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Gas Tax / Highway

User Fee

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FID01-01

FA007

TO THE CONGRESS OF THE UNITED STATES:

I am submitting for your consideration and appropriate reference a draft bill "To authorize appropriations for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes."

MI

FID04

TN001

TN002

This legislation proposes an increase in highway user charges by 5 cents per gallon to help meet the needs of our deteriorating highway and transit systems. These systems are essential for the efficient movement of people and freight and to a healthy national economy. Investments by all levels of government are falling well short of the amount necessary to complete the Interstate System and to keep our nation's highway system, including its bridges, from facing rapidly accelerating deterioration. Urban rail and bus transit capital investment needs will total almost \$50 billion over the next 10 years to maintain our existing systems. Transit needs cannot be viewed as separate, since highways and transit form a complementary and interdependent system for the efficient and economical movement of goods and people in urban areas.

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The primary objective of this legislation is to provide renewed investment to help rebuild our nation's deteriorating infrastructure. In addition to supporting economic recovery by providing an effective transportation network that is crucial to commerce, this bill sets the framework for several other beneficial effects on the economy. For example, this legislation would create an estimated 320,000 jobs, 170,000 direct and indirect in construction industries and 150,000 more jobs "induced" by the construction. The bill also proposes a reallocation of existing user charges to make the current user fee structure more equitable. The bill eliminates a large

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portion of the existing cross-subsidy from lighter to heavier trucks, and it assesses motorists as directly as possible for the highway costs they impose. Finally, this legislation proposes changes to truck size and weight laws to help bring about uniformity and provide significant productivity benefits for the trucking industry.

This bill does not contain a Federalism turnback. However, the Administration remains committed to Federalism and will strive to return to State and local governments programs that are primarily of local interest and responsibility. The Administration is consulting with the Governors, affected State and local officials, and the Congress on a bill which will implement the appropriate turnback of highway programs and accompanying revenues. The current status of the consultative process is that \$2.2 billion (equivalent to 2 cents of the current motor fuel tax) and the Federal-aid programs relating to urban, secondary, non-primary bridges and safety construction would be turned back. The attached bill treats these programs in a manner that will allow them to be easily incorporated into Federalism legislation.

Major provisions of the legislation are discussed below.

Title I -- Federal-Aid Highway Program

This legislation continues the direction established by the Federal-Aid Highway Act of 1981. The extent of Federal involvement in all Federal-aid highway programs has been analyzed and the total program is restructured to emphasize the highway systems that warrant Federal interest. This legislation continues to make completion of the Interstate System and its rehabilitation and preservation the highest Federal priority. The bill provides program authorizations for the Interstate, primary, secondary, urban, bridge rehabilitation, and certain other programs through FY 1988. The 1982 Federal-Aid Highway Act provided authorizations in

FY 1983 for several highway programs, but reduced the amount available for obligation by a factor based on the number of days in the continuing resolution passed by Congress (Pub. L. 97-276). This legislation establishes authorizations for the full fiscal year 1983 for the major highway programs.

-- Interstate Program

The Federal-Aid Highway Act of 1981 reduced the cost to complete the Interstate System by limiting eligible construction items to those that provide a minimum level of acceptable service on a safely operating system. This bill continues that definition, but increases the authorizations for Interstate construction to \$4.0 billion in FY 1985, 1989, 1990, and 1991 and to \$4.500 billion for FY 1986, 1987, and 1988. The FY 1985 authorizations actually become available beginning in FY 1984 because they are apportioned one year in advance of the year of authorization. The one-half percent minimum Interstate construction apportionment is not continued because it is contradictory to our emphasis on completing the Interstate System.

To further the expeditious completion of the System, the bill revises the criteria for distribution of Interstate discretionary funds. Rather than being allocated on a first come, first served basis as under present law, the funds will be allocated by the Secretary on a priority basis to projects that will help complete Interstate segments not open to traffic and to projects of unusually high cost relative to a State's apportionment. The discretionary fund will consist of \$300 million per year set aside from Interstate construction authorizations and will also contain lapsed amounts from previous apportionments. Also, when Interstate substitute actions occur, sums equal to the amounts deducted from a State's unobligated Interstate apportionment will be added to the discretionary fund.

The importance of rehabilitation and preservation of the Interstate System is indicated in the bill by the increased levels of Interstate 4R authorizations. These increase from \$2.5 billion for FY 1985 to \$3.9 billion for FY 1989. These authorizations are apportioned a year in advance. Interstate 4R apportionments not needed for 4R purposes may be used to fund Interstate construction or primary system improvements. Interstate 4R apportionments will be adjusted in FY 1983 and FY 1984 to compensate States for any reductions in total Interstate authorizations that might occur due to the elimination of the one-half percent minimum Interstate construction apportionment.

Several modifications are made to existing Interstate substitution provisions. A specific authorization for appropriation of \$650 million for each fiscal year from 1984 to 1988 is provided from the Highway Trust Fund for highway substitute projects. These funds will be available for two years. The 1983 Cost Estimate (ICE) is established as the base for costs of Interstate withdrawals approved after 1983. Construction cost adjustments to withdrawals will be prohibited after Congress approves the 1983 ICE.

-- Non-Interstate Programs

Primary Program. Authorizations are provided for this program through FY 1988. The priority primary program and the connector primary demonstration program are eliminated so that States can select those projects that reflect their own priorities.

