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

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JAN 28 1975

MEMORANDUM FOR: JOHN O. MARSH, JR.
COUNSELLOR TO THE PRESIDENT
FROM: WALTER D. SCOTT *WDS*
SUBJECT: Aviation and Highway Legislative Initiatives

Roy Ash, Claude Brinegar and Ken Cole met with the President in December and reached agreement on the basic thrust of new aviation and highway legislative proposals. The Department of Transportation, Domestic Counsel, and OMB have subsequently reached agreement on the major provisions of the legislation. Key aspects of the proposals are highlighted in the Budget Message. We are recommending that the legislation be transmitted with a short, written Presidential Transportation Message within three weeks. DOT is currently drafting legislation and also briefing key Congressional and interest groups on the thrusts of the proposals.

We are sending an information memo to the President with the attached outlines of the key provisions of the legislation. We will keep you informed of our progress.

Attachments



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Aviation Legislation

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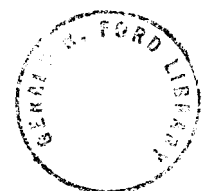
...Key objectives of legislation are to:

- 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 (\$90M 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.

	<u>Program Level (Billions of Dollars)</u>					
	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
<u>TOTAL</u>	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.



MAR 4 1975

THE WHITE HOUSE
WASHINGTON

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March 3, 1975

MEMORANDUM FOR: JACK MARSH
THRU: MAX FRIEDERSDORF M. B.
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FROM: CHARLES LEPPERT, JR. C.L.
SUBJECT: Federal highway and aviation legislation

Meetings to carry out the President's instructions to begin work immediately with Congressman Harsha and others on federal highway and aviation legislation are being held. The schedule is as follows:

2/27/75	10 a. m.	Discussion briefing with Staff Director and appropriate Majority staff of the House Public Works and Transportation Committee
2/27/75	1 p. m.	Discussion briefing with Rep. Harsha, Rep. Clausen and Minority Counsel Cliff Enfield
2/28/75	2 p. m.	Discussion briefings for appropriate Majority and Minority staff of the House Public Works and Transportation Committee.
3/4/75	3 p. m.	Discussion briefings for Rep. Bob Jones, Chairman, House Public Works and Transportation Committee.

Administration personnel conducting the discussion briefings were Mike Duval, Domestic Counsel; John Snow and Ted Lutz, DOT; and Charlie Leppert, White House CR staff.

It is anticipated that the Administration proposals on federal aid to highways and aviation will go to the Hill prior to the Easter Recess which begins March 27th and preferably the week of March 10, 1975.

cc: Jim Cavanaugh
Doug Bennett

