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**APPROVED**

NOV 26 1974

Ceremony &  
Statement - East Room  
11/26/74

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

NOV 25 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 386 - National Transportation  
Assistance Act of 1974  
Sponsors - Sen. Williams (D) New Jersey and 6 others

To Archives  
11/26/74

Last Day for Action

Purpose

Authorizes \$3.975 billion in contract authority to be used over a six-year period for a new formula grant program to States and localities for mass transit capital or operating assistance; authorizes an additional \$4.825 billion in contract authority for the existing Federal mass transit assistance program; authorizes \$40 million over a two-year period for a demonstration no-fare program; requires the establishment of a uniform reporting system; and limits eligibility for assistance to States and localities which have a continuing comprehensive transportation planning process.

Agency Recommendations

Office of Management and Budget	Approval
Department of Transportation	Approval
Council on Environmental Quality	Approval
Department of Agriculture	Approval (Informally)
Department of Labor	No objection (Informally)
Department of Housing and Urban Development	Defers to DOT (Informally)
Department of the Treasury	

## Discussion

In effect, S. 386 sets up an \$11.8 billion Federal mass transit grant program over the six-year period ending in fiscal year 1980. It is the result of almost two years of negotiations between Congress and the executive branch, and of conference committee meetings and modifications. It was originally an unacceptable short-term operating subsidy bill, but the bill which the conferees reported out on October 3, 1974, would provide for a program of long-term capital and operating assistance. While the bill differs from the Administration's proposed Unified Transportation Assistance Program (UTAP), which would have combined some mass transit and highway funds and would have given the States and localities increased flexibility on how to use those funds, it is an acceptable compromise.

Like UTAP, S. 386 would provide for Federal operating assistance for transit operations for the first time. Previously, Federal assistance had been limited to capital investments. Despite substantial Federal capital assistance, however, many transit systems have continued to operate at a deficit and have had to rely upon State and local funds to maintain, improve, and expand transit service.

Expanded use of mass transit is one way to reduce both air pollution and energy consumption. To achieve this, it needs to be made more desirable and efficient to appeal to more riders. Allowing the use of Federal grants for operating assistance may make this possible. To assure that the Federal funds are channelled into transit operations and do not simply result in local tax relief, a provision requested by the Administration would require that Federal funds be supplementary to and not in substitution for State and local funds to operate a system. This "maintenance of effort" requirement will help ensure that a local fiscal and managerial responsibility for transit services is maintained.

The bill would authorize \$3.98 billion in contract authority to be liquidated over a six-year period for a new formula grant program. The grants can be used, at local option, for operating assistance (up to 50 percent Federal share) or for capital assistance (up to 80 percent Federal share). The distribution formula -- based 50 percent on urbanized area population and 50 percent on population density -- was initially recommended by Secretary Brinegar in a letter to Senator Williams.



The bill would also authorize an additional \$4.8 billion in contract authority for States and localities for the existing mass transit programs -- principally the capital assistance grant program. Combined with an unobligated balance from previously authorized contract authority of about \$3 billion, the total available for capital grants and related programs would be \$7.8 billion, of which up to \$500 million would be set aside for "non-urban" grants. Continuing the practice of the existing capital grant program, S. 386 would provide that these funds are to be distributed at the discretion of the Secretary of Transportation.

While S. 386 is silent on the duration of this capital grant program, the conference report indicates that a six-year program, extending through fiscal year 1980, is contemplated (page 14 of conference report). It should also be noted that the bill does not provide authority for appropriations to liquidate the newly authorized contract authority; such authority will have to be provided in a subsequent act. Existing appropriation authority is considered to be adequate through fiscal year 1976.

Several problem areas in the bill should be noted:

(1) An "alternate use" provision of S. 386, included principally for the benefit of New York City, would permit States or localities to use up to one-half of the funds granted to them under the discretionary capital grant program for operating assistance, provided the Federal funds are replaced by State and local funds within two years. The funds which State and local governments would probably use to replace the Federal funds would be the proceeds of bonds which are usually and properly restricted to capital investment.

This "alternate use" provision would hide one year's local operating expenses in the following year's capital budget, thus providing Federal sanction of a practice which tends to subvert sound financing principles and the customary intent of local bonding to provide for capital investment, not operating expenses. This unsound practice could prematurely consume bond proceeds for operating costs, thus impairing the capacity to make needed capital investment, putting excessive subsidies into transit operations, and accelerating Federal outlays. DOT believes that it can develop administrative regulations to control the more undesirable effects that this provision creates. We urge that the signing statement point out the undesirable aspects of this provision.



(2) S. 386 would authorize \$20 million for each of fiscal years 1975 and 1976 to fund up to 80 percent of the cost of demonstration programs to determine the feasibility of fare-free mass transit. DOT objected to this categorical grant because sufficient authority already exists to fund such projects. The bill would also require localities receiving Federal assistance to charge the elderly and handicapped no more than one-half the normal peak hour fare during non-rush hours, a matter more appropriately a local decision.

(3) It would authorize \$14 million for Federal matching grants to assist in the elimination of highway-railroad grade crossings in Hammond, Indiana. This is a rider which provides discriminatory treatment for the benefit of one community, although the project is described as a "demonstration" one.

