposed in the Budget Restraint Message ($80M annual increase).

...Airway facility authorizations for Federally owned and operated traffic control and navigation equipment would be continued for three years at the present $250M annual level.

...Trust funding will be extended to include the $430M annual maintenance costs for airway facilities, currently funded from the general fund.

...Aviation interest group reaction to the proposals will be mixed, but probably generally positive.

--Airport operators (includes many cities) will strongly support the direct formula grants. They will push for a larger overall program.

--Air carriers will support the domestic passenger tax reduction and most of the formula grant changes. They will push for a larger tax decrease.

--General aviation interests will support the general aviation airport proposals, but will strongly oppose landing fees.

--State aviation officials will support most of the airport grant proposals.

--All groups will oppose lapsing of airport grant funds and the opening of the trust fund for operating expenditures.

...Congressional reaction will probably also be mixed.

--House Public Works and Transportation Committee will be handling aviation legislation for first time. Anticipate positive reaction to formula grant proposals.

--Senate Commerce Committee will probably resist additional delegation to the states and trust fund changes.

--Ways and Means reaction on revenue proposal is uncertain. Will be substantial air carrier pressure to move legislation.

Highway Legislation

...Key objectives of the legislation are to:

--Increase the efficiency and effectiveness of highway assistance programs by providing additional state flexibility for non-interstate highway system while focusing Federal efforts on the critical national aspects of the Interstate system.

--Strike a long term balance between user receipts and trust funded programs at a level consistent with Administration's long term funding priorities.

--Provide a proposal for dealing with the immediate problem of the $11 billion Federal-aid deferral in a manner consistent with the Administration's fiscal objectives.

...Federal-aid highway Interstate assistance, financed from the trust fund, would increase significantly through 1980 while Non-Interstate assistance, financed from the general fund, would be held at the 1976 level.

	Program Level (Billions of Dollars)					
	1975	1976	1977	1978	1979	1980
TOTAL	4.6	5.2	5.4	5.6	5.8	5.9
Interstate (Trust Fund)	(2.5)	(3.0)	(3.2)	(3.4)	(3.6)	(3.7)
Non-Interstate (General Fund)	(2.1)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)

...State preemption of 1¢ per gallon of the Federal motor fuel tax would be permitted in 1978. The potential annual $1.2 billion in added state revenues would provide a substantial infusion of funds for local highway construction and maintenance problems.

...Interstate funds would be focused on unfinished segments necessary to national intercity connectivity by apportioning some of the interstate funds on the basis of unfinished critical links.

...Four broad program areas (Interstate, Rural and small urban, Urbanized, and Safety) would replace the present maze of categorical grants. Funding would be permitted from these program areas for roads not on the Interstate, Primary or Secondary Systems.

...Trust fund receipts would be reduced by the shift of 2¢ per gallon of gas tax receipts into the general fund and the local 1¢ per gallon preemption of motor fuel taxes. Receipts would equal the proposed Interstate System program level so that trust fund receipts and expenditures would be balanced.

...Deferred funds would be eliminated by rescinding the $3.2 billion "advanced" year Interstate allocation, requesting no additional Federal-aid authorizations for 1976 and the transitional period, and rescinding all unobligated balances as of September 30, 1976.

...Interest groups will generally support the revised program structure and the increases for the Interstate System.

...States should strongly support provisions providing for state motor fuel tax preemption as this will substantially increase revenues and local flexibility.

...Highway interest groups will strongly oppose rescission and trust fund modification.

...Congressional Committees will undoubtedly strongly oppose many of these provisions, particularly the rescission proposals. Substantial negotiations to reach a viable solution to the deferral and long term trust funding problems should be anticipated.

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

June 13, 1975

MEMORANDUM FOR: JIM CANNON

FROM: MIKE DUVAL

SUBJECT: Highway 131 (Near Grand Rapids)

Route 131 is congested just north of Grand Rapids. The State is considering two alternatives:

1. A connector to Route 37; or
2. Improve Route 131.

So far the State has made no decision and there has been no request for Federal aid. Governor Tiemann tells me that FHWA is likely to approve funds for either project once the request is made.

Reportedly, State legislators own some of the land involved.

EMBARGOED FOR RELEASE UNTIL 12:00 P.M. EDT

July 7, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

FEDERAL-AID HIGHWAY ACT OF 1975

FW

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.

more

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

	Current	President's Proposal
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:

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

more

FUNDING LEVELS	1977	1978	1979	1980
Interstate System Program (Highway Trust Fund)	3.25	3.4	3.55	3.7
Other Non-Interstate Programs 1/ (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.

# # #

EMBARGOED FOR RELEASE UNTIL 12 NOON E.D.T. July 7, 1975
MONDAY, July 7, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

File

TO THE CONGRESS OF THE UNITED STATES:

Twenty years ago, President Eisenhower sent to the Congress a landmark report on our Nation's highways. That report, and the legislation it inspired, launched the Nation on one of the most ambitious public works programs in history -- construction of the 42,500-mile Interstate Highway System.

Today, eighty-five percent of the Interstate system is open to traffic, and the system has proven vital to the Nation's commercial prosperity and to the individual mobility of millions of Americans.

The Highway Trust Fund which has financed this remarkable program is scheduled to expire on October 1, 1977. I am today recommending legislation to extend the Trust Fund but limit its use to completion and improvement of the Interstate system itself. Other highway projects receiving Federal assistance would be funded through the general treasury.

In addition, I am recommending that income to the Fund be reduced by transferring two cents of the current Federal gasoline tax from the Trust Fund to the general treasury. At the same time, I am recommending that the Federal gasoline tax be reduced by one cent per gallon in those States which increase their State gasoline tax by an equal amount.

In this way, the ability of State and local governments to deal with their own transportation problems will be improved, but costs to the highway user will not be increased.

Top priority in this legislation will go to completion of those segments of the Interstate system which will make the system truly national in scope.

I am also proposing consolidation of Federal highway programs under three broadly-based categories, combining some thirty narrow grant-in-aid programs now in existence. The three programs will deal, respectively, with urban and suburban transportation, rural transportation and highway safety improvements.

The highway program is a classic example of a Federal program that has expanded over the years into areas of State and local responsibility, distorting the priorities of those governments.

The legislation I propose will refocus the Federal attention on the Interstate System, which is clearly of national significance, and provide flexible aid for other highway construction in a manner which fully respects State and local decision-making roles.

This is consistent with my general philosophy that we should not, at the Federal level, extend our influence into areas which other levels of government can handle better.

more

As we near our 200th birthday as a Nation, we must select with care the great national efforts we undertake, reflecting the responsibility we all have to preserve the integrity of our Republic. We must limit the Federal role to national concerns, strengthen the authority and resources of State and local governments, and protect the prerogatives of individuals.

