CONSOLIDATION OF HIGHWAY PROGRAMS

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SUMMARY

Increasing pressures to control the federal budget and to remove the federal government from state decisionmaking are reflected in recently proposed highway bills. Some of these proposals would reduce federal spending on highway and highway safety programs, and they would relax federal control over some aspects of these programs. In the current climate, consolidating today's numerous, tightly defined highway programs into fewer, more flexible programs offers a way to control federal spending while granting states more flexibility in setting priorities and selecting projects to meet them.

In this session, both houses of Congress will enact new highway proposals. The Senate Public Works Committee considered two major bills that would reshape highway law: the Administration's bill and one reported by the committee. The Administration's plan eliminates some programs, and it broadens the scope of other programs so as to pick up some of the lost coverage. The Senate bill combines the present secondary system and some highway safety into a new rural program, combines the present urban program, hazard elimination, and economic development highways into a new urban program, merges parts of safety programs not consolidated elsewhere into a new safety program, and bundles most forest and public

land highways into a federal lands program. The bill passed by the House would generally extend current law through fiscal year 1982.

As the Congress considers various highway proposals that come before it this year and next, consolidation promises to be an important theme of continuing concern. This paper reviews current legislative proposals for highways, focusing particularly on any changes that would consolidate the many programs now in existence into fewer, more general-purpose programs. It is divided into four sections:

- The purpose of program consolidation;
- Mechanisms for consolidation;
- Description of alternative legislative proposals; and
- An evaluation of the consolidation features of these proposals.

CHAPTER I. INTRODUCTION

PURPOSE OF CONSOLIDATION

Consolidation can increase the effectiveness of federal highway expenditures. This largely results from the states having more discretion in choosing which federally supported projects to undertake. By improving targeting, consolidation may also lead to budget reductions in federal highway expenditures.

During recent years, the number of small highway and highway safety programs that are funded by the federal government has grown rapidly, from 16 programs in 1968 to more than 50 (16 are multi-year programs that did not receive specific authorizations for fiscal year 1982) in 1978. These programs have become highly specialized, including highway beautification, which finances removal of billboards from federal routes, and the territorial highway program, which finances roads in American Samoa. Consolidation will reduce the number of smaller highway programs.

Currently, the federal government spends about $9 billion annually on highways. Under the 1978 act, authorizations amount to just under

$9 billion for fiscal year 1982. 1/ Interstate highway programs at $3.6 billion and a bridge replacement program at $900 million account for half of all federal fiscal year 1982 authorizations for highways. Another very large program, the $1.5 billion federal-aid primary system, provides funding to develop further and maintain the national system of primary routes, which prior to creation of Interstate highways, formed the backbone of nations' road network and still forms the backbone of the states' road networks. The federal-aid secondary and urban programs provide another $1.2 billion for rural and urban highways that feed into the primary system. 2/ About 25 smaller programs account for the remaining $1.8 billion. Many of these smaller programs are targeted at highly specific needs: for example, access highways to lakes and upgrading of rail-highway crossings.

1/ "During consideration of the 1978 legislation it was necessary to make substantial cuts in the fiscal year 1982 highway authorization in order to reduce the total authorizations in order to reduce the total authorizations for the Surface Transportation Assistance Act to a figure which would ensure Presidential approval. The intent of the Committee . . . was to review the level of authorizations for fiscal year 1982 for the highway program during 1981." Committee on Environment and Public Works, Report No. 97-202, October 7, 1981.

2/ All federal-aid highways account for nearly 20 percent of the 3.9 million miles of U. S. highways, but, 79 percent of total vehicles miles traveled. In fiscal year 1981, primary and secondary-aid systems had authorizations of $1.8 billion and $600 million, respectively, as opposed to $1.5 billion and $400 million in fiscal year 1982. The $500 million drop between fiscal year 1981 and fiscal year 1982 reflected legislative concessions to achieve President Carter's total four year authorization ceiling for the 1978 act. It was expected that these funds would be restored by fiscal year 1982. For this reason, rigid comparisons between the 1978 act's fiscal year 1982 authorization levels and current proposals may be slightly distorted.