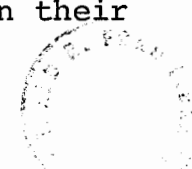
(4) It would extend the labor protection provisions of Section 13(c) of the Urban Mass Transportation Act, now limited to capital grants, to the Federal operating assistance grants. These provisions have often been the cause of delay in mass transit projects and have come under criticism by some Congressmen and local officials as generating undue costs and labor management problems. While the Labor Department supports this extension, the Administration has opposed it because there has been no rationale provided for the extension of such protection to grants for operating expenses, nor have analyses been undertaken of the inflationary impacts of 13(c) resulting from its application to grants for capital projects.

We do not believe that any of the above provisions are so objectionable as to be of overriding concern, although the Hammond, Indiana provision could promote other exceptions.

S. 386 contains two desirable features which warrant mention:

(1) It would require DOT to establish, and Federal assistance recipients to use, a uniform system of accounts and records. This would be a great improvement over the present diversification of reporting systems and should allow for better comparison and evaluation of mass transit systems and their benefits and costs.

(2) It would require that States and localities establish a continuing comprehensive transportation planning process in order to qualify for Federal assistance after July 1, 1976. This is compatible with similar requirements in the Federal-aid highway program and will assure that States and localities consider alternate forms and routes of transit systems in their overall transportation programs.



Finally, the bill contains certain new features:

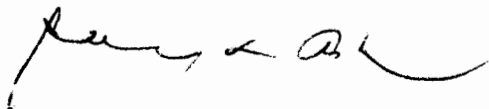
(1) It would authorize DOT to investigate unsafe conditions in any facility, equipment or operation financed under the bill, and to withhold further Federal assistance, if necessary, until the unsafe conditions are being corrected.

(2) It would forbid Federal assistance grantees from initiating school bus operations, unless they have previously engaged in such operations or unless no other adequate operations are available.

\* \* \* \* \*

While there are undesirable provisions in S. 386, we consider the bill in general a great improvement over other proposals which gained headway in the Congress. Previous versions of S. 386 and the House bill, H.R. 12859, provided for more than \$20 billion in Federal assistance and would have involved the Federal Government in the day-to-day operations of local mass transit systems. While this bill's authorization of \$11.8 billion is more than the \$9.5 billion requested by the Administration, it is within the guidelines of what it has indicated would be acceptable. Moreover, S. 386 would distribute about 34 percent of the Federal funds on a formula basis. While this is considerably less than the 55 percent contemplated in UTAP, it is still a major and desirable departure from the current program.

DOT has furnished informally a draft of a proposed signing statement to White House staff.



Director

Enclosures



A

ERNEST R. FORD LIBRARY

THE WHITE HOUSE  
WASHINGTON

ACTION

November 25, 1974

MEMORANDUM FOR THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: S. 386 - National Mass Transportation  
Assistance Act of 1974

Attached for your consideration is S. 386, the National Mass Transportation Assistance Act of 1974, sponsored principally by Senator Williams, which you strongly urged Congress to enact. It is a six-year, \$11.8 billion program of assistance for public transit.

Roy Ash recommends approval and provides you with additional background information in his enrolled bill report (Tab A).

Bill Timmons recommends approval. Due to the shortness of time for consideration, Phil Areeda defers to OMB.

RECOMMENDATION

That you sign S. 386 (Tab B).





B





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

DATE: 12-9-74

TO: Bob Linder

FROM: Wilf Rommel

Attached is the HUD views letter on S. 386. Please have included in the enrolled bill file. Thanks.



THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

DEC 6 1974

Mr. Wilfred H. Rommel  
Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Rommel:

Subject: S. 386, 93rd Congress, Enrolled Enactment

This is in response to your request for the views of this Department on the enrolled enactment of S. 386, the "National Mass Transportation Assistance Act of 1974".

S. 386 consists of three titles. Title I contains a series of amendments dealing with mass transit assistance. Among other things, the Urban Mass Transportation Act of 1964 would be amended to provide increased authorizations, insure the development of long range plans to improve and coordinate all forms of transportation in urbanized areas, authorize a new formula grant program, and permit up to one-half of assistance provided under the discretionary capital grant provisions of the Act to be used for operating expenses.

Titles II and III would authorize demonstration programs to determine the feasibility of fare free transportation systems and to eliminate highway railroad grade crossings, respectively.

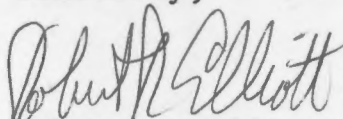
The only provision of major concern to the Department is section 105. This section would amend section 103(a) of the Demonstration Cities and Metropolitan Development Act of 1966 to require that any model cities program which includes a transportation component as a project or activity to be undertaken meet the requirements -- including the labor provisions -- of section 3(e) of the Urban Mass Transportation Act of 1964.



We would note that the Demonstration Cities and Metropolitan Development Act is one of the programs superseded by the community development program authorized under title I of the Housing and Community Development Act of 1974 and that authorizations for the model cities program will continue only through fiscal year 1975. Although it is unclear to what extent, if any, the policy reflected in section 105 may be intended to carry over to similar transportation activities funded under the new title I program, we do not foresee any problem in this regard.

