THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

February 2, 2004

The Honorable J. Dennis Hastert
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

As you continue work on the surface transportation reauthorization bill, we would like to discuss key elements of the Administration's proposal and key principles that we urge you to consider.

The Administration proposal, "Safe, Accountable, Flexible and Efficient Transportation Equity Act" (SAFETEA), as modified by the President's FY 2005 Budget, contains historically high levels of guaranteed investment for highways and transit, providing $256 billion over six years -- a $45 billion, or 21% increase over TEA-21. This $9 billion increase above the original SAFETEA proposal reflects both revised Treasury estimates of Highway Trust Fund receipts, and the Administration's recognition of the higher levels enacted in the FY 2004 Omnibus Appropriations Act. At this funding level, all revenues paid by highway users would be spent on transportation infrastructure and safety programs, and the balances of the Highway Account of the Highway Trust Fund would be spent down for additional transportation infrastructure investment to the maximum extent possible.

SAFETEA strikes the appropriate balance between investment in our infrastructure and the need for spending discipline, consistent with current law. In developing our funding level of $256 billion, the Administration adhered to three important principles:

1. <u>Transportation infrastructure spending should not rely on an increase in the gas tax or other Federal taxes</u>.

2. <u>Transportation infrastructure spending should not be funded through bonding or other mechanisms that conceal the true cost to federal taxpayers</u>. Private activity bonds, like those allowed for in the Administration's bill, are appropriate because there is no Federal involvement or liability. SAFETEA would allow States and municipalities to issue up to $15 billion in tax exempt bonds for transportation facilities that are privately developed and operated. The only Federal cost involved is the exclusion from Federal income tax of the interest on these bonds. Tax credit bonds, bonds issued by special purpose entities, and earmarked Treasury bonds all burden the Federal taxpayer and are, therefore, unacceptable.

3. Highway spending should be financed from the Highway Trust Fund, not the General Fund of the Treasury. All spending for highways should be authorized and appropriated from the Trust Fund and derived from taxes imposed on highway use, thereby maintaining the link between Trust Fund revenues and highway spending.

If a surface transportation reauthorization bill that breached any of these three principles were presented to the President, his senior advisors would recommend that he veto the bill.

We look forward to working with you to ensure timely enactment of a fiscally responsible six-year authorization bill. Our States, counties, and cities are depending on the certainty of a multi-year authorization bill to plan properly for improvements to their surface transportation infrastructure. Thank you for your consideration.

Sincerely,

Norman Y. Mineta
Secretary of Transportation

John Snow
Secretary of the Treasury