Most programs that are financed from the Highway Trust Fund (about 90 percent of the spending summarized in Table 1) generally do not require appropriation before the Secretary of Transportation can obligate funds. Thus, most highway spending does not get detailed review in the appropriations process. In recent years, though, the Congress has enacted obligation ceilings as a mechanism for controlling overall highway spending. This year (fiscal year 1982) the obligation ceiling stands at $8.2 billion although the Administration has proposed $7.2 billion and the Senate bill is at $7.7 billion; as a result, some programs may receive no funding while others may receive partial funding. In another few cases, the implementing agency may not request funds under the Highway Act; in these cases, the agency usually has alternative sources of funding for specific projects.

TABLE 1. FISCAL YEAR 1982 AUTHORIZATIONS BY PROGRAM

1978 Act Section	Program Name	23 USC	Present FY82 Authorizations (In millions)		Federal Share (In percent)	Contract Authority (C) or Appropriated Budget Authority (BA)	Apportioned	Percent of FY81 Authorizations Appropriated
102	Interstate System	103(e)	3,200	HTF a/	90	C	Yes	NA
104(b)(1)	Interstate Minimums	---	125	HTF	90	C	Yes	NA
105	Interstate System Resurfacing	---	275	HTF	75 b/	C	Yes	NA
104a(1)	Federal-Aid Primary	103(b)	1,500	HTF a/	75 b/	C	Yes	NA
104a(1)	Federal-Aid Secondary	103(c)	400	HTF	75 b/	C	Yes	NA
104a(2)	Federal-Aid Urban	103(d)	800	HTF	75 b/	C	Yes	NA
104a(3)	Forest Highways	204	33	HTF	100	C	---	NA
104a(4)	Public Lands Highways	209	16	HTF	100	C	No	NA
104a(5)	Forest Development Roads and Trails	205	140	General Fund	100	BA	No	0.0
104a(6)	Public Lands Development Roads and Trails	214	10	General Fund	100	BA	No	0.0
104a(7)	Park Roads and Trails	206	30	General Fund	100	BA	No	0.0
104a(8)	Parkways	207	45	General Fund	100	BA	No	0.0
104a(9)	Indian Reservation Roads and Bridges	208	83	General Fund	100	BA	Yes	0.0
104a(10)	Economic Growth Center Development Highways	143	50	HTF	75 b/	C	Yes	NA
	Appalachian Development Highways, PL 89-4 Redevelopment Act of 1965	201	215	General Fund	80	BA	Yes	NA
104a(11)	Administrative Expenses for Highway Beautification	---	1.5		100	C	No	NA
104a(12)	Territorial	215(a)	11	General Fund	100	BA	Yes	60.0
104a(13)	Territorial (Northern Mariana Islands)	Chapter I	1	General Fund	100	BA	No	NA
141(c)	Bicycle Program	217	10	HTF	75	BA	---	NA
			10	General Fund		BA		5.0
104a(15)	Great River Road:							
	Off System	148	10	General Fund	75	BA	Yes	0.0
	On System		25	HTF	75 b/	C	(Relative Needs)	NA

(Continued)

TABLE 1. CONTINUED

1978 Act Section	Program Name	23 USC	Present FY82 Authorizations (In millions)	Federal Share (In percent)	Contract Authority (C) or Appropriated Budget Authority (BA)	Apportioned	Percent of FY81 Authorizations Appropriated
104a(16)	Control of Outdoor Advertising	131	30 General Fund	75	BA	No	22.0
104a(17)	Safer-Off System Roads	219	200 General Fund	75 b/	BA	Yes	0.0
104a(18)	Access Highways to Lakes	155	15 General Fund	75	BA	No	100.0 d/
104(c)	DOT Secretary Priority Primary System Discretionary Fund	---	(125) c/	75	C	No	NA
114	Emergency Relief	125	150 HTF	100	C	No	NA
134(c)	Demonstration Projects Railroad Highway Crossings	e/	100 2/3 - HTF 1/3 - General Fund	95	BA	No	0.0
202(1)	NHTSA	402	100 HTF f/	75	C	Yes	NA
202(2)	Highway Safety R&D (NHTSA)	403	31 HTF g/	100	BA	---	54.0
202(3)	Highway Safety Programs	402	10 HTF g/	75 b/	C	Yes	NA
202(5)	Highway Safety R&D (FHWA)	307(a) 403	10 HTF	100	BA	---	95.0
202(6)	Bridge Reconstruction	144	900 HTF	80	C	Yes	NA
202(8)	Elimination of Hazards	152	200 HTF	90	C	Yes	NA
203(a)	Rail-Highway Crossings	130	190 HTF	90	C	Yes	NA
206	Accident Data	---	5 HTF	100	BA	No	0.0
	TOTAL		8,931.5				