With respect to the desirability of enactment of the other provisions of S. 386, we would defer to the Department of Transportation.

Sincerely,

  
Robert R. Elliott





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

DATE: 12-2-74

TO: Bob Linder

FROM: Wilf Rommel

Attached are the Treasury and Labor views letters on S. 386 for inclusion in the enrolled bill file; also, a copy of the facsimile.



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

NOV 26 1974

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

Attention: Assistant Director for Legislative  
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 386, the "National Mass Transportation Assistance Act of 1974."

The enrolled enactment would increase by \$4,825 million, the amount of obligations authorized to be incurred for categorical grants and subsidized loans under the Urban Mass Transportation program. The enrolled enactment would also authorize the Secretary of Transportation to obligate \$3,975 million for a new and more liberal program of formula grants for allocations to States for mass transit construction and operating costs. Although the appropriations to liquidate these obligations would be spread over a number of years -- thus spreading the budget outlay impact over a number of years -- the immediate economic and thus inflationary impact of the proposal could be substantial since the \$8,800 million of new obligational authority would become available for commitment on the date of enactment.

The legislative history of the enrolled enactment indicates that debt service subsidy contracts, such as are used in the ongoing public housing bond program, were contemplated under the new operating grant authority, thus providing an effective Federal guarantee of the tax-exempt revenue bonds issued to finance local mass transit systems. Such guarantees should not be permitted since they would be contrary to the general credit program policies of this Administration and the specific action taken by the Administration in 1972 to provide Federal guarantees and debt service subsidies on taxable obligations issued by the Washington Metropolitan Area Transit Authority.



If the enrolled enactment is approved, the Department recommends that the Department of Transportation be instructed not to administer the program in a manner which would result in debt service grants or other forms of indirect Federal guarantees of tax-exempt obligations.

Sincerely yours,



Richard L. Albrecht  
General Counsel

U. S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

NOV 26 1974

Honorable Roy L. Ash  
Director  
Office of Management and Budget  
Washington, D. C. 20503

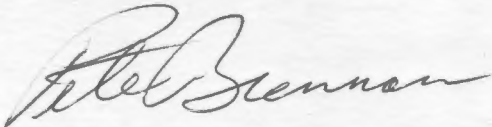
Dear Mr. Ash:

This is in response to your request for our views on S.386 an enrolled enactment cited as the "National Mass Transportation Assistance Act of 1974."

This bill provides funds for urban mass transit capital improvement and operating assistance over the next 6 fiscal years.

We have no objection to Presidential approval of this bill.

Sincerely,



Secretary of Labor

NOV 26 1974  
OFFICE OF MANAGEMENT AND BUDGET  
RECEIVED







GENERAL COUNSEL

OFFICE OF THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

November 25, 1974

Honorable Roy Ash  
Director  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Ash:

This is in response to your request for our views respecting S.386, an enrolled bill

"To amend the Urban Mass Transportation Act of 1964 to authorize certain grants to assure adequate commuter service in urban areas, and for other purposes."

Description

S.386 is composed of three titles, Title I provides increased mass transportation assistance; Title II establishes a fare-free mass transportation demonstration program; and Title III establishes a railroad grade crossings demonstration program.

More specifically, Title I revises the Urban Mass Transportation Act of 1964, as amended (UMT Act) and adds other new provisions as follows:

(1) Section 5 of the UMT Act Revisions

A new formula grant program providing a six-year \$3.975 billion funding level for mass transportation capital and operating grants is established. The fund distribution formula is based one-half on population and one-half on population density. Federal funding of capital projects cannot exceed 80 percent of the total costs and Federal funding of operations projects cannot exceed 50 percent of the total costs; additionally a maintenance of effort



requirement is included to preclude a reduction in grantee participation in operating costs. The Governor is the recipient for formula funds for use in urbanized areas of less than 200,000 population while in areas of 200,000 population or more the Governor, responsible local officials, and operators of publicly owned mass transportation systems shall designate a recipient for these formula funds, except where there exists a statewide or regional agency responsible under state laws for financing, construction and operation of public transportation services, in which case that agency will be the recipient.

(2) Revisions of Sections 3 and 4 of the UMT Act.

Several amendments have been made to these sections:

(a) An additional \$4.825 billion is authorized for the discretionary capital grant program. This is in addition to the approximately \$3 billion remaining available from prior authorizations, making a total of \$7.8 billion available for the 6-year period Fiscal Year 1975 through Fiscal Year 1980. Not to exceed \$500 million of that sum would be available for use outside urbanized areas (50,000 population or less). In addition, beginning with 1975, up to one-half of any Federal financial assistance provided through the discretionary capital grant program may be used for the payment of operating expenses if arrangements are made by the recipient to make available an equal amount of State and local funds for the capital project.

(b) A new requirement for long-term coordination of mass transit planning by the Governors and local officials to develop long-range plans to improve and coordinate all forms of transportation is now incorporated in the UMT Act.

(c) Quasi-public transit corridor corporations would be eligible to receive Section 3 funds. Eligible projects under Section 3 would include grants for station sites and transit corridors.