I believe this legislation is the most responsible and effective means of meeting the Nation's transportation needs. I urge the Congress to give it prompt and favorable consideration.

GERALD R. FORD

THE WHITE HOUSE,

July 7, 1975.

# # # # #

FOR IMMEDIATE RELEASE JULY 7, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

EXCHANGE OF REMARKS
BETWEEN THE PRESIDENT
AND
ROBERT D. RAY
GOVERNOR FROM THE STATE OF IOWA
CHAIRMAN, NATIONAL GOVERNORS CONFERENCE

THE ROSE GARDEN

11:34 A.M. EDT

THE PRESIDENT: Let me thank the various Governors here -- Governor Ray, Governor Rampton, Governor O'Callaghan, Governor Bennett and Governor Moore, representing the Governors and the Governors Conference -- for coming for the signing of the highway message.

The highway message is about 20 years after the establishment of the interstate highway system, some 42,500 miles. President Eisenhower took the lead, and Congress approved the establishment of the interstate highway system, one of the great public works projects in the history of the United States.

Times have changed, and as a result, in the highway message that I am sending, I am recommending the consolidation of some 30 categorical grant programs into four basic areas for the utilization of Federal funds.

We are going to have the funds to complete the interstate system. We will have the funds for an urban area highway program, and we will have a rural highway program, and then we will have the safety and beautification programs as a result.

This program tends to give to the States greater flexibility in the utilization of the funds for the completion of the interstate system and the development of a sound highway program.

We have made great strides in our highway construction. It has tied cities together, it has tied the Nation together, but there are some essential links that need completion in the interstate system. They will be completed under this program, and at the same time, we accelerate, through the flexibility, the development of highway programs in each of the various States.

MORE

So, it is a pleasure and a privilege for me to sign this message that will provide roughly $3 billion 250 million a year for the interstate system, around $1 billion 50 million for the rural program, $800 million a year for the urban program, $400 million a year for the safety program, and $65 million a year for the beautification program.

This, I believe, is a major step forward in the extension and completion of our various highway programs.

I thank Governor Ray and his associates for coming and participating in this ceremony. With their help, I am at least confident we can convince the Congress to take this very significant forward step.

As soon as I finish this, Bob, if you want to add a word on behalf of the Governors, I will appreciate it.

GOVERNOR RAY: Mr. President, I want first of all to thank you for calling us in and giving us an opportunity to be briefed on this particular message. I think it is significant that the President has seen fit to realize the importance of States as we plan our transportation systems in our respective States.

The provisions that the President is proposing would provide that the States have at least 1 cent out of that 4 cent gasoline tax, and we would be free to do with that as we see fit. In addition to that, we would be able to pre-empt 1 cent of the 4 cents by adopting in our respective States an opportunity to have another cent gasoline tax for our use and our purposes.

So, I think it is a step in the right direction, Mr. President. I think it could be very helpful in our States as we plan our transportation needs for the future.

THE PRESIDENT: Thank you very much.

END (AT 11:38 A.M. EDT)

Fite

July 10, 1975

MEMORANDUM TO THE VICE PRESIDENT

FROM: R. L. DUNHAM

SUBJECT: Mayors Meeting - Federal Aid Highway Act

The President will highlight and ask for the Mayors' support for his Highway Act proposals today.

There are several features which are advantageous to States and Cities that you should know about before you meet with the Mayors today.

1. 30 highway categorical grant problems would be consolidates into four broad programs.

For the first time, Federal funds will be available for use on non-Federal aid systems -- that is, city streets.

2. One cent of the present four cent Federal gasoline tax would be transferred to the States at their option.

This helps those states, not New York, which have earmarked revenues and currently do not have sufficient funds to match available Federal Highway Funds.

3. Two cents of the present four cent gasoline tax would be transferred from the Highway Trust Fund to the General Fund.

The effect of this should be, in the long run, to permit greater Federal funding of mass transit projects.

This feature should also help the cities but, of course, will be opposed by the highway people.

and maintenance

4. Another feature which is very important for the States and Cities is that for the first time Federal funds can be used for the reconstruction and improvement of the Interstate system and not just for new construction.

You will recall that we were always concerned with how we were ever going to be able to afford to maintain the Interstate system once it was complete and got older.

cc: Jim Cannon

Transportation Ogt

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUL 15 1975

MEMORANDUM FOR: MR. JAMES CANNON
Executive Director
Domestic Council

FROM: PAUL H. O'NEILL O'Neill

SUBJECT: Louisiana Toll Road

You asked me to review the budget consequences of going forward with the Louisiana Toll Road. These comments are based on preliminary discussions with Department of Transportation staff.

<u>Background</u>

...The Federal-Aid Highway Act of 1973 provided that:

--The Federal Highway Administration (FHWA) could provide funds for this toll project from amounts that Louisiana would normally receive for their Primary System and Priority Primary System Highways (specific authorization was required to permit use of these funds on a toll road); and

--FHWA could make payments from funds normally provided to Louisiana over the next 15 years to redeem bonds that would be floated to pay the cost of this project (normally funds are not available to redeem bonds for roads built many years before).

...The Federal-Aid Highway Act of 1973 did <u>not</u> provide Louisiana with any additional funds, above and beyond what they would normally receive, for this road.

...Unfortunately, some members of the Louisiana congressional delegation and the local press originally thought that the legislation provided special, additional Federal funds for this project. There was a bitter dispute in the state over the toll road when local interests realized that funding for this road would consume all the funds that Louisiana could anticipate receiving in the foreseeable future for their Primary and Priority Primary Highway System (the largest portion of their Federal assistance for non-Interstate programs.) To prevent this one project from using Federal funds that would normally be available

for projects throughout the State, Louisiana legislation was passed in 1974 that limited the Governor to using supplementary funds ("funds over and above those normally allocated to the Louisiana highway programs") for this road.

...After extensive negotiations, the FHWA and Louisiana Highway Department General Counsels concluded that the Federal Priority Primary System funds (which are distributed among the states by a formula) could be used for this project. Funds were subsequently allocated for Preliminary Engineering work, which is apparently underway.

Problem

...Unfortunately, Priority Primary System funding is very limited. Louisiana funding under this formula program would have to quintuple if the State were to receive the $25-30 million annually that they will need over the next 15 years to pay off these bonds. Since this is a national formula program, this would require a fivefold increase in the national program (which represents a Federal cost of over $1 billion annually for this low priority program). This is obviously unacceptable. Thus, the Priority Primary System funding is unable to provide sufficient funds for actual construction.