SOURCE: Congressional Budget Office.

a/ Highway Trust Fund.

b/ Can be increased to 95 percent. 23 USC 120(a).

c/ Parentheses indicates inclusion in another program.

d/ Received $11.3 million and a fiscal year 1981 supplemental of $10 million.

e/ Section 163 of Federal-Aid Highway Act of 1973, and Section 104, 1974 Highway Amendment Act.

f/ Includes $20 million for maximum speed limit.

g/ Changed by Highway Safety Act of 1981 (P.L. 97-35).

CHAPTER II. MECHANISMS FOR CONSOLIDATION

Programs could be consolidated in several ways. Combining the objectives and funding of two or more programs into a single program offers the most direct approach to consolidation. 1/ Alternatively, permitting the states to transfer funds from one program to another may, indirectly, produce the same results as merging programs. 2/ Finally, the activities eligible for funding under each program can be broadened. This section describes different means of achieving consolidation.

Substantial flexibility can be granted to states by permitting them to shift funds from one program to another. For example, a state may receive apportionments under a dozen different programs. At present, each state

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1/ This approach was taken in the 1976 Highway Act, which consolidated "three existing categories--the rural primary, urban extensions, and priority primary programs--into a new primary system program . . .", and ". . . safety programs that had been established in 1973 for high-hazard locations and roadside obstacles were also consolidated." The Highway Safety Act of 1981 merged the maximum speed limit program which had required appropriations with the main National Highway Trransportation Safety Administration program which stipulates contract authority. It also specified that $20 million in the main NHTSA program be earmarked for reaching maximum speed limit objectives.

2/ This approach was taken in the 1974 Highway Act which increased transfer limits. The report stated that this change furthered "the objective of maximum flexibility in the use of federal-aid for highways (p. 5, House Report No. 94-716, April 13, 1976). Previously, the Congress had permitted states to transfer between rural primary and rural secondary programs; according to the 1974 act, beginning in 1976, transfers were permitted between rural and urban programs as well.

would keep a dozen lists of projects listed by priority--one for each program. Unfunded projects on one list may have higher priority than a funded project on another list, but the state may postpone the high priority work in order to distribute its funds so as to match all available forms of federal support. If programs are consolidated or if the state is able to transfer apportionments from one program to other programs, then the state could merge its various lists into one and undertake projects that better reflect its overall highway and safety priorities.

By limiting how much states may transfer between specific programs, the federal government can retain some control over programs. For example, the 1978 act permitted transfers up to 50 percent among federal-aid highway programs. For programs in which there is a strong national interest, such transferability could be restricted so as to ensure greater adherence to national objectives. For programs with largely local objectives, the transfer ceiling could be quite high. 3/ In short, increased transferability offers a workable way to balance national concerns with state and local priorities.

3/ The 1973 act enabled local governments to use the urban system authorization's for transit capital projects as well as highway projects. In addition, states were allowed to "trade in" segments of the Interstate system that were not of national importance and use the funds for transit capital projects. These substitute projects were subject to appropriations. The 1978 act permitted the substitution of other highway projects as well as mass transit.

Instead of creating new programs to meet new needs, existing programs may be widened to include an additional purpose. For example, some state highway networks rely on ferry boats and access roads to them. Since ferrys generally operate only where bridges are inconveniently distant, the ferry boats provide an essential link in the highway system. The 1970 Highway Act, instead of adding another program, broadened the scope of an existing program to include ferry boat purchases.

