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THE WHITE HOUSE

ACTION

WASHINGTON

Last day - June 4

May 30, 1975

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON *June*

SUBJECT:

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

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

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

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

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

*Package of material to Records Office*

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

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

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

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

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

DECISION

(1) Sign H.R. 3786 (Tab D) MR7  
(Coleman, Cannon, Seidman, Buchen/Lazarus (reluctantly))

Issue Signing Statement (Tab B) MR7 This is a one shot waiver should be strengthened in statement.  
(approved by Paul Theis)

- or -

(2) Veto \_\_\_\_\_  
(Lynn, Friedersdorf, Treasury, CEA)

Issue veto message (Tab C) \_\_\_\_\_  
(approved by Paul Theis)