(d) Recipients under the existing Section 3 capital grant program (and Section 5 capital and operations program) are made subject to certain restrictions respecting the provision of school bus service.



(e) The charter bus provisions of existing Section 3(f) which protect the rights of private operators would apply to grants for both the purchase and operation of buses.

3. Section 15 of the UMT Act.

(a) The provisions of the UMT Act relating to the maximum funds available to individual States are eliminated.

(b) The Secretary is required to develop a data and financial reporting system by January 10, 1977. After July 1, 1978, all recipients of formula grants must participate in the new system as a condition to receiving assistance.

4. Miscellaneous

(a) Model cities transit programs must comply with the requirements of Section 3(e) of the UMT Act.

(b) The Secretary must investigate unsafe conditions in transit facilities, equipment and operations funded by the UMT Act which result in serious safety hazards and require the correction of such unsafe conditions.

(c) Grantees must set non-peak hour fares for elderly and handicapped persons at a level not to exceed one-half of the regular fare.

Title II establishes a two-year \$40 million demonstration program to determine the feasibility of fare-free urban mass transportation systems. Federal grants for such projects may not exceed 80 percent of the project cost.

Title III authorizes a \$14 million demonstration program in Hammond, Indiana, for the relocation of railroad lines for the purpose of eliminating highway railroad grade crossings.

Comment

S.386 differs from the Administration's proposed Unified Transportation Assistance Program (UTAP) in a number of respects. First, S.386 does not establish a consolidated highway and mass transportation



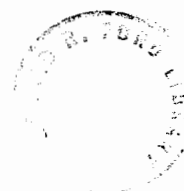
formula grant program.

Second, while UTAP did contain a discretionary grant program for major transit capital investments, its funding was significantly less than the \$7.8 billion now available for capital grants as a result of S.386. Finally, while involving the States as a major participant in the transit program for the first time, S.386 does not designate the States as recipients of all funds distributed under the formula grant program.

S.386 does, however, embody some of the main features sought in UTAP. For the first time it provides a flexible transit grant program with funds distributed by formula. This will result in improvements in vital mass transportation services in more than 250 urbanized areas, affecting almost 70% of our population. Further, since it is a formula grant program with funds distributed to State and local officials closest to the problems, this can be achieved without requiring that all decisions come from Washington.

S.386 provides for an \$11.8 billion urban mass transit program over a six-year period. UTAP allowed approximately \$9.3 billion for urban mass transit and the House-passed Federal Mass Transportation Assistance Act (FMTA) allocated \$11 billion for assistance in both urban and rural areas.

The schedule for the actual expenditure of the formula-based funds under the new Section 5 program (\$3.975 million) starts with \$300 million in 1975 and ultimately reaches \$900 million in 1980. The scheduling of the new discretionary capital funds added for the Section 3 program, however, is not specified. Capital projects would be funded on a maximum 80 percent Federal, 20 percent local basis, and operating expenses on a maximum 50 percent Federal, 50 percent local basis. In both cases, S.386 would permit the Secretary to set a level lower than the maximum Federal share. Under UTAP, the Department had proposed an 80 percent Federal share for both capital and operating assistance, but we have no objection to the lower Federal share provided in S.386. In addition, any recipient under the Section 5 program would be subject to a maintenance of effort requirement. There is also a broad provision allowing the Secretary to impose by regulation such conditions pertaining to the



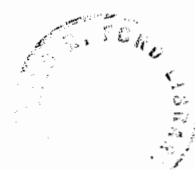
use of the formula funds as he may deem appropriate.

The formula by which the formula grant funds would be distributed, one-half on population and one-half on population density, is acceptable to the Department because it allocates funds on the basis of mass transportation need rather than on the basis of the amount of mass transportation service already in being.

As noted above, S.386 provides a significant amount of new resources for the public transportation program, but in establishing these levels, we believe the Congress has been sufficiently responsive to the urging of the Administration that anti-inflation programs not be jeopardized.

The Governors have consistently objected to the fact that the present UMTA program deals directly with cities. The House-passed FMTA would have placed control largely in the hands of the Governors. Under UTAP, formula grants would have been channeled entirely through the Governors. The formula grant program contained in S.386 attempts to define a middle ground by giving formula funds destined for cities of less than 200,000 population to the Governors, and by requiring agreement among the Governor and appropriate local officials on a recipient for cities of over 200,000 population. In addition, it provides for a substantive role for the Governors in the basic planning process required before grants are awarded. We view this as an acceptable compromise.

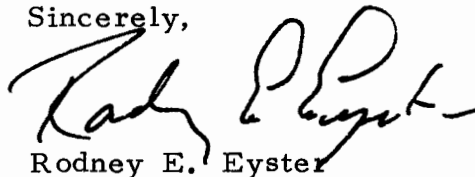
Section 110 of S.386 permits the use of 50 percent of the funds for a capital project to be used for operating expenses. State and local funds would have to be substituted for Federal funds applied to operating expenses so as not to affect the approved capital project. This would enable cities (principally New York) to indirectly use monies from their local capital budget to provide support for operations. Inasmuch as this will enhance the flexibility of State and local officials in meeting their most pressing needs and will not result in slowing down capital projects, we do not have any substantial objection to this provision.