CHAPTER III. CURRENT PROPOSALS FOR CONSOLIDATION

The Congress has three proposed highway bills presently before it: the Administration bill (S. 841), the Senate bill, (S. 1024), and the House bill (H. R. 3210). Essentially the House bill extends present programs, authorized in the Surface Transportation Assistance Act of 1978, to run their course for one additional year through fiscal year 1982.

The Reagan Administration does not explicitly propose to consolidate programs; rather it eliminates most all of the small programs and expands somewhat the coverage of the larger programs. The Senate proposal reduces the number of highway programs to 12, folding several smaller programs now in existence into these remaining programs, (Table 2). 1/

House Proposal (H. R. 3210)

The House bill, which basically extends current law for one year, adds $100 million to the $900 million bridge program, and $50 million to the

1/ Broadly speaking, the Administration and Senate highway proposals are similar; each maintains primary, secondary, urban, bridge, and safety categories, although specific provisions do vary.

TABLE 2. A SUMMARY OF PROGRAM CONSOLIDATION AND ELIMINATION PROPOSED IN CURRENT HIGHWAY BILLS

	Senate Bill (S. 1024)	Administration Bill (S. 841)	House Bill (H. R. 3210)
Amount Authorized (Fiscal Year 1982 billions)	8.6 a/	8.8 b/	9.6 c/
Number of Major Programs Authorized d/	12.0 e/	14.0	34.0
Major Consolidation Initiatives	Permits 100% transfers of apportionments between federal aid primary, rural, and urban programs. Consolidates several forest and public programs into two directed programs, one for forests and another for public lands. Consolidates several safety programs into federal aid programs and a single safety program. Eliminates priority primary set aside.	Eliminates priority primary set aside.	The House bill amounts to an extension of current law and the roughly 40 programs remain intact.
Major Program Terminations	Some of the smaller programs not consolidated remain although in an inactive status.	Urban and secondary aid after fiscal year 1983. Forest development roads. Economic growth center highways. Safer-off system roads. Hazard elimination. Rail highway crossings.	It does not eliminate any programs.

a/ Obligation ceiling of $7.2 billion.

b/ The Administration has since proposed a ceiling of $7.2 billion.

c/ Obligation ceiling of $8.2 billion.

d/ More than $50 million for fiscal year 1982 authorizations.

e/ Does not include National Highway Traffic Safety Administration which is covered by S. _____ reported by the Senate Commerce Committee.

$1,500 million primary aid program (earmarked for priority primary highways). H. R. 3210 also adds $525 million to the $275 million 3-R program and thereby establishes the Interstate highway 4R program. The 30, small and large, programs listed in Table 1 are retained. The increased funding is to the existing 1982 authorizations--relative to the 1981 program, the total increase is small.

Reagan Proposal (S. 841)

The Administration's proposal would make several important changes to current law. The most dramatic change affects the federal-aid highways (Table 3). The secondary and urban programs would be eliminated after fiscal year 1984, but the primary-program would be extended to cover some of their activities.

For the programs that are kept, the Reagan proposal increases fiscal year 1982 authorizations by more than $1.1 billion compared to current authorizations. Numerous programs, amounting to $1.3 billion, are targeted for elimination (Table 4); forest development roads ($140 million), off-system safety ($200 million), hazards elimination ($200 million), and rail highway crossings ($190 million) are the major categorical programs elimi-