...The problem is further complicated by the Administration's highway legislative proposal, which would consolidate the Priority Primary and other narrow categorical grants into a Rural Transportation Assistance program. Although Federal law would permit the use of the new program for the Toll Road, the Louisiana legislation which prohibits use of "normally allocated" funds would appear to rule out this possibility.

...We have identified four possible alternatives for Federal funding.

1. Quintuple and extend the national Priority Primary Grants. Would cost in excess of $1 billion annually for 15 years. Clearly not an attractive alternative for the Administration.

2. Have Louisiana remove state restrictions enacted last year on use of Federal funds for this project. Road could then be funded with the new Rural fund proposed by the Administration or regular Primary and Priority Primary funds if our legislative proposal is not enacted. Toll

Road would consume all of these funds and some additional local assistance (beyond the normal 30% matching funds) would still be required. This would appear to be politically unattractive for Louisiana Governor and legislature.

3. FHWA earlier suggested that the State transfer some of its urban Interstate funds from New Orleans to this project. State has been reluctant and option apparently has negative local political overtones.

4. Propose special, Federal "place-named" grant in addition to normal Louisiana funds to cover the cost of this project. Federal cost would be about $300 million. The Administration has strongly opposed a number of similar place-named projects in the past few years.

...FHWA staff indicate that they have clearly explained the limits of the present Priority Primary funding to State officials and their Congressional delegation. They maintain that no assurances of Federal funding have been made by their staff. They see at this time no locally politically acceptable way of funding the highway without a special "place-named" grant of $300 million, and presume the delegation will push for this option. Such funding would inevitably bring on a flood of additional special projects in other states.

...FHWA indicates that they are and will continue to provide funding for the project within the limits of present Federal legislation. They are willing to work with Louisiana officials to investigate other funding alternatives. It may be appropriate to suggest further Department of Transportation and State of Louisiana discussions.

P2-812

JUL 15 1975

MEMORANDUM FOR: MR. JAMES CANNON
Executive Director
Domestic Council

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SUBJECT: Louisiana Toll Road

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...The Federal-Aid Highway Act of 1973 did not provide Louisiana with any additional funds, above and beyond what they would normally receive, for this road.

...Unfortunately, some members of the Louisiana congressional delegation and the local press originally thought that the legislation provided special, additional Federal funds for this project. There was a bitter dispute in the state over the toll road when local interests realized that funding for this road would consume all the funds that Louisiana could anticipate receiving in the foreseeable future for their Primary and Priority Primary Highway System (the largest portion of their Federal assistance for non-Interstate programs.) To prevent this one project from using Federal funds that would normally be available

for projects throughout the State, Louisiana legislation was passed in 1974 that limited the Governor to using supplementary funds ("funds over and above those normally allocated to the Louisiana highway programs") for this road.

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...The problem is further complicated by the Administration's highway legislative proposal, which would consolidate the Priority Primary and other narrow categorical grants into a Rural Transportation Assistance program. Although Federal law would permit the use of the new program for the Toll Road, the Louisiana legislation which prohibits use of "normally allocated" funds would appear to rule out this possibility.

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cc: DO Records
Director's Chron.
Director
Deputy Director
Mr. Collier
Mr. Bray (2)
Return to Mr. Mullinix

EGD:JMullinix:vt 7/15/75

S 7/15

OFFICE OF MANAGEMENT AND BUDGET
ABSTRACT OF CORRESPONDENCE

TO:		The Director	x	The Deputy Director

FROM: Joe Mullinix

OUTGOING TO: Mr. James Cannon

SUBJECT: Louisiana Toll Road

Discussion of funding problems related to Louisiana Toll Road.

5- 7/15

signed. 14 — messenger delivery

CONTROL NO. ____________________

	PREPARED BY	CLEARED BY	CLEARED BY	CLEARED BY	CLEARED BY	CLEARED BY	CLEARED BY
SURNAME AND DIVISION (Typed)	J. Mullinix EGD	Adkins EGD	Bray EGD	Collier EGD			
INITIALS AND DATE	JM 7/11/75		7/13	7/14			

Hold

THE WHITE HOUSE

WASHINGTON

July 1, 1975

MEMORANDUM FOR: JAMES CANNON

THROUGH: MAX L. FRIEDERSDORF M.F.
VERN LOEN VL

FROM: TOM LOEFFLER T.L.

SUBJECT: Request by Congressman Joe D. Waggonner (D.-La.)

For the past several years Congressman Waggonner has been interested in seeing that appropriate funds be made available for the construction of a proposed Louisiana toll road connecting Shrevesport with New Orleans. During 1974 the Department of Transportation strongly indicated the Administration's desire to accommodate the State of Louisiana with proportionate Federal financing for this project. (See the attached letters.)

Congressman Waggonner now feels that the earlier Department of Transportation commitment may be lacking. Therefore, he is most interested in making certain that, in fact, Federal assistance will be forthcoming to the State of Louisiana for this highway project.

In light of the congressman's extreme concern over this matter, it is important that a firm decision and commitment be made expeditiously to resolve this matter.

Enclosures

Jim — This is top priority! Joe may want to see the P if not satisfied.
Max

JUL 1 0 1974

IN REPLY REFER TO:
HCC-1

Honorable Joe D. Waggonner, Jr.
House of Representatives
Washington, D.C. 20515

Dear Mr. Waggonner:

This letter will reaffirm our understanding of an agreement reached November 1, 1973, with respect to the availability of priority primary mileage and funds for the proposed Louisiana Toll Road under section 126 of the Federal-Aid Highway Act of 1973, which provides for a priority primary highway program. As discussed with you this past Friday, July 12, 1974, and as reflected in a recent draft of a proposed agreement sent to the Louisiana State Highway Department, the Federal Highway Administration under existing law shall, subject to continued Congressional authorization of funds, reimburse the State the Federal share of costs of construction from the State's apportioned priority primary funds. The priority primary funds so provided will be in addition to the State's regular Federal-aid primary funds. We understand that Congress expects to make the priority primary program a continuous, ongoing program such as the Interstate System with subsequent authorizations until the system is completed. We believe the toll road can be built with these priority primary funds and that over the 15-year period within which the Federal share is payable under section 149 of the Federal-Aid Highway Act of 1973, sufficient funds will be available. If the State chooses, the law also permits us to reimburse the State for toll road construction from its regularly apportioned primary funds.

