

*Attachment 3*  
**SANTA CRUZ COUNTY RTC  
WASHINGTON OFFICE MEMORANDUM**

**TO:** Pat Dellin  
**FROM:** Carolyn Chaney/Chris Giglio  
**DATE:** June 7, 2005  
**SUBJECT:** Transportation Bill Update

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The first formal meeting of the House-Senate conference committee on the surface transportation reauthorization bill (HR 3) is scheduled for June 9. However, while congressional leadership continues to maintain that a bill can be finalized in the next several weeks, there appear to be no signs of a breakthrough on the largest issue – the overall cost of the multi-year measure.

As you may recall, the Senate approved a \$295 billion measure while the House – heeding a White House threat to veto any bill larger – cleared a \$284 billion package. Since the Republican leaders in both the House and Senate have refused to send a bill to the President that he will veto, it stands to reason that the \$284 billion number must ultimately be approved in order to get a bill. However, most agree that the \$284 billion level is not enough funding to address the equally charged “donor-donee” issue.

House Majority Leader Tom DeLay (R-TX), who is a conferee, continues to insist that donor states such as Texas should receive at least a 95 percent return on their gas tax contributions, so he is seen as the key to negotiations with the White House on raising the funding level. To that end, the Chairman of the Senate Finance Committee has been meeting with his House counterpart to convince him that the revenue offsets that boosted the Senate bill are legitimate, with the hopes it will provide DeLay with enough ammunition to convince the President to accept a larger bill. To this point, the White House has rejected the additional Senate offsets as “budget gimmickry” that in reality are simply tax increases.

Another possible way to deal with the donor-donee is proposed language in the House bill that would allow for the reconsideration of the highway bill prior to its 2009 expiration if additional resources can be found. The White House has also opposed that “reopener” language, calling it a back door attempt at a gas tax increase.

Unless those larger issues that must be negotiated between the GOP leadership in Congress and the White House are resolved, the conference meeting this week is expected to deal with lower level policy issues.