TABLE 3. PROPOSED REAGAN HIGHWAY AUTHORIZATIONS (S. 841) AND RELEVANT PORTIONS OF CURRENT LAW

S. 841 Section a/	Program	23 USC	Present FY82 Authority	S. 841 Section	Reagan Proposal (Fiscal years in millions)				
					1982	1983	1984	1985	1986
103	Interstate	103(e)	3,200	102	3,300	3,625	3,625	3,625	3,625
106(a)	Interstate 4-R		275	106(a)	800	1,300	2,000	2,100	2,700
104a(1)	Federal-Aid Primary	103(b)	1,500	104a(1)	1,500	1,700	1,800	1,800	1,800
104a(1)	Federal-Aid Secondary	103(c)	400	104a(1)	700	300	c/	c/	c/
104a(2)	Federal-Aid Urban	103(d)	800	104a(2)	900	500	c/	c/	c/
104a(3)	Forest Highways	204	33	104a(3)	34	34	34	34	34
104a(4)	Public Lands Highway	209	16	104a(4)	16	16	16	16	16
104a(5)	Bridges	144	900	104a(5)	900	1,200	1,400	1,400	1,400
114	Emergency Relief	125	150	114	150	150	150	150	150
	Interstate Transfer	---	275 d/	---	200	225	375	375	375
129(6)	Appalachian Development Highway System	b/	215	129	215	234	250	270	289
202(a)(1)	NHTSA (Programs)	402	200	202(a)(1)	77	77	77	77	77
202(a)(2)	NHTSA (R&D)	403	50	202(a)(2)	31	31	31	31	31
202(a)(3)	FHWA (R&D)	307(a)	10	202(a)(3)	10	13	13	13	13
	Other Programs		1,182.5		0	0	0	0	0
	TOTAL		8,931.5		8,833	9,405	9,771	9,891	10,510

a/ Proposed Administration Law, S. 841.

b/ Section 201, P. L. 89-4, Appalachian Redevelopment Highways.

c/ Eliminated after fiscal year 1983.

d/ Fiscal year 1981 appropriations due to open-ended authorization 1973 UMTA Act.

TABLE 4. ELIMINATION OF EXISTING FISCAL YEAR 1982 AUTHORITY ACCORDING TO REAGAN ADMINISTRATION PROPOSAL

1978 Act Section	Program Name	Section of Title 23	Current FY82 Authorizations (In millions) a/	
104a(5)	Forest Development Roads and Trails	205	140	General Fund
104a(6)	Public Lands Development Roads and Trails	214	10	General Fund
104a(7)	Park Roads and Trails	206	30	General Fund
104a(8)	Parkways	207	45	HTF
104a(9)	Indian Reservation Roads and Bridges	208	83	General Fund
104a(10)	Economic Growth Center Development Highways	143	50	HTF
104a(11)	Administrative Expenses for Carry Out 131 and 136 Title 23		1.5	
104a(12)	Territorial	215(a)	11	General Fund
104a(13)	Territorial (Northern Mariana Islands)	Chapter I	1	General Fund
141(c)	Bicycle Program		10	HTF

(Continued)

TABLE 4. Continued

1978 Act Section	Program Name	Section of Title 23	Current FY82 Authorizations (In millions) a/	
104a(15)	Great River Road:			
	Off System	148	10	General Fund
	On System		25	HTF
104a(16)	Control of Outdoor Advertising	131	30	General Fund
104a(17)	Safer-Off System Roads	219	200	General Fund
104a(18)	Access Highways to Lakes	155	15	General Fund
104(c)	DOT Secretary Primary System Discretionary Fund		125	
134(c)	Demonstration Projects Railroad Highway Crossings		100	
202(3)	Highway Safety Programs	402	25	HTF
202(8)	Elimination of Hazards	152	200	HTF
203(a)	Rail-Highway Crossings	130	190	HTF
206	Accident Data		5	HTF

nated. However, during fiscal year 1981, over $700 million in authorizations for these programs were either never appropriated or, in the case of contract authority, never requested by the implementing agency. For instance, the forestry service develops logging roads in national forests through other programs. The Reagan changes then do not consolidate per se, but rather just eliminate presently inactive, unfunded programs. After accounting for programs with authorizations, but no money obligated, the Reagan Administration does propose about $400 million in small program cuts, and, at the same time, proposes modest increases in some large programs.

Senate Proposal (S. 1024)

The proposed Senate highway bill, reported by committee, has consolidation as one of its important features. Like the Reagan proposal, highway authorizations in 1982 amount to $8.6 billion and then grow to just over $10 billion (Table 5) by fiscal year 1986. The Senate bill proposes to consolidate about $500 million in smaller program authorizations into other programs in fiscal year 1982 (Table 6). It would gradually reduce aid to these activities, lowering federal support from $500 million in fiscal year 1982 to $350 million in fiscal year 1986.