S.386 contains several additional provisions not sought by the Administration. These include a requirement that a recipient charge no more than half fare for the elderly and handicapped during off-peak hours, an authorization for fare-free demonstrations, an authorization for grants to quasi-public authorities, and a rail grade crossing demonstration project in Hammond, Indiana. In our opinion, these should be considered to be miscellaneous provisions that probably would have been incorporated in any transit legislation passed this year. They have no serious programmatic impact.

As indicated above, S.386 is consistent with many of the goals sought by the Department in the area of urban transportation financing, and does indeed represent a landmark in the provision of Federal assistance for mass transportation in our nation's urban areas. In addition to meeting the need for expanded and more flexible Federal assistance to improve and support mass transit systems throughout the Nation, it should contribute substantially to efforts to conserve energy and to reduce air pollution and traffic congestion. Therefore, the Department urges that the President sign S.386.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rodney E. Eyster".

Rodney E. Eyster

DRAFT SIGNING STATEMENT

S. 386

NATIONAL MASS TRANSPORTATION ACT OF 1974

Today I have signed into law the National Mass Transportation Act of 1974. As I indicated in my message to the Congress last week, enactment of a long-term, comprehensive public transportation bill has been one of the priority items in my legislative program for the 93rd Congress. I am pleased to see that the Congress and the Administration, working together, can act expeditiously on a matter of such importance to the people of the Nation.

By providing expanded and more flexible Federal assistance to public transportation programs throughout the country, this Act can be a substantial boost to our efforts to conserve valuable petroleum energy, reduce air pollution in our cities and towns, and improve urban livability through the reduction of automotive congestion. It represents a further step in Federal support for public transportation--support which has significantly increased during the last ten years due to continued cooperation between the Executive and Legislative branches of government.



Certainly this Act, like any other major Legislation, reflects a compromise between the Administration and the Congress. However, I am pleased to sign this new Act because it does incorporate several principles which are critical thrusts of my Administration's domestic program.

First, it enhances the flexibility of state and local officials to use Federal financial assistance to meet their most pressing needs. For the first time, this new Act will enable state and local officials to use Federal mass transportation financial assistance for transit operating assistance if they, not Federal officials, determine that such assistance is their highest priority need.

Second, it balances program goals with the overriding need for Federal fiscal restraint. Without question, this Act provides significant new resources for the public transportation program. However, these funding authorizations are responsive to the levels which I felt could be supported without jeopardizing our anti-inflation programs.

With the approval of significant new funding authorizations comes the responsibility to ensure that each Federal tax dollar produces the maximum transportation benefits possible. To help fulfill this vital responsibility, the Secretary of Transportation will





soon issue policies and procedures to guide Federal financial assistance to major transit capital projects. Furthermore, we intend to carefully implement the operating assistance provisions of this new Act to achieve expanded public transportation services.

Lastly, it will expand the cooperative Federal/state/local relationship in the planning and execution of the public transit program. By providing multi-year financing, coupled with a growing portion of the funds allocated by a predictable formula, this Act will enable state and local officials to plan their public transportation program—a recognition of both the increasing state role in financing new public transportation and the need for coordination of public transportation planning and programming with that of other transportation modes.

I especially note the provisions which will enable us to continue and to expand our efforts to improve public transportation in our rural and small urban areas. Public transportation in these areas is an emerging need, and we will use the provisions of this new Act to meet these needs. Furthermore, should it prove necessary, we will not hesitate to propose additional legislation to provide effective assistance to our rural and small urban areas.



The National Mass Transportation Act of 1974 responsibly addresses a major national issue. It is the product of tireless effort by many individuals, both in and out of government. I am proud to sign this Act, and I look forward to extending this strong cooperation between the Administration and the Congress to other issues critical to the future of the Nation.



**EXECUTIVE OFFICE OF THE PRESIDENT**  
**COUNCIL ON ENVIRONMENTAL QUALITY**  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

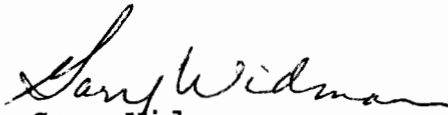
NOV 22 1974

MEMORANDUM FOR WILFRED ROMMEL  
OFFICE OF MANAGEMENT AND BUDGET

SUBJECT: National Mass Transportation Assistance  
Act of 1974

The Council has reviewed the National Mass Transportation Assistance Act of 1974 and has found it consistent with the National Environmental Policy Act. We strongly recommend that it proceed into law as soon as possible.

Thank you for the opportunity to comment on this important legislation.

  
Gary Widman  
General Counsel

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 748

Date: November 25, 1974

Time: 5:15 p.m.

FOR ACTION: Mike Duval *O.K.*  
Bill Timmons *O.K. phone*  
Phil Areeda *clear omr3*

cc (for information): Jerry Jones  
Warren Hendriks

FROM THE STAFF SECRETARY

DUE: Date: Monday, November 25, 1974

Time: 6:00 p.m.