We also feel that the substitution of a large portion of Interstate 410 and the utilization of the assigned miles and funds for a free Interstate route within the toll road corridor is a potential option. The additional miles necessary for the full route are available in the Howard-Cramer amendment reserve for this purpose and upon a proper application we could approve the substitutions. We would like to emphasize that the availability of these additional miles does not increase the amount of funds available and that the total amount available for the toll road is governed by the cost to complete the withdrawn portion of I-410 as shown in the 1972 Interstate System Cost Estimate. The law also provides that the amount of funds available for the new substitute highway are frozen and restricted to the amount shown in the 1972 Interstate System Cost Estimate for the substituted portion of I-410 and may never exceed that amount, which is approximately $336,400,000. This means that the funds available for the new route would not be increased by subsequent revisions of the Interstate System Cost Estimates reflecting increased cost of construction.

You have also asked if there is anything additional which the State must file in order for the U. S. Department of Transportation to allocate priority primary route mileage and to proceed with the signing of the final agreement. FHWA has received from the State a first draft of a proposed agreement. FHWA's Chief Counsel has reviewed the proposed agreement and has submitted a revised draft proposal to the State. The agreement may be executed as soon as the minor revisions being negotiated by the attorneys are completed and the agreement is put in final form.

FHWA will soon identify a 10,000-mile priority primary system nationwide, of which Louisiana will be allocated 110 miles. FHWA's Division Engineer will be able to approve, upon request, priority primary routes to the extent of the mileage allocated. However, in unusual cases, a State may request additional mileage through FHWA field offices to the Washington office. Louisiana, upon such an appeal, will receive sufficient mileage in addition to the 110 miles allocated to build the proposed toll road. Therefore, a documented request from Louisiana for additional mileage will be necessary.

After the priority primary mileage has been established, and since the priority primary funds have been apportioned to the States, the next step will be for the Federal Government to issue authority for the State to obligate the State's share of these funds. After the obligational authority is issued, the State may then submit the project or a portion thereof to FHWA in accordance with our regular project approval process.

My staff is available to continue working on either of these proposals with you and the State.

Sincerely yours,

Norbert T. Tiemann

Norbert T. Tiemann
Federal Highway Administrator

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION
WASHINGTON, D.C. 20590

August 22, 1974

IN REPLY REFER TO:

HCC-1

Mr. Philip K. Jones
General Counsel
Department of Highways
P. O. Box 44245, Capitol Station
Baton Rouge, Louisiana 70804

Dear Philip:

We have reviewed your letter of July 25, 1974, in which you comment on the proposal which we are currently negotiating between the State of Louisiana and the U.S. Department of Transportation with respect to the utilization of priority primary funds provided for in section 147 of title 23, United States Code Annotated, for the proposed Louisiana toll road.

You state that in view of the restrictions imposed upon the State by section 12 of the Louisiana Act 653 of 1974, " . . . there is no authority vested in the Governor nor the Director of Highways to execute an agreement which does not contemplate supplementary funds (that is, funds over and above those normally allocated to the Louisiana highway program)." You also request that we further review our proposal and the legislation to determine if a modification of the language of the contract needs to be made in order to accomplish the objective of the Louisiana legislation.

We believe it is possible to use the priority primary funds authorized by subsection (b) of section 147 of title 23 of the United States Code, for the toll road, and comply with the Louisiana law. The priority primary funds are in addition to the State's regularly apportioned highway funds for previously existing programs. The priority primary system funding is a new program and if the State of Louisiana designates the toll road as its priority primary route, then Federal-aid highway funds apportioned to Louisiana for construction of priority primary highways would be appropriated for the toll road. Hence, the apportionments for Louisiana's priority primary highways would subsequently become "Federal funds -- specifically appropriated for paying the costs of the expressway project --" within the meaning of the Louisiana statute.

As you know, title 23 with respect to the major categorical programs does not provide for the authorization and apportionment of funds for specific projects. Nor are title 23 funds earmarked or set aside in any way for defraying the costs of named or specific highway projects. Our program funds are apportioned to the States for obligation in broad categories pursuant to a grant formula. After projects are selected, approved and costs are incurred, funds are then appropriated to cover those costs. Thus, if Louisiana were to designate the proposed toll road as a priority primary route and were to obligate sums apportioned for the priority primary program in the construction of the toll road, Louisiana would be subsequently reimbursed pursuant to appropriations for that specific purpose from the Highway Trust Fund. In our judgment, such an appropriation would overcome the prohibition in the Louisiana statute that "no Federal funds not specifically appropriated for paying the costs of the expressway project shall be used for such purpose; . . ."

The Louisiana statute also provides that " . . . no Federal funds currently earmarked for the defraying of the costs of other highway construction projects in the State . . . shall be diverted to said expressway project." None of the priority primary funds are currently earmarked and made available for obligations. However, in the near future, as we indicated in a recent letter to Representative Joe D. Waggonner, Jr., a copy of which is enclosed for your information, the Federal Government will issue authority for the State to obligate its share of these funds. After the obligational authority is issued, the State may then submit the project or portion thereof to the Federal Highway Administration in accordance with our regular project approval process.

You also state in your letter that ". . . the Legislature intended that the . . . funds [be] in addition to those normally allocated by the Federal Highway Administration to Louisiana for the usual highway projects . . .." The priority primary program is a supplementary program providing funds to supplement other Federal-aid highway programs. This is quite evident in the language of 23 U.S.C. 147 which says the priority primary routes to be improved are " . . . to supplement the service provided by the Interstate System . . .." The 1973 Act established a priority primary aid program for the first time.

This program was designed to supplement, and its funds are provided in addition to, the funds provided by the Federal Interstate, primary, secondary, urban and other aid programs. The primary and secondary aid funds have traditionally been used by the States for basic road programs. A major purpose of the new priority primary aid was to facilitate the construction of supplementary highways, in particular those connecting with the Interstate System over and above the Federal primary aid program. In short, the design of the 1973 Act was to allow continued funding of essential State highway needs through the primary and secondary road programs, but to initiate new supplementary construction under the priority primary funding procedures.

Since Louisiana's proposed North-South road is precisely the type of construction contemplated by the priority primary program, I do not understand why you believe the State, in section 12 of Act 653, would seek to bar the use of priority primary funds for the North-South road. Even if priority primary funds were used for the toll road, Louisiana's essential highway needs would continue to receive adequate Federal funding from other Federal sources, at previous levels. For these reasons, I do not believe that the Louisiana statute prevents use of the priority primary program funds for the proposed toll road.

Of course, the proper interpretation of section 12 of the Louisiana law and the uses to which the State of Louisiana wishes to put its Federal highway funds, are matters of State law for State officials to resolve according to their best judgment. If the State chooses to preclude the use of priority primary funds for toll road purposes, that is the State's choice which we cannot question. We are concerned, though, that section 12 of Act 653 may reflect a misunderstanding of the highway assistance program delineated in the 1973 Federal-Aid Highway Act.

