

U.S. DEPARTMENT OF TRANSPORTATION  
URBAN MASS TRANSPORTATION ADMINISTRATION  
WASHINGTON, D. C. 20590

STATEMENT OF SALLYANNE PAYTON, CHIEF COUNSEL, URBAN MASS  
TRANSPORTATION ADMINISTRATION, BEFORE THE HOUSE COMMITTEE  
ON THE DISTRICT OF COLUMBIA, REGARDING DEPARTMENT OF  
TRANSPORTATION POLICIES AND TRANSPORTATION IN THE DISTRICT  
OF COLUMBIA, MARCH 27, 1974

Mr. Chairman and Members of the Committee:

I very much appreciate this opportunity to appear before you today to discuss the impact of the Administration's proposed Unified Transportation Assistance Program on the District of Columbia and to give you a status report on the posture of the Department with respect to the WMATA revenue bonds guaranteed by the United States. Before starting my specific remarks, I would like to compliment you on your role in bringing about passage of the District of Columbia Self-Government and Governmental Reorganization Act, which creates a potential for an increased measure of self-determination on the part of the citizens of the District. The legislation is a landmark in the political development of the District, a proud accomplishment for all who had a hand in bringing it about.

One of the most difficult issues that those entrusted with the governance of the District of Columbia have had to deal with over the past several years has been that of public

transportation. Providing a balanced transportation system for the Nation's Capital has been a priority of this Administration: first in the National Capital Transportation Act of 1972, which provided a federal guarantee for the WMATA revenue bonds; then in the National Capital Transit Act of 1972, which authorized public acquisition of the private bus companies of the metropolitan area; and most recently in an UMTA capital grant of some \$70 million which made possible the acquisition, it has been the Administration's great pleasure to work with the Congress and local officials in creating both the organizational structures and the financial arrangements that contain the seeds of a fine system of public transport. If the voters of the District approve the charter it will be our pleasure to work with the elected local government with the same degree of commitment and support.

In viewing the public transportation issue in the District and in other metropolitan areas, the Administration has come to a philosophy and an approach to federal involvement in local public transportation that led first to the landmark flexibility provisions of the 1973 Federal-Aid Highway Act and that now are central to the design of the proposed Unified Transportation Assistance Program recently transmitted to the Congress.

I would first like to generally discuss with you the major features of UTAP and then proceed to a discussion of the impact of the proposal on the Washington, D.C. metropolitan area.

There has never been a single, unified federal urban transportation program; rather, we have had an Urban Mass Transportation Administration transit capital grant program and a Federal Highway Administration highway capital grant program. These programs have had different eligibility requirements, have been funneled to different local grantees, and have been narrowly focused. The narrow focus of the programs, though designed to meet needs legitimately perceived at the time of their conception, have over time had the inevitable effect of distorting local choices. For example, the UMTA program provides assistance for the purchase but not the operation of transit equipment, thus biasing local officials in the direction of equipment purchases rather than low capital-intensive measures that might result in higher operating costs but lower total costs. What is needed, in our view, is a single fund that flows to a single official, that may be used flexibly at the local level, and that is available for a wide range of uses (including transit operating costs) depending upon local assessments of local need. The source of the funding needs also to be certain and stable, so that localities can plan intelligently. These concepts, incidentally,

have been the foundation of the Department's thinking on the urban transportation problem ever since the Department was formed in 1967; they have been given a new urgency since the advent of energy and environmental concerns that have abruptly brought about public awareness of the need for a substantial increase in the level of commitment to public transportation.

A long step in the right direction was taken in the Federal-Aid Highway Act of 1973. That legislation took the hitherto modestly-funded urban systems portion of the Federal-Aid Highway program (that is, the funds that are available to be used within urbanized areas for street and road improvements), increased the funding level to \$800 million, and made it available at local option for either highway or transit capital investment. This was a landmark piece of legislation, the first time that the principle of flexibility has been realized in our highway program. My discussion of this program is not, incidentally, a philosophical or historical digression; between now and the end of June 1974 local and State officials in the District and the surrounding metropolitan area will have the opportunity to make decisions regarding the use of some \$14.5 million in urban systems funds available now. This program is an integral part of the Administration's unified program.

Even as we worked to implement the Federal-Aid Highway Act of 1973, to bring about a coordination between the highway

and transit programs, the energy shortage intensified the real and perceived need for increased public transportation and the major cities came under increasing pressure to comply with federal environmental standards, which require in many areas a serious reduction in the extent of private automobile usage.

Building, then, on the structure that was created in the 1973 Federal-Aid Highway Act, taking into account developments since last August when the Act was passed, and profiting from the process of working out the regulations governing the urban systems funds (which we will publish shortly), the Administration has developed the proposal for a Unified Transportation Assistance Program.

Briefly, here is what the program, which we call UTAP, would do:

1. Taking the existing UMTA capital grant program, UTAP would increase the dollar amount to \$1.4 billion in FY 75. \$700 million of this amount would be allocated by urbanized area population formula to the Governors. Funds attributable to urbanized areas of 400,000 or more would be earmarked for use in those areas, thus ensuring a steady, dependable flow of funds to those areas. Most importantly, these funds could be used for either capital or operating expenses. Because the District is considered a state for this purpose, the

money would be made available to the Mayor. Lest you be a little baffled by the Governor mechanism, incidentally, permit me a brief explanation. The highway program has traditionally dealt through state highway departments. The UMTA program has traditionally dealt through cities and transit authorities. As we moved toward unifying some aspects of the two programs it became necessary to develop a new set of grant recipients and managers, who would be able to arbitrate between competing interests and who have overall responsibility for transportation development. The mechanism of allocating funds to Governors, with earmarked funding levels for the largest urbanized areas, was developed in response to this need.

The \$700 million that would remain after the formula allocation is made would be distributed under the terms of the existing UMTA discretionary capital grant program. It is anticipated that these funds would be used for major capital projects--major rail investments, major fleet modernizations, and the like. Unlike the formula grant funds, the capital grant discretionary funds may not be used for operating expenses.

Over the first three years of the UTAP program--that is, FY's 75, 76, and 77, the formula grant program would be funded at \$700, \$800 and \$900 million annually. The capital grant discretionary program would be funded at the level of \$700 million per year.

2. In these first three years, we also propose some changes in definitions and transfer provisions within the Federal-Aid Highway program that will allow transit uses for both the urban systems and urban extensions funds, thus increasing the flexible highway funds to \$1.1 billion to be used in areas of 50,000 or more population.

3. Also in the first three years, UTAP would make available substantial new funds for public transportation in rural and small urban areas. Although public transportation is generally thought of as an urban problem, the problems of rural and smaller urban areas are equally painful for residents of those areas--particularly where densities are low, per capita cash income and thus private automobile ownership may be low, and the price of fuel is high and rising. We propose in UTAP to expand the existing primary and secondary highway program to cover small urban areas up to 50,000 population and would authorize the purchase of buses from these funds. We would also expand the rural bus demonstration program into a \