TABLE 5. S. 1024, PROPOSED HIGHWAY ACT OF 1982

S. 1024 Section	Program	23 USC	FY82 Authority	S. 1024 (In fiscal years, in millions) 1982	1983	1984	1985	1986
102	Interstate a/	103(e)	3,325	3,300	3,500	3,400	3,400	3,500
106(a)	4-R	---	275	800	1,300	1,700	1,700	2,200
104(a)(1)	Primary	103(b)	1,500	1,500	1,500	1,600	1,600	1,600
104(a)(2)	Rural (Secondary)	103(c)	400	600	500	500	500	400
104(a)(3)	Urban	103(d)	800	800	700	700	700	600
104(a)(4) 104(a)(5)	Forest and Public Lands	204 209	359	50	50	50	50	50
104(a)(6)	Bridges	144	900	1,100	1,300	1,300	1,300	1,300
104(a)(7)	Highway Safety b/	---	205	100	100	50	50	50
110(a)	Interstate Transfers	---	225	200	225	250	250	300
119	Emergencies	125	150	150	150	150	150	150
130(b)	Economic Development	c/	215	215	200	150	125	100
	Other Programs		429.5	0	0	0	0	0
TOTAL			8,781.5 b/	8,615	9,325	9,850	9,825	10,250

a/ Includes $125 million to cover minimum apportionments, because S. 1024, Interstate program includes former apportionments.

b/ Does not include National Highway Transportation Safety Administration authorization which may amount to $150 million.

c/ Mainly Appalachian Development Highways, Section 201, P. L. 89-4, Appalachia Redevelopment Highways.

TABLE 6. EXPLICITLY PROPOSED CONSOLIDATIONS UNDER THE SENATE BILL, S. 1024

S. 1024		1978 Act		
New Program	Authorized (In millions)	Current Program	Authorized (In millions)	Appropriated (In millions)
Primary Aid	1,500	Primary Aid a/	1,375	1,375
		Priority Primary	125	125
Rural Aid	600	Secondary Aid	400	400
		Highway Safety	10	b/
Urban Aid	800	Current Urban Aid	800	800
		Highway Safety	---	b/
		Hazard Elimination	200	200
		Economic Growth	50	50
Highway Safety Improvement	100	Railway Crossings	190	190
		Highway Safety R&D	10	10
		Evaluation of Highway Safety	5	5
Federal Lands Highway	50	Forest Highways	173	33
		Public Lands Highways	26	16
		Parks and Roads	30	0
		Indian Reservation	83	0
		Parkways	45	0
TOTAL	3,050		3,533	3,225

a/ Excluding priority primary of $125 million.

b/ S. 1024 consolidates many of the safety programs into the main federal-aid primary, secondary, and urban programs. As a result, states can apply for safety project funding through these main programs. In some cases, such as hazard elimination, the legislative language suggests that this program is to be consolidated into the new urban aid program. For about $20 million in current safety programs, the language is not sufficiently specific to make this linkage. Therefore, the $20 million is included in the column total but not as a line item.

The Senate bill bundles highway programs into 12 groups, three of which--forest and public lands highways (or off-system highways), highway safety, and economic development--combine previously separate programs. Forest and public lands highway expenditures hold at $50 million. The Senate bill consolidates all remaining highway safety programs into a single program; highway safety programs begin at $100 million and decline to and hold steady $50 million after fiscal year 1984. Only the Appalachian Development Highway programs remains as a specific economic development program. Beginning fiscal year 1982 with $215 million it declines to $100 million by fiscal year 1986.

The Senate bill also takes several steps to increase the transferability of funds between programs. First, it permits state and local governments to transfer up to 100 percent of apportionments between federal-aid highway system categories; existing law only permits 50 percent transfers. Second, it permits states, which have Interstate apportionments in excess of Interstate needs, to transfer those apportionments to other federal-aid system categories. And third, the proposed federal-aid rural and urban programs would finance all facets of comprehensive highway construction, and safety activities. 2/

2/ The federal share on construction projects on these systems would decrease to 50 percent from 75 percent.