SUBJECT: Enrolled Bill S. 386 - National Transportation Assistance Act of 1974

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please call comments to Judy Johnston x2219.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

K. R. COLE, JR.  
For the President



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 748

Date: November 25, 1974

Time: 5:15 p.m.

FOR ACTION: Mike Duval ✓  
Bill Timmons  
Phil Areeda

cc (for information): Jerry Jones  
Warren Hendriks

FROM THE STAFF SECRETARY

DUE: Date: Monday, November 25, 1974 Time: 6:00 p.m.

SUBJECT: Enrolled Bill S. 386 - National Transportation Assistance Act of 1974

ACTION REQUESTED:

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

REMARKS:

Please call comments to Judy Johnston x2219.

*OK Mike Duval*

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.

Warren K. Hendriks  
For the President



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 748

Date: November 25, 1974

Time: 5:15 p.m.

FOR ACTION: Mike Duval  
Bill Timmons  
Phil Areeda ✓

cc (for information): Jerry Jones  
Warren Hendriks

FROM THE STAFF SECRETARY

DUE: Date: Monday, November 25, 1974

Time: 6:00 p.m.

SUBJECT: Enrolled Bill S. 386 - National Transportation Assistance Act of 1974

ACTION REQUESTED:

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

REMARKS:

Please call comments to Judy Johnston x2219.

*Defer to OMB  
(which is all that is possible in  
the time available for consideration)*

*P. Areeda*

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.

Warren K. Hendriks  
For the President



THE WHITE HOUSE

WASHINGTON

November 25, 1974

MEMORANDUM FOR: MR. WARREN HENDRIKS  
FROM: WILLIAM E. TIMMONS *WT*  
SUBJECT: Action Memorandum - Log No. 748  
Enrolled Bill S. 386 - National Transportation  
Assistance Act of 1974

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment



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

NOV 25 1974

To -  
Karen Mendicino  
11-25-74  
4:55 p.m.

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 386 - National Transportation  
Assistance Act of 1974  
Sponsors - Sen. Williams (D) New Jersey and 6 others

Last Day for Action

Purpose

Authorizes \$3.975 billion in contract authority to be used over a six-year period for a new formula grant program to States and localities for mass transit capital or operating assistance; authorizes an additional \$4.825 billion in contract authority for the existing Federal mass transit assistance program; authorizes \$40 million over a two-year period for a demonstration no-fare program; requires the establishment of a uniform reporting system; and limits eligibility for assistance to States and localities which have a continuing comprehensive transportation planning process.

Agency Recommendations

Office of Management and Budget	Approval
Department of Transportation	Approval
Council on Environmental Quality	Approval
Department of Agriculture	Approval (Informally)
Department of Labor	No objection (Informally)
Department of Housing and Urban Development	Defers to DOT (Informally)
Department of the Treasury	





C to Tleis  
C to Caveman  
11.22.74  
RDL.

11/22/74

At Mr. Rommel's request, attached is a DOT draft signing statement and an OMB draft enrolled bill memorandum. Both are staff drafts which have not been cleared by policy level officials. If you have questions over the weekend, please call:

Janet Fox	Office - 395-3890
	Home - 338-7493
Nick Stoer	Office - 395-4752
	Home - 299-7807

*W. Skidmore*



From DOT - Draft  
11/22/74

For John Jay

DRAFT SIGNING STATEMENT

S. 386

NATIONAL MASS TRANSPORTATION ACT OF 1974

Today we sign into law the National Mass Transportation Act of 1974, which marks an important long-term major federal commitment to mass transportation. This is a substantial step forward in our fight against excessive energy consumption, against inflation, against urban pollution and congestion. This is a fine piece of legislation. Enactment of a long-term, comprehensive transit bill it was one of the priority items in my own legislative program for the 93rd Congress. I am proud to see that the Congress and the Administration, working together, can produce speedy action on a matter of such importance to the people of the Nation.

This Act will continue and expand the existing mass transportation program, making available \$7.825

billion additional federal dollars for capital investment in mass transportation systems. In addition, it will make available nearly \$4 billion in federal funds, allocated to urbanized areas on the basis of population and density, to be used during the next six fiscal years for either operating or capital assistance for mass transit. This Act will also ~~for the first time~~ <sup>help</sup> commit the federal government ~~to deal with the mass transportation needs~~ <sup>public</sup> of our rural and small urban areas, which have for so long been neglected. Of the capital funds provided in this Act, <sup>up to</sup> \$500 million ~~would be set aside for use~~ <sup>may be used for assistance</sup> in these less-populated areas. In sum, the legislation that I sign today will make available \$11.8 billion for FY 1975-80, to meet an acute need for mass transportation support.

This Act marks a new approach to mass transportation planning and program administration. It will for the first time make available steady, predictable and reliable federal financial support for mass transit, so that states and localities can plan intelligently for their long-term needs. It will for the first time

bring the Governors into the mass transportation planning and development process. Under this Act the Governors will be wholly responsible for areas of less than 200,000 population, and will have a role in the designation of a recipient for program funds in urbanized areas of more than 200,000 population. The Governor must be represented in the planning process, and all projects approved for funding must be consistent with the unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area. The Administration first proposed the involvement of the Governors, and we are pleased that the Congress has provided for it.

