

STATEMENT OF SECRETARY OF TRANSPORTATION BROCK ADAMS
BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING AND
URBAN AFFAIRS, SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS,
CONCERNING S. 2441, MARCH 1, 1978.

Mr. Chairman and Members of the Subcommittee:

It was just over a year ago that I had the pleasure of appearing before this Subcommittee to outline the thoughts of a new Administration on the direction that Federal transportation programs should take at the end of the 1970's and into the 1980's. Since that time we at the Department of Transportation have looked very carefully at the structure of our existing public transportation and highway assistance programs. Soon after taking office, I established a task force of principal policy officials of the Department of Transportation and asked for recommendations on how these programs could be improved to meet the needs of the coming decade. The members of this task force traveled around the country, taking a first hand look at transportation problems in major cities, small towns and rural areas. We have talked to transportation officials at all levels of government; we have talked to the people who plan and manage transportation systems at the State and local level; we have talked to the users of the transportation facilities and services the Federal government helps to fund.

I am here today to discuss with you the results of our efforts. We have developed a comprehensive legislative package to redirect our public transportation and highway programs and gear them to an era of scarce dollars and costly energy, of growing rural requirements and changing urban needs. This package is the outgrowth of a comprehensive review of our current programs and of the most extensive consultation with the transportation community ever undertaken by the Department.

Since this Subcommittee's principal concern is with the public transportation assistance program, I will focus this morning on our proposals for that program, which are contained in S.2441. But I would stress that the provisions of the companion bill dealing with the Federal highway assistance program, S.2440, are an essential part of the package we have put together.

Public transportation and highways must be viewed as partners, not as rivals. We need to develop total transportation systems, in which each mode contributes its own capabilities and all work together to move people and goods efficiently. One of the basic threads that you will see running through our proposals is an effort to remove artificial distinctions between our assistance programs for public transportation and highways. Local decisions on how to use Federal assistance funds should be made on the basis of local

needs and the merits of particular projects and not, as is too often the case today, on the basis of the level of the Federal matching share or on the basis of the purposes for which available money can be used.

Taken together, S.2440 and S.2441 have the following major objectives:

- To strengthen comprehensive transportation planning and apply the same planning requirements to the highway and transit programs;
- To simplify funding categories and allow greater flexibility in the use of available funds for both public transportation and highways;
- To provide a predictable funding mechanism for routine public transportation capital and operating needs; and
- To equalize the Federal share - at 80 percent - for public transportation and non-Interstate highway programs.

Let me review with you the major provisions of S.2441. I will then briefly describe those provisions of S.2440 which round out the picture of our public transportation proposals.

Planning

A first and critical step is to bring transportation planning efforts together so that planning focuses not just on highways or on transit systems but on all the transportation modes and how they can best be used together. It is also essential that our planning efforts recognize that transportation is, or should be, an active agent in helping to meet other national and local objectives. For example, energy conservation, air quality and housing policies are profoundly affected by transportation decisions.

To enable transportation planning to do its job, we propose to combine the now separate highway and transit planning funds. These funds will be apportioned to States and metropolitan planning agencies by an administrative formula, such as we have been using successfully to allocate UMTA's planning funds for the last three years. These funds will be available for a broad range of transportation planning activities. They will no longer be identified as highway or transit planning dollars. This is a key to the comprehensive multimodal planning we must have if we are to refocus our transportation programs.

Existing law requires that there be a transportation planning process for urbanized areas - those with a population of 50,000 or

more. We continue that requirement and, to encourage a broader regional look at transportation needs and issues, we will also require statewide planning, including planning for small urban and rural areas, after October 1, 1980.

For major metropolitan areas - those with a population of one million or more - we propose an additional and very important requirement. Transportation can and should play a significant role in the regeneration and maintenance of the vitality of these urban centers, and full integration with the areas' housing, employment, energy conservation, air quality and other objectives is vital. It is for these reasons that the transportation plans and programs developed for these areas will be reviewed at the Federal level. This review will serve as an early warning device for individual projects which may face disapproval at a later stage of development. It will also serve as a means to ensure that transportation projects which are planned to enhance air quality and reduce energy consumption are actually being implemented. But its principal function is to ensure at both the local and the Federal level that transportation is not viewed as an end in itself but as part of a broader picture, and that it is being used effectively in that broader framework.