It would be appreciated if you would review our proposed agreement in light of the foregoing and the information which we have included in the enclosed letter to Representative Waggonner and determine whether or not any major modification of our proposed agreement is necessary as a result of the recently enacted Louisiana law. My view is that no major modifications are necessary after reviewing your letter.

I trust this information clarifies and leaves no doubt that the toll road can be built with priority primary funds.

Sincerely yours,

David E. Wells

David E. Wells
Chief Counsel

Enclosure

DOMESTIC COUNCIL CLEARANCE SHEET

DATE July 1, 1975

JMC action required by: ______

TO : JIM CANNON

VIA: ~~XXXXXXXXXX~~ ___

or

JIM CAVANAUGH

FROM : MIKE DUVAL

SUBJECT : LOUISIANA TOLL ROAD

COMMENTS:

DATE: ______

RETURN TO:

Material has been:

___Signed and forwarded

___Changed and signed (Copy attached)

___Returned per our conversation

___Noted

___

______
Jim Cannon

THE WHITE HOUSE

WASHINGTON

July 1, 1975

MEMORANDUM FOR JIM CANNON

FROM: MIKE DUVAL

SUBJECT: LOUISIANA TOLL ROAD

Over a year ago, I was involved in discussing the Louisiana toll road with Joe Waggoner and others from the Louisiana delegation. Essentially, they very strongly want to use Federal-aid highway funds to build the Louisiana toll road (north of New Orleans). This is permitted because of a special exemption contained in the 1973 Highway Act. (Normally, Federal highway funds cannot be used for toll roads.)

A year ago, the issue turned on whether or not Louisiana could use funds designated for "priority primary" highway projects to do the planning and engineering work for the toll road without expending all its funds on just this one road. Waggoner received assurances from the Administration that they could use "priority primary" funds for the toll road and, if Congress appropriated additional monies, these would be additive to their normal apportionment.

I understand that this issue has been raised again by Joe Waggoner and the following are the two key issues as I see them:

(1) This could be an enormously costly undertaking if you assume that Federal funding for the "priority primary" system nationwide is increased by the same proportional amount necessary to permit Louisiana to build its toll road. In 1976, "priority primary" was allocated about $300 million, and Louisiana received $4 to $5 million from this pot. If the Louisiana toll road is to be built out of this program, Louisiana would need $20 to $25 million a year for fifteen years. If the nationwide program was increased to reflect the Louisiana increase, it would grow four to five times, to an

annual level of $1.2 to $1.5 billion. Thus it is possible to view the decision on the Louisiana toll road as ultimately costing the Nation over $15 billion.

(2) The President's highway bill (which we plan to submit to Congress on July 8) eliminates "priority primary" as a separate categorical program as a part of the President's efforts to consolidate highway programs. Therefore, one of the issues which Congressman Waggoner and others will raise will be how the Louisiana toll road will fare under the President's new highway bill.

I suggest we discuss the "where we go from here" question.

Christy
For your hold files

THE WHITE HOUSE
WASHINGTON

July 17, 1975

MEMO TO : Charles Leppert

FROM : JIM CANNON

SUBJECT : Rep. Skip Bafalis

The attached is forwarded for

___Your handling

___FYI

X Other Ask Mike Duval to get a group together.

Attachment

RED TAG

THE WHITE HOUSE

WASHINGTON

July 14, 1975

MEMORANDUM FOR: JIM CANNON

THRU: MAX L. FRIEDERSDORF M.F.
VERN LOEN VL

FROM: CHARLES LEPPERT, JR. CL

SUBJECT: Rep. Skip Bafalis (R-Fla.)

Rep. Skip Bafalis is opposed to the Federal Aid to Highway Regulation as submitted by the Administration. Most of the interstate system in Florida which is still uncompleted lies within his Congressional District.

Rep. Bafalis is interested in working out something through legislation, proposed by the Administration, which will permit states to issue revenue certificates for completion of their individual portions of the interstate system in a shorter time period and by pledging as collateral that state's share of its receipts from the Highway Trust Fund as collateral for the certificates.

Can you designate individuals from the Domestic Council, OMB and DOT who can be prepared to discuss this concept and its viability as an Administration proposal with Rep. Bafalis within the next ten (10) days?

cc: Tom Loeffler

Charlie. Ask Mike Duval to get a group together.

THE WHITE HOUSE
WASHINGTON

Date: 7-30-75

TO: Jim Cannon

FROM: Max L. Friedersdorf

For Your Information ____________

Please Handle ✓

Please See Me ____________

Comments, Please ____________

Other Jim, we need a resolution of this matter favorably for Joe Waggonner, ASAP.

THE WHITE HOUSE

WASHINGTON

August 1, 1975

J.MC

MEMORANDUM FOR: JIM CAVANAUGH

FROM: MIKE DUVAL

SUBJECT: LOUISIANA TOLL ROAD

Basically, here are the facts surrounding the toll road:

Largely because of Congressman Waggoner and Senator Long, the plans for the toll road have assumed that it would be funded out of Louisiana's share of their "priority primary" funds. This is a separate categorical program currently in existence which involves a national system similar to the interstate system (but of lower priority).

The toll road will ultimately cost around $360 million and will likely be funded at the rate of over $20 million a year for fifteen or more years.

Under current funding levels, Louisiana receives about $5 million a year for "priority primary" out of a total national program of $300 million per year.

Under the highway legislation proposed by the President in the Spring, the existing categorical programs would be consolidated into four broad programs, and thus the special "priority primary" program would be abolished.

There are essentially ~~only~~ three alternatives which could be utilized to build the Louisiana toll road:

1. Maintain the special categorical program for "priority primary" and quadruple the funding level. This would be necessary in order to increase Louisiana's share from $5 million per year to over $20 million per year, as it is unrealistic politically to think that you could increase Louisiana without increasing the other

States proportionately. This will result in a total national program of about $1.2 billion a year for fifteen years. In short, the total cost to the Nation for building the Louisiana toll road would be about $15 billion.

2. Use the interstate substitution provision of the 1973 Act and transfer funds from the controversial I-410 around New Orleans into the toll road construction. It is very questionable whether I-410 will ever be built because of environmental and other community objections, and there would be sufficient funds to build the toll road if the transfer were approved. The key problem here is local politics because the Governor must elect to make the transfer, and he is under understandable pressure from the New Orleans people to spend these funds on transportation improvements in that area exclusively.

3. Create a separate fund in highway legislation for the Louisiana toll road. This is extremely unlikely because the House and Senate Public Works Committees are already under incredible pressure for similar special funding programs, and once they allow one, the dam is broken. Furthermore, this is directly contrary to the President's policy as indicated by his legislative proposal.