CHAPTER IV. EVALUATING CONSOLIDATION PROGRAMS

The design of the package of federal highway programs reflects four major considerations:

- o Federal program control;
- o State and local flexibility;
- o Budgetary control; and
- o Administrative costs.

For the most part, the degree to which programs are consolidated represents a balance between the first two considerations--federal program control and state and local flexibility. In addition, the structure of the highway programs can also influence the Congress' ability to exert budgetary control as well as to reduce the administrative burden imposed on states.

Federal Program Control

Through various highway acts, the Congress has defined national concerns ranging from very broad programs, such as the 40,000 mile

Interstate highway program to very specific projects, such as the Bloomington Ferry Bridge. If the Congress consolidates some of its narrowly focused programs into more general programs, it relinquishes some of its leverage over state and local decisionmaking regarding the selection of highway projects. Highly targeted federal programs can ensure that specific Congressional concerns are enacted quickly, and not overlooked in favor of other concerns that may appear more urgent at the state level. On the other hand, too much Congressional involvement in highway programming could bring numerous projects before the Congress that might more efficiently have been controlled by the states.

Administration Proposal. The Administration proposal substantially curtails Congressional influence over which projects the states undertake. By authorizing only six major and eight minor programs, the Administration proposes to eliminate the secondary and urban programs, which would become state and local responsibilities. Indeed, the Administration bill proposes to discontinue most small programs and some intermediate sized programs without broadening significantly the coverage of remaining programs. As a result, the Congress would reduce its ability to control many road-related features, notable safety features, and would also lose some of its ability to influence decisions related to specific projects.

Senate Proposal. The Senate bill retains the urban and rural highway aid programs, but broadens their focus and eligibility requirements to cover activities formerly covered by other programs. For instance, the new rural program, which largely replaces the secondary program, covers safety improvements and even non-urban public transportation. The Senate bill permits each state to transfer as much as 100 percent of one federal-aid programs (all federal aid programs) to other federal-aid programs, greatly diminishing the Congress' ability to channel aid into currently defined program areas.

House Bill. The House bill, which generally extends existing law with its numerous, narrowly defined highway programs, would give the Congress the greatest influence over details of state highway decisions. The "demonstration projects--railroad highway crossings" program illustrates the type of control that is retained. This program began with several specific sites, and to gain wider support, proponents have included other sites. The program has long passed the experimental stage--20 sites presently await funds. In effect, the Congress has placed itself in the position of a project manager by deciding the sequence and schedule of each project. The House bill would continue to place the Congress in this role.

While all three bills would continue to grant the states substantial flexibility under the largest and most general programs, such as the primary program, the House bill differs from the others by retaining strong federal control over numerous smaller programs.

State and Local Flexibility

State and local control, in part, is the flipside of federal program control. As the Congress consolidates programs, it also passes some of the authority and responsibilities back to states and localities. There are often sound reasons for doing this. Where the issues are of a truly local nature, states and localities can make more locally representative decisions than can the Congress. As a result, in many instances, the states can make more cost effective use of available funds if they are able to choose projects that reflect their knowledge of needs and priorities.

State and local priorities may not reflect legitimate national concerns when roads serving national or interstate traffic are involved. Nor do they necessarily reflect national concerns on social goals related to roads, such as safety, energy conservation, or environmental quality. As a result, the Congress must balance the national interests in the highway program with the responsiveness and efficiency which increased state and local control can sometimes bring.

Administration Bill. The Administration's bill shifts total control of the urban and secondary aid programs to the states and, after a two year phase-out, eliminates federal support to these programs; the states gain control but acquire total financial responsibility. The Administration's bill repeals the priority primary program returning $125 million annually to the primary program and state control. Safety programs are drastically reduced both in number, from seven to three, and in dollars, from roughly $800 million to $260 million. These program eliminations and reductions do not repackage federal aid into programs that give states greater control. Rather, they extricate the federal government from various activities, leaving the states the responsibility of financing and controlling further activities in these areas.

Senate Bill. The Senate bill would also shift financial responsibility, and program control to states and facilities, although more slowly than would the Administration's bill. Both the urban and rural program would be broadened, giving the states greater flexibility to apply these funds to highway safety improvement as well as highway construction or maintenance. The Senate bill would have the federal share of construction costs reduced to 50 percent from 75 percent, thereby increasing state financial responsibility along with additional control.