Transit Grant Programs

We are proposing a basic shift in the organization of our public transportation grant programs which provide assistance for areas of over 50,000 population. Today, as you know, we have a sizeable discretionary program, a more limited formula program and several narrow special assistance categories. The discretionary program is currently the primary source for virtually every kind of capital project, from the construction of a major new rail system to the purchase of a single bus. The section 5 formula program, while technically available for capital assistance, is perceived and used almost exclusively for operating assistance.

We believe the time has come for a reordering of these programs. The Federal review that a major investment program requires is not necessary when we are dealing with transit needs which recur on a regular basis, which are predictable and which can be planned for in advance. We propose therefore to reserve the discretionary program largely for major new public transportation investments. The formula program, in turn, will be the source of assistance for routine capital needs as well as for operating assistance, and its funding will be expanded accordingly. Under this approach, Mr. Chairman, the money will flow more efficiently, local areas will be able to plan and meet their needs more

effectively, and the burden of unnecessary administrative activity at all levels of government will be eliminated.

The discretionary program, as I noted, will be available for major new investments - such things as new fixed guideway construction, the extension of extension of existing fixed guideways, major bus fleet expansions, and joint development projects. These projects are small in number but characteristically large in scope. They require significant financial commitment and can involve difficult technical problems. They require discretionary funding and careful Federal review because of their size, complexity and cost.

Other public transportation needs can best be addressed through a formula program which provides a predictable level of funding and allows local officials considerable flexibility in determining the precise use of the funds. And that is what our expanded formula program will achieve. Our proposal will provide assistance for all routine capital activities such as rolling stock replacement and system modernization as well as for operating purposes including commuter rail expenses.

The apportionment formula for the transit funds will reflect not only the routine capital element but the needs of large urban areas as well. Population and population density, the only factors in the existing formula, are basic indicators of potential transit

intensiveness in a community and are retained in our proposed formula. We add factors of fixed guideway route miles, commuter rail train miles, and a factor for bus seat miles and the replacement of buses. These factors reflect actual transit intensiveness. The revised formula will provide more equitable, uniform and predictable funding which accommodates the routine capital needs of cities with various types of transit systems, including the system modernization and rolling stock replacement needs of cities with rapid rail and commuter rail systems.

After listening to transportation officials, as well as governors and mayors, talk about transportation needs from their perspective, we concluded that a key requirement was to provide those responsible for actual program implementation with flexibility to meet their own transportation needs. That local flexibility is an integral part of our proposal. Local officials will be able to decide how to use their formula funds, and we have included such things as the commuter rail subsidy program, equipment replacement and system modernization in the broader formula program. We do want to assure, however, that sufficient formula funds are available to meet routine capital requirements, so we place some limitations on the use of the funds for operating expenses. First, only funds

equal to the amounts apportioned on the basis of population, population density, and part of the commuter rail factor can be used to cover operating expenses. In the national aggregate, this will provide urbanized areas with funds equal to the amount available for operating assistance under the existing statute. Second, not more than one-third of total operating expenses can be paid from Federal funds. The one-third limitation permits the elimination of the existing, cumbersome matching and maintenance of effort requirements. These changes will produce a significant streamlining of UMTA's administrative procedures and allow the balance of operating costs to be met through a locally-determined mix of farebox revenue and subsidy resources.

I realize that our proposed formula sounds complicated, but in actual operation we believe that there would be at least four significant advantages over the current program. First, the greater predictability of available Federal funding will enhance the ability of local officials to plan and program capital improvements. Second, there is greater equity in the distribution of Federal resources, since the allocation formula reflects existing transit intensity in each community. Federal resources would be allocated on a more uniform, fair, and equitable basis among urbanized areas, rather than in response to the grantsmanship of individual grant applicants.