CONCLUSION

Although I feel that the Nixon Administration made a commitment to work hard with Joe Waggoner to solve his problem, I'm not certain that we can make good on this promise. I will continue to see if there is some solution available, but I am very doubtful. I have not yet raised this with Collier and the OMB folks, but I will do so on Monday.

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

July 22, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF

FROM: ALAN M. KRANOWITZ AMK

SUBJECT: LOUISIANA TOLL ROAD

Per your request, I spoke to Paul O'Neill, who tells me that the ball is now entirely in Jim Cannon's court. Paul feels that you might want to talk further with Cannon, but before you do, I thought you might want to see a copy of his memo to Cannon which went out last week.

Attachment

cc: Tom Loeffler

MEMORANDUM FOR: MR. JAMES CANNON
Executive Director
Domestic Council

FROM: PAUL H. O'NEILL

SUBJECT: Louisiana Toll Road

You asked me to review the budget consequences of going forward with the Louisiana Toll Road. These comments are based on preliminary discussions with Department of Transportation staff.

Background

...The Federal-Aid Highway Act of 1973 provided that:

--The Federal Highway Administration (FHWA) could provide funds for this toll project from amounts that Louisiana would normally receive for their Primary System and Priority Primary System Highways (specific authorization was required to permit use of these funds on a toll road); and

--FHWA could make payments from funds normally provided to Louisiana over the next 15 years to redeem bonds that would be floated to pay the cost of this project (normally funds are not available to redeem bonds for roads built many years before).

...The Federal-Aid Highway Act of 1973 did not provide Louisiana with any additional funds, above and beyond what they would normally receive, for this road.

...Unfortunately, some members of the Louisiana congressional delegation and the local press originally thought that the legislation provided special, additional Federal funds for this project. There was a bitter dispute in the state over the toll road when local interests realized that funding for this road would consume all the funds that Louisiana could anticipate receiving in the foreseeable future for their Primary and Priority Primary Highway System (the largest portion of their Federal assistance for non-Interstate programs.) To prevent this one project from using Federal funds that would normally be available

for projects throughout the State, Louisiana legislation was passed in 1974 that limited the Governor to using supplementary funds ("funds over and above those normally allocated to the Louisiana highway programs") for this road.

...After extensive negotiations, the FHWA and Louisiana Highway Department General Counsels concluded that the Federal Priority Primary System funds (which are distributed among the states by a formula) could be used for this project. Funds were subsequently allocated for Preliminary Engineering work, which is apparently underway.

Problem

...Unfortunately, Priority Primary System funding is very limited. Louisiana funding under this formula program would have to quintuple if the State were to receive the $25-30 million annually that they will need over the next 15 years to pay off these bonds. Since this is a national formula program, this would require a fivefold increase in the national program (which represents a Federal cost of over $1 billion annually for this low priority program). This is obviously unacceptable. Thus, the Priority Primary System funding is unable to provide sufficient funds for actual construction.

...The problem is further complicated by the Administration's highway legislative proposal, which would consolidate the Priority Primary and other narrow categorical grants into a Rural Transportation Assistance program. Although Federal law would permit the use of the new program for the Toll Road, the Louisiana legislation which prohibits use of "normally allocated" funds would appear to rule out this possibility.

...We have identified four possible alternatives for Federal funding.

1. Quintuple and extend the national Priority Primary Grants. Would cost in excess of $1 billion annually for 15 years. Clearly not an attractive alternative for the Administration.

2. Have Louisiana remove state restrictions enacted last year on use of Federal funds for this project. Road could then be funded with the new Rural fund proposed by the Administration or regular Primary and Priority Primary funds if our legislative proposal is not enacted. Toll

Road would consume all of these funds and some additional local assistance (beyond the normal 30% matching funds) would still be required. This would appear to be politically unattractive for Louisiana Governor and legislature.

3. FHWA earlier suggested that the State transfer some of its urban Interstate funds from New Orleans to this project. State has been reluctant and option apparently has negative local political overtones.

4. Propose special, Federal "place-named" grant in addition to normal Louisiana funds to cover the cost of this project. Federal cost would be about $300 million. The Administration has strongly opposed a number of similar place-named projects in the past few years.

...FHWA staff indicate that they have clearly explained the limits of the present Priority Primary funding to State officials and their Congressional delegation. They maintain that no assurances of Federal funding have been made by their staff. They see at this time no locally politically acceptable way of funding the highway without a special "place-named" grant of $300 million, and presume the delegation will push for this option. Such funding would inevitably bring on a flood of additional special projects in other states.

...FHWA indicates that they are and will continue to provide funding for the project within the limits of present Federal legislation. They are willing to work with Louisiana officials to investigate other funding alternatives. It may be appropriate to suggest further Department of Transportation and State of Louisiana discussions.

AUG 12 1975

THE WHITE HOUSE

WASHINGTON

August 11, 1975

MEMORANDUM FOR: JIM CANNON

THRU: JACK MARSH Jack

FROM: CHARLES LEPPERT, JR. CLJ.

SUBJECT: Proposal of Rep. L.A. "Skip" Bafalis on the Federal Aid to Highways Legislation

The attached is for your information and comments to formulate a reply to Rep. Bafalis.

Recently, Mike Duval, Ted Lutz of DOT, E.P. Snyder of Treasury, and I met with Rep. Bafalis to discuss his proposal to permit a state to sell revenue certificates, pledged against that state's allocation from the Federal Highway Trust Fund, to accelerate completion of the federal interstate highway system. The meeting concluded with Rep. Bafalis agreeing to commit his proposal to writing and to which the Administration would respond.

cc: Mike Duval
Ted Lutz
E. P. Snyder

L. A. "SKIP" BAFALIS
10TH DISTRICT, FLORIDA

WAYS AND MEANS COMMITTEE

SUBCOMMITTEES:

PUBLIC ASSISTANCE

OVERSIGHT

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
408 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
202-225-2536

DISTRICT OFFICES:
ROOM 106, FEDERAL BUILDING
FORT MYERS, FLORIDA 33901
813-334-4424

700 VIRGINIA AVENUE
FORT PIERCE, FLORIDA 33450
305-465-3710

August 8, 1975

Mr. Charles Leppert Jr.
Special Assistant to the President
The White House
Washington, D.C.

Dear Charlie:

Enclosed you will find a one-page outline of my proposal to speed construction of the Interstate Highway System through the sale, by the individual states, of Revenue Certificates.

I hope this is detailed enough for circulation to those whose comments and study will be necessary.