House Bill. The many, relatively rigid programs contained in the House bill would require states to undertake a variety of projects in order to qualify for the associated program funds. It would grant states the least program control of any of the three options discussed here. In addition, states can transfer funds only between federal-aid highway systems--the Interstate, primary, and secondary systems--subject to two restrictions. First, states cannot transfer more than 50 percent of the funds apportioned under any one of those programs. Second, states cannot increase the amount of federal funds spent on any one program to more than 150 percent of the original amount provided. 1/ This provision gives states considerable flexibility in transferring funds between federal-aid highway programs, but limits the amount they can concentrate on any particular system. The House bill would continue this approach.

1/ 23 U.S.C. 104d.

Budgetary Control

Consolidating numerous specialized programs into fewer, more general programs can soften the impact of budgetarty reductions. First, consolidation eliminates close ties between budget line items and specific projects. No particular project is absolutely eliminated, so that projects of crucial importance need not be affected by budgetary changes. Second, legislative decisions about budgetary levels will turn to a greater extent on aggregate needs under each program, and less on some patchwork of specific projects that must be amassed to gain legislative acceptance of a package.

Administration Bill. By reducing the number of small programs, the Administration's plan concentrates federal support on programs having the greatest national interest. These are probably the programs most essential to the nation's economic well being. By focusing federal support here, the Congress can better isolate the remaining programs for budgetary scrutiny.

Senate Bill. The Senate's bill is similar to the Administration's in terms of budget control. The Senate's bill, with its six major categories and six minor categories, is considerably more concentrated than current authorizations. As a result, it should provide the Congress with enhanced budgetarty control.

House Bill. Continuation of numerous, specialized programs tends to inhibit budgetary control. If programs cannot be consolidated or eliminated, budgetary control tends to be exercised through across-the-board cuts. Such cuts would be limited, in the case of highways, since several of the major highway programs are broadly considered to be of crucial economic importance, and the importance of preserving these programs at relatively high levels would tend to insulate the other programs from budgetary control.

Administrative Costs

Administrative costs, although of lesser importance than the considerations discussed above, nevertheless pose another source of gains that consolidation can bring. National cost accounting and control mechanisms, nationwide design standards, and other features of federal aid can impose costs which might be avoided if states had greater flexibility in matching program funds to projects. Although total federal spending on highways will increase under all three bills, some efficiencies in administrative costs might result from the less complicated program structures in the Senate and Administration bills.

CHAPTER V. CONCLUSIONS

Of the three bills before the Congress, the Senate bill makes the most use of consolidation. It broadens some existing programs, permits states to transfer additional apportionments between programs, and groups small programs into new programs having a common theme. The Administration bill for the most part eliminates, rather than consolidates, various special-purpose programs. The House bill essentially continues existing law, authorizing many small, segmented programs with a relatively extensive federal role.

The Senate bill provides the least federal control over how federal funds will be spent; the House bill provides the most control. The Senate and Administration bills are similar in their treatment of the large highway programs, although they differ in two ways. First, the Senate bill folds the small programs into the larger programs. This provides a comprehensive approach to highway development as it incorporates safety, highway maintenance, and construction in the same program, thereby enabling each state to mix activities in these areas to meet its needs. Second, the Senate bill does not eliminate federal-aid secondary and urban programs as does the Administration bill. Rather, the Senate bill permits 100 percent transfers between federal-aid secondary and urban programs and other federal-aid programs.

States would generally gain control when the federal government relaxes it, so that the task of designing an appropriate program mix is largely a matter of balancing federal control over items of national interest with state and local concerns. The Senate bill grants states the greatest flexibility in how they use federal funds. The Administration bill does not significantly shift how available federal funds can be used under each program, but it significantly reduces the number of programs that the federal government would participate in. This leaves the states with new financing responsibilities along with new program flexibility. The House bill, which retains the greatest federal control over highway programs, correspondingly grants states the least flexibility in setting their own program priorities.