This Act will bring the federal mass transportation capital program into a position of equal importance with the <sup>federal-aid</sup> highway, ~~airport and airways development and other federal transportation investment~~ programs. In addition, it will for the first time make available federal support for transit operating expenses. If we are to attract Americans out of their automobiles and onto mass transit systems, we must provide both equipment

and facilities that are comfortable, reliable and convenient and the money to <sup>improve their operations,</sup> ~~operate them.~~ The federal funds provided under this Act are meant, however, to supplement, not <sup>replace</sup> ~~supplant~~, the state and local revenues that are already being committed to support mass transportation operations. We look forward to the continuation and expansion of the state-local-federal partnership in mass transportation. This Act provides a vehicle for federal support that is comprehensive, reliable and fiscally sound. I compliment the Congress on having produced such a fine piece of legislation. I take great pleasure in signing it into law.

OMB recommends that a statement be added concerning the "alternate use" provision of the bill, re the fact that it is fiscally unwise to use Federal funds for operating costs, and then later to replace them with state or local funds intended for capital purposes.

DRAFT - Fox/Stoer 11-22-74

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 386 - National Mass Transportation Assistance Act of 1974  
Sponsors - Sen. Williams (D) New Jersey and six others

Last Day for Action

December , 1974 -

Purpose

Authorizes \$11.8 billion in appropriations over a six-year period to be used for grants to States and localities for mass transit capital or operating assistance; authorizes \$40 million over a two-year period for a demonstration no-fare program;

; requires the establishment of a uniform reporting system; and limits eligibility for assistance to States and localities which have a continuing comprehensive transportation planning process.

Agency Recommendations

Office of Management and Budget	Approval
Department of Transportation	Approval
Council on Environmental Quality	Approval (informally)
Department of Labor	Approval (informally)
Department of Housing and Urban Development	Defers to DOT (informally)
Department of the Treasury	
Department of Agriculture	Approval (informally)



### Discussion

S. 386 as enrolled is the result of almost two years of discussions between Congress and the executive branch, and of conference committee meetings and modifications. It was originally an unacceptable short-term operating subsidy bill. After much negotiation and effort, the Conferees reported out an amended version on October 3, 1974, which would provide for an acceptable program of long term capital and operating assistance. It differs from the Administration's proposed Unified Transportation Assistance Program (UTAP), which would have combined some mass transit and highway funds and would have given the States and localities increased flexibility on how to use those funds.

While S. 386 does not contain this particular UTAP proposal, it does follow the UTAP example in providing for Federal operating assistance for transit operations for the first time. Previously, Federal assistance was limited to capital investments. Despite the substantial Federal relief for capital expenditures, however, many transit systems continue to operate at a deficit and have had to rely upon State and local funds to maintain, improve, and expand transit service. As one way to reduce air pollution and energy consumption, expanded use of mass transit can be helpful. To achieve this mass transit needs to be made more desirable and efficient to appeal to more people. Allowing the

use of Federal grants for operating assistance may make this possible. To assure that the Federal funds are channelled into transit operations and do not simply result in local tax relief, a provision requested by the Administration would require that Federal funds be supplementary to and not in substitution for State and local funds to operate the system. This "maintenance of effort" requirement will ensure that a local fiscal and managerial responsibility for transit services is maintained.

The bill would authorize \$3.98 billion over a six-year period for a new formula grant program to be used, at local option, for operating assistance (up to 50 percent Federal share) or for capital assistance (up to 80 percent Federal share). The distribution formula, based 50 percent on urbanized area population and 50 percent on population density, was initially recommended by Secretary Brinegar in a letter to Senator Williams.

The bill would also authorize an additional \$4.8 billion in funds over a six-year period for States and localities for the existing capital assistance grant programs. Combined with an unobligated balance from previously authorized funds of about



\$3 billion, the total would be \$7.8 billion for transit capital grants, of which <sup>up to</sup> \$500 million would be <sup>available</sup> ~~earmarked~~ for rural transit grants. Continuing the practice of the existing capital grant program, these funds would be distributed at the discretion of the Secretary of Transportation.

Sound financing practice dictates that operating expenses not be funded with long term debt. However, <sup>under</sup> an "alternate use" provision of the bill, included principally for the benefit of New York City, States or localities could use up to one-half of the funds granted to them under the discretionary capital grant program for operating assistance, provided the Federal funds are replaced by State and local funds within two years. The funds which State and local government would probably use to replace the Federal funds would be the proceeds of bonds which are usually and properly restricted to capital investment. This "alternate use" provision would hide one year's local operating expenses in the following year's capital budget, thus providing Federal sanction of a practice which subverts the principles of sound financing and the customary intent of local bonding to provide for capital investment, not operating expenses. This unsound financing practice could prematurely consume bond proceeds for operating costs <sup>and thereby</sup> ~~exhausting~~ the capacity to make needed capital investment, put excessive subsidies into transit operations, and accelerate Federal outlays. DOT believes that it can develop

administrative regulations to control the more undesirable effects that this provision creates. We would urge that the signing statement point out the onerous aspects of this provision.