With best wishes and warm personal regards, I am,

Sincerely,

Skip

L. A. "Skip" Bafalis
Member of Congress

LAB:Mme

Proposal for sale of revenue certificates, backed by allocations from Highway Trust Fund, for swift completion of Interstate Highway System.

Problem - Timetable based on current funding levels means completion of interstate highway system no sooner than the year 2007, a delay unsatisfactory to the motoring public. Further, if current rate of inflation continues, the interstate system will never be properly funded in a manner insuring completion.

Problem - State Highway Departments are not planning interstate projects to the level of their competence. Instead, all planning is geared solely to the amount of interstate funds the individual states can expect from the Highway Trust Fund, instead of to the level of ability of highway contractors to do the work.

Problem - Extremely high unemployment rate in the construction industry and the need to put these men - and those in related industries such as asphalt, concrete, structural steel, etc. - to work in meaningful jobs.

Problem solution -- Amend the Highway Trust Fund to assure those states with still uncompleted interstate highway of a specific annual allocation from the trust fund, against which they can borrow through the issuance of "revenue certificates." Such a chance would permit completion of the entire interstate system within a period of eight or nine years, instead of the much, much longer period now predicted.

Although states would be able to borrow against future allocations for interstate construction, they would still be forced to secure all federal approvals -- right of way, engineering and design -- prior to the sale of revenue certificates. One possible way to handle this would be to require the state to obtain all federal approvals on a specific project, then issue revenue certificates in the amount needed to do that job.

By permitting the sale of revenue certificates, rather than bonds, we can help those states whose constitutions specifically prohibit bonded indebtedness beyond a certain percentage of expected income or those whose constitutions require referendums prior to the sale of bonds pledging the full faith and credit of the state.

Still unresolved is the clear delineation of responsibility for interest payment. However, one possible approach would be to allow the states to ignore the 90-10 matching requirement for construction, thereby reserving a portion of their 10 per cent matching funds for the payment of interest.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 18, 1975

MEMORANDUM FOR JAMES M. CANNON, ASSISTANT TO THE PRESIDENT FOR DOMESTIC AFFAIRS, THE WHITE HOUSE

Subject: Mr. Bafalis' Interstate Highway Financing Proposal

Mr. Bafalis has proposed that States be authorized to finance more rapid completion of approved sections of the Interstate Highway System by selling revenue certificates backed by allocations from the Highway Trust Fund.

The proposal would violate long-standing Treasury opposition to direct or indirect Federal guarantees of tax-exempt obligations. This Treasury policy is based on considerations of both tax equity and financing efficiency. It is Treasury's belief that the Federal Government should not be a party to the creation of additional tax-sheltered income, unless there are clear net public benefits that cannot otherwise be achieved. In this case the public benefits, if any, could as readily be secured by direct Federal financing.

The argument that Treasury financing would increase budget outlays can literally be overcome by Federal Financing Bank financing, but in any event, the impact on an already heavily burdened capital market would be substantial. This would not be avoided by State borrowing, since the tax-exempt bond market may be in a more serious situation than any part of the taxable market. Moreover, trying to get around State constitutional limitations on bonded indebtedness by calling the obligations revenue certificates may be an undue interference with State decision processes as well as an antithesis of good financing practice. The problems in New York may indicate that there is a good deal of wisdom in limitations on borrowing.

It should also be recognized that the economic impact of the proposal would be the same, whether the outlays were or were not included in the budget totals. If the outlays are not considered of sufficient priority to warrant expenditure of budget dollars, the same economic arguments would apply if the outlays are outside the budget. Additionally, the Highway Trust Fund was set up initially as a way to limit highway outlays to pay-as-you-go, rather than as a device for accelerating such spending.

With regard to the question of the impact of inflation on highway completion, if the interest rate on the obligations issued to finance accelerated construction is of the same order of magnitude, the dollar cost will be the same as for a pay-as-you-go program. Thus, if Highway Trust Fund receipts are presently inadequate to finance completion of the system in, say, the next five years, they would still be inadequate under the present proposal unless there were an increase in the Federal contribution or the financing period were extended beyond the construction period. Mr. Bafalis may be contemplating the first alternative in his discussion of the problem of responsibility for the interest payments.

Finally, the extremely high rate of unemployment in the construction industry is clearly a problem. This industry, however, is also plagued by persistent inflation, and it is not clear that increasing demand pressures in this area would not considerably exacerbate inflationary tendencies in all areas of the construction industry at the expense of other national objectives.

Edward P. Snyder
Director, Office of Debt Analysis

THE DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

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Edward P. Snyder
Director, Office of Debt Analysis

DOMESTIC COUNCIL CORRESPONDENCE PROFILE

DOC		RECD			LOG NBR
MO	DA	MO	DA	HR	

REFERENCE:
WHSS
OTHER

SOURCE/DESCRIPTION

TO: PRES
V.P.
CANNON
DUNHAM
CAVANAUGH
EX. SEC
OTHER

FROM: CANNON
DUNHAM
CAVANAUGH
WHSS
OTHER Rue

INITIAL ACTION OFFICER Hope SPECIAL CODE

SUBJECT: WH / Transportation Problem

LEAD DEPT/AGENCY:

DISTR/INITIAL ACTION ASSIGNMENT

INTERNAL ROUTING AND DISTRIBUTION	ACTION		REC CY FOR
ADVANCE CYS TO JMC			
DEPUTY DIR - POLICY AND RG			
DEPUTY DIR - OPERATIONS			
STAFF SECRETARY			
HEALTH, SOC SCTY AND PUB. ASST.			
CRIME, JUSTICE, CIVIL RTS. AND COMM.			
HOUSING AND COMMT'Y AFFAIRS			
ENVIRONMENT			
AGRIC. ECON DEV AND COMMERCE			
LABOR, EDUC, AND VETERANS			
ENERGY AND TRANSPORTATION	✓		
GENERAL GOVERNMENT			
INTERGOVERNMENTAL RELATIONS			
EXECUTIVE SECRETARIAT			

ACTION REQUIRED
MEMO FOR PRES .... ( )
MEMO FOR JMC .... ( )
REPLY FOR .... ( )
APPROPRIATE ACTION .... ( )
ANY ACTION NECESSARY? .... ( )
MEMO: FROM ______ TO: ______ ( )
JOINT MEMO .... ( )
REFER TO: ______ ( )
FOR: ______ ( )
CONCURRENCE .... ( )
______ .... ( )

COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)

DUE

DATES
DUE: April 4 5 AM/PM LDA AM/PM

SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	S	SUBSEQUENT ACTION REQUIRED (OR TAKEN).	CY TO

EXEC SEC DISP INSTR

DISPATCH
CY RQMTS: SEE ABOVE PLUS
NOTIFY ______ AND DATE ______ BY ______
SPECIAL DISPOSITION

CROSS REF W/
SUSPENSE COPY ATTACHED

FILE RQMTS:
SA WHCF
CA DCES
DY

CRT ID
OPEN Bm
CLOSE

THE WHITE HOUSE

WASHINGTON

March 22, 1976

MEMORANDUM FOR: JIM CANNON

FROM: JEFFREY P. EVES

THRU: WILLIAM J. BAROODY, JR.