Third, the proposed formula program will achieve significant improvements in the delivery system for Federal grant funds. It consolidates four existing formula programs, as well as encompassing routine capital projects. And fourth, local officials will have greater flexibility to use the available funds to meet their priority capital and operating needs.

Other approaches to revising the section 5 formula program have been suggested. I am aware, for example, that Senator Brooke introduced a thoughtful bill on the subject last week, S.2574, and I would like to comment briefly on that bill.

The Administration bill apportions formula funds on the basis of population and services provided; the Brooke bill creates a potential for an open ended entitlement program for operating assistance. And it rewards transit operators with the highest costs and greatest deficits. This approach has serious cost implications. Although the bill proposes to add approximately \$500 million in additional Federal operating funds, our own preliminary estimate is that it would create pressure to increase the Federal contribution to operating expenses by three-quarters of a billion dollars or more each year beyond that proposed by S.2441. And it creates the possibility of ever-growing Federal costs, since half of future operating deficits will be federally funded. Such a plan does not promote the kind of efficiency in transit operations we all are seeking.

Moreover, Senator Brooke's bill continues the concept of relatively narrow categories of assistance. Our proposal, recognizing that local officials need the ability to decide where available funds can best be used, moves away from that concept. We believe that is a major benefit of our approach.

Let me now mention two provisions of S.2440 which as I indicated earlier, are an integral part of our proposals for an improved public transportation program.

Interstate Transfer

Existing law allows nonessential Interstate segments to be withdrawn and an equivalent amount of funds to be used for public transportation and highway projects. This has been an important source of transit assistance for several of our cities. However, a practical disincentive to such transfers is built in to the present program, because the area that chooses that option sees the required local share double for substitute transit projects and triple for substitute highway projects. The amount of Federal money remains the same, but we do not think the level of Federal match should bias local decisions. Therefore we propose that substitute projects should receive the same 90/10 match that the withdrawn Interstate would have received.

Small Urban and Rural Program

Finally, Mr. Chairman, we need to address the needs of our small urban and rural communities. The existing public transportation capital assistance program for these areas, which is part of the present discretionary program, has not worked very well. We propose a combined formula program, to be managed by the States, with funds available for either highway or public transportation projects in these areas. Taking the lead from the Senate bill, S.208, we propose that transit operating assistance be an eligible expense. At least 10 percent of the funds will be earmarked for public transportation purposes, to establish or improve service in small urban and rural areas. Again, the Federal share for transit operating costs will be limited to one-third of the total costs.

We believe this approach, with its keynotes of predictable funding and substantial local flexibility, will produce a program which effectively meets the transportation needs of these communities.

In developing this legislation, we have built on S.208. I would note that three particular provisions which have had the support of this Committee have been included in S.2441. These are revisions to the UMTA managerial training program, a new definition of the term "construction" to clarify that engineering costs are eligible, and authority to convert certain capital loans to grants.

Mr. Chairman it is particularly fitting that I should be testifying on a major revision of the mass transit program before a Committee on which Senator Harrison Williams serves. Long before I came to the Congress, Senator Williams, you were leading the fight for a national mass transit program. Those were the days when a demonstration program in the Housing Department for mass transit was considered a major victory. The year before I came to Congress, in 1964, you led with skill the difficult battle to establish a mass transit program in its own right as a permanent program. It is also well to remember that in 1964, gasoline was abundant and cheap and there was not even the threat of an energy crisis. But even then, large urban areas like those in New Jersey were paying the penalty of our dependence on the automobile -- in traffic jams, highway deaths, air pollution, and decay of the inner city as we paved and drove our way into urban sprawl. Today we can be grateful for Pete Williams' foresight and leadership in fighting for an effective national public transportation program. Today, more than ever, we need the alternative to the car which public transit can provide. I look forward to working with you and the members of the Committee, as we seek ways to make the

program even more effective.

That concludes my prepared remarks, Mr. Chairman.

I would be pleased to respond to any questions you or the other members of the Committee may have.