S. 386 would authorize \$40 million over a two-year period to fund up to 80 percent of the cost of demonstration programs to determine the feasibility of fare-free mass transit. DOT objected to this categorical grant because sufficient authority already exists to fund such projects. The bill would also require localities receiving Federal assistance to charge the elderly and handicapped no more than one-half the normal peak hour fare during nonrush hours. While we believe this matter is more appropriately a local decision, neither this nor the demonstration no-fare provisions create serious objections to the bill.

The bill would extend the labor protection provisions of Section 13(c) of the Urban Mass Transportation Act, now limited to capital grants, to the Federal operating assistance grants. These provisions have often been the cause of delay in mass transit projects and have come under criticism by some Congressmen and local officials as generating undue costs and labor management problems. While the Labor Department supports this extension, the Administration has opposed it because there has been no

rationale provided for the extension of such protection to grants for operating expenses, nor have analyses been undertaken of the inflationary impacts of 13(c) resulting from its application to grants for capital projects.

The bill would require DOT to establish, and Federal assistance recipients to use, a uniform system of accounts and records. This would be a great improvement over the present diversification of reporting systems, and should allow for better comparison and evaluation of mass transit systems and their benefits and costs.

The bill would require that States and localities establish a continuing comprehensive transportation planning process in order to qualify for Federal assistance after July 1, 1976. This is compatible with similar requirements in the Federal-aid highway program and will assure that States and localities consider alternate forms and routes of transit systems in their overall transportation programs.

The bill contains a number of other new provisions. It would authorize DOT to investigate unsafe conditions in any facility, equipment or operation financed under the bill, and to withhold further Federal assistance, if necessary, until the unsafe conditions are being corrected. It would forbid Federal assistance recipients who have not previously engaged in school bus operations from doing so, unless no other adequate school bus operations are available. It would authorize \$14 million for the

relocation of railroad lines in Hammond, Indiana, for the purpose of eliminating highway railroad grade crossings.

\* \* \*

While there are some undesirable provisions in S. 386, the bill in general is a great improvement over previous congressional proposals. Previous versions of S. 386 and the House bill, H. R. 12859, provided for more than \$20 billion in Federal assistance and would have involved the Federal Government in the day-to-day operations of local mass transit systems. While this bill's \$11.8 billion authorization is more than the \$9.5 billion requested by the Administration, it is within the guidelines of what you said would be acceptable. S. 386 would distribute about 34 percent of the funds on a formula basis, considerably less than the 55 percent contemplated in UTAP, but still a major and desirable departure from the current program. In short, the bill is a victory for the Administration and your signature is recommended. A proposed signing statement is attached for your use.

THE WHITE HOUSE  
WASHINGTON

11.22.74

TO: Jim Cavanaugh

For Your Information: \_\_\_\_\_

For Appropriate Handling: ✓

Copy sent to Heis.

\_\_\_\_\_

\_\_\_\_\_

  
Robert D. Linder

11/22/74

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Janet Fox	Office - 395-3890
	Home - 338-7493
Nick Stoer	Office - 395-4752
	Home - 299-7807

*W. Skidmore*



From

DOT - Draft  
11/22/74

For New York

DRAFT SIGNING STATEMENT

S. 326

NATIONAL MASS TRANSPORTATION ACT OF 1974

Today we sign into law the National Mass Transportation Act of 1974, which marks an important long-term major federal commitment to mass transportation. This is a substantial step forward in our fight against excessive energy consumption, against inflation, against urban pollution and congestion. This is a fine piece of legislation. Enactment of a long-term, comprehensive transit bill it was one of the priority items in my own legislative program for the 93rd Congress. I am proud to see that the Congress and the Administration, working together, can produce speedy action on a matter of such importance to the people of the Nation.

This Act will continue and expand the existing mass transportation program, making available \$7.825

billion additional federal dollars for capital investment in mass transportation systems. In addition, it will make available nearly \$4 billion in federal funds, allocated to urbanized areas on the basis of population and density, to be used during the next six fiscal years for either operating or capital assistance for mass transit. This Act will also ~~for the first time~~ <sup>help</sup> commit the federal government ~~to deal with the mass~~ <sup>public</sup> transportation needs of ~~our~~ rural and small urban areas, which have for so long been neglected. Of the capital funds provided in this Act, <sup>up to</sup> \$500 million ~~would be set aside for use~~ <sup>may be used for assistance</sup> in these less-populated areas. In sum, the legislation that I sign today will make available \$11.8 billion for FY 1975-80, to meet an acute need for mass transportation support.

This Act marks a new approach to mass transportation planning and program administration. It will for the first time make available steady, predictable and reliable federal financial support for mass transit, so that states and localities can plan intelligently for their long-term needs. It will for the first time



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DRAFT - Fox/Stoer 11-22-74

MEMORANDUM FOR THE PRESIDENT

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Last Day for Action

December , 1974 -

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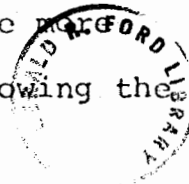
Agency Recommendations

Office of Management and Budget	Approval
Department of Transportation	Approval
Council on Environmental Quality	Approval (informally)
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