SUBJECT: Transportation Problem

Please review the attached correspondence which details some of the problems a number of different contracting organizations are having as it relates to the construction of road surfaces in Florida.

I would appreciate it if you could have the appropriate member of your staff review this problem and prepare an appropriate reply for John Lloyd.

Thank you.

Attachments

March 22, 1976

Dear John:

Thank you for your letter of March 12, 1976 in which you outline some of the problems you have been having with highway construction as a result of certain federally mandated directives.

While the subject you raise in your letter is one that I personally have ~~any~~ no knowledge of, your letter will be forwarded to the President's Domestic Council where it will be reviewed with representatives of the Federal Highway Administration. You may expect to hear back from the appropriate individual within a reasonable amount of time.

Thank you again for bringing this problem to our attention. You may be assured of our interest in it.

Sincerely yours,

Jeffrey P. Eves
Director, White House Conferences
Office of Public Liaison

Mr. John W. Lloyd
Executive Director
Engineering Contractors Association
of South Florida, Inc.
Suite 132, 1800 W. 49th Street
Hialeah, Florida 33012

ENGINEERING CONTRACTORS ASSOCIATION
OF SOUTH FLORIDA, INC.

Suite 132, 1800 W. 49th Street (103rd St
Hialeah, Florida 3301
Telephone
Dade (305) 558-2942 and Broward 527-690

JOHN W. LLOY
Executive Direct

March 12, 1976

Mr. Jeffrey Eves
c/o The White House
Washington, D. C.

Dear Jeff:

Reference our telephone conversation, March 8, 1976. The Federal Highway Administration recently directed the Florida Department of Transportation to discontinue the use of Florida carbonate aggregates in the wearing course of asphaltic concrete highways on the state-maintained system. (see attached correspondence.)

The FHWA contends that Florida aggregates contribute to, or create, unsafe traffic conditions because they provide "low skid resistance".

Since approximately 97 percent of the state-maintained highways in Florida are constructed of asphaltic concrete, this directive fro the FHWA created an immediate and critical problem for the Florida D partment of Transportation and the roadbuilding industry.

The only alternative left to the Florida D.O.T. is to require t purchase and use of out-of-state aggregates for highway surface improvements in Florida, except perhaps in the Panhandle.

This alternative appears unnecessary and unrealistic for the fc owing reasons:

1. The Florida D.O.T. has conducted considerable research on i existing highway network which clearly indicates it can design a wea ing course with Florida aggregates that provides acceptable "skid re sistance".

A. Florida's Director of Road Operations, Jay Brown, point out in his letters of November 7, 1975, and February 3, 1976, that WC-4, a wearing course that includes Florida aggregates, has provided satisfactory results. He note that the D.O.T. has placed this wearing course on 625 lane miles of state-maintained highway and that it provided satisfactory results 99 percent of the time. (The two lane miles surfaced with this wearing course which did not provide acceptable service failed structurally- it was not a skid resistance problem. In fact, of all the WC-4 courses for which there are skid resistance da available, the average skid resistance number is bette than 49. The lowest "skid number" produced by WC-4 was 38 and this was recorded on a 2.4 mile urban segment a it has experienced 10 million vehicle passes.)

B. Florida D.O.T. Research Report 191 (Skid Resistance Characteristics of Florida Surface Courses) conclud ed that WC-4 was the most effective wearing course tested. This report includes test results from seve other wearing courses, and it should be noted that the majority of these wearing courses were designed with out-of-state aggregates. This report stated, <u>"The highest percentage of wet-weather accident reduction occurred on WC-4 surfaces."</u>

2. The purchase of out-of-state aggregates will seriously impact our already-depressed construction industry which is experiencing a higher unemployment rate than any other segment of our economy.

According to Florida D.O.T. Research Report 191, slight more than $25 million per year may be required over the next five years to provide satisfactory wearing courses on our state-maintai highway system. The purchase of out-of-state aggregates to satisf this need will dictate reduced payrolls and additional unemploymen Obviously, the material will not be mined, processed, transported sold by highway-related industries in Florida.

3. Transportation of the "imported" material is impractical. In addition to the expensive freight rates, the roadbuilding indus will face the historical problem of securing adequate railroad car (The D.O.T. and the Florida Public Service Commission can clearly document the problems encountered by highway contractors who have attempted to ship road aggregates by rail.)

4. The requirement that out-of-state aggregates be used clear contradicts state and national programs to conserve energy. The energy used in transporting this material to Florida represents a waste that is impossible to justify.

5. The requirement that out-of-state aggregates be used also conflicts with cost-cutting recommendations by the American Associ tion of State Highway and Transportation Officials.AASHTO strongly recommended that local materials be used as an effective means of combatting the sky-rocketing construction cost that has plagued th transportation industry in recent years.

6. While the Florida D.O.T. and the highway industry believe the FHWA directive prohibiting the use of "local" aggregates on federal-aid projects is arbitrary and premature, they both are equ concerned about the FHWA opinion that Florida aggregates cannot be used on 100 percent state-financed projects.

Florida, its elected representatives and appointed D.O.T. officials are well aware of the need for safe, modern highways. Certainly, it appears presumptious for a federal agency with no in vestment in 100 percent state-financed projects to dictate the mat ials to be used in such projects. This type attitude on the part federal agencies can only generate a feeling of dissatisfaction wi "state-federal" relationships.

In summary, the Highway Associations identified on the bottom page of this letter respectfully request that the Federal Highway Administration reconsider its earlier decision and permit the use of WC-4 on all federally-funded projects in Florida. We also strongly recommend that the Florida D.O.T. continue research on the use of other Florida carbonate aggregates. Waiting to hear from you reference March 23rd or 24th.

Very truly yours,

John

John W. Lloyd

JWL/vlj

Aggregates Association of Florida

Asphalt Contractors Association of Florida, Inc.

Associated General Contractors (AGC) (Florida Council)

Engineering Contractors Association of South Florida, Inc.

Florida Limerock Institute

Florida Transportation Builders' Association, Inc.

cc: Sent to Judy
Hope for Action
Transp.

THE WHITE HOUSE

WASHINGTON

March 22, 1976

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THRU: WILLIAM J. BAROODY, JR.

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