Bridge Program. The bridge replacement and rehabilitation program authorizations are extended through FY 1988 and separate bridge apportionment formulas are established for primary bridges and non-primary bridges to provide more equitable distribution of funds. Apportionments are available for 2 years, after which unobligated funds may be redistributed

to other States. A discretionary bridge fund of \$300 million is set aside from the authorization for each year through 1988 for use on high cost bridges. Projects eligible for these funds must cost more than \$10 million or at least twice a State's annual program apportionment.

Secondary and Urban System. The bill would continue funding for the secondary and urban programs at the FY 1982 level for each of the fiscal years 1983 to 1988.

Highway Safety Improvement Program. A new safety program is established to combine the separate categorical programs that now exist: Hazard Elimination, Rail-Highway Crossing, and FHWA's 402 Safety programs. Funding for this new program is provided through FY 1988.

Program Consolidation. The bill eliminates a number of existing categorical highway programs and rescinds any unappropriated authorizations. Unobligated balances will remain available until expended or the periods of availability expire. Most of these programs are eligible activities under regular primary, secondary, and urban programs. The bill also contains several provisions that will allow the Federal-aid highway program to be more effective and efficiently managed.

Title II -- Transit Program

The mass transportation portion of this bill makes important changes in the structure of Federal transit assistance to begin to shift decisionmaking responsibility from Federal to State and local authorities. The bill would create a capital formula program for transit assistance and would phase out transit operating assistance by the end of FY 1984. In addition, the bill would establish a new transit infrastructure program to be funded from a portion of the proposed increase in the highway user fee. The bill would authorize Federal transit funding for fiscal years 1984 through 1988.

Transit authorizations for the five-year period ending 1988 would total approximately \$19.54 billion. The bill also includes \$550 million in new FY 1983 authorizations for the transit infrastructure program.

-- Infrastructure Program

Approximately \$1.1 billion would be available annually for transit infrastructure projects from the one cent of the proposed increase in the highway user fee. This bill would add a new section 22 capital infrastructure development program to the Urban Mass Transportation Act of 1964, as amended (UMT Act), which would distribute these funds to urbanized areas by an administrative formula to be devised by the Secretary of Transportation. The funds would be available for transit infrastructure development projects involving the rehabilitation or replacement of transit facilities and equipment. These funds would be subject to the same streamlined requirements as that proposed for the new section 9 capital formula program (see below) with a proposed Federal/local share of 80/20.

The administrative formula, to be published annually in the Federal Register, would be based on the size, age, and condition of mass transit systems and the infrastructure needs of those systems. Each State, however, would receive no less than one-half of one percent of the total funds annually available under this program. Moreover, apportionments to a Governor or designated recipient in an urbanized area would be eligible to be used for highway projects in the State or urbanized area instead of for a transit infrastructure development project. However, the decision to release these funds for highway purposes will limit the availability of transit discretionary funds to fund any project that could have been funded under this program.

-- Capital Assistance

This bill would add a new section 9 to the UMT Act, which would authorize \$8.914 billion in capital funds to be distributed through a capital formula program for urbanized areas over 50,000 population. The Federal share for the capital formula program would be 80 percent.

The section 9 formula program funds would be eligible for capital purposes only, including planning, acquisition, construction, deployment of innovative demonstration results, and improvement of facilities and equipment. Capital activities would include the direct costs of spare parts for transit vehicles where the expected service life of the spare part exceeds one year. Federal participation in the cost of spare parts will enhance the ability of transit operators to keep their equipment in service and help to protect the original Federal capital investment in these items. New rail starts and rail extensions would not be eligible activities under section 9 without the prior concurrence of the Secretary of Transportation.

The capital program funds would be distributed based on a "revenue match" formula. Under this new formula each urbanized area would receive an apportionment equal to its share of the total national non-Federal mass transportation revenues (including State and local assistance).

The bill provides for local self-certification that recipients are meeting a number of existing Federal requirements. This certification process would provide for greater simplicity and flexibility for State and local governments. It would reduce the complexity of applications and thus the paperwork burden at all levels of governments. Finally, it is consistent with the Administration's philosophy of placing greater responsibility for program implementation at the State and local level.

The transit bill also includes a transfer of responsibility under Section 13(c) from the Secretary of Labor to the Secretary of Transportation, to provide greater flexibility to ensure that these labor protections are administered consistently with transportation policy. In addition, the bill contains a change in present procurement requirements which would allow the Secretary to determine a benchmark price for buses.

Title III -- Highway Trust Fund and Revenue Provision

The revenue title features a five cent highway user fee increase. Four cents will be channeled into the Federal highway program and one cent of the increase will be available for public transportation or highway programs. This title also includes adjustments to the user charge structure to make a more equitable distribution of costs among the various classes of vehicles. As mentioned above, changes in the Federal size and weight standards have been coupled with the fee structure changes. This title provides that the user fee levels provided in this bill will be in effect through March 31, 1990 and permits expenditures to be made from the Highway Trust Fund through fiscal year 1991.

The program restructuring and authorization levels proposed in this bill represent a strong Federal commitment to an effective national transportation system. The new Federal focus on national interest programs accompanied by greater responsibility for the States will ensure fulfillment of the nation's transportation needs.

Ronald Reagan

THE WHITE HOUSE,

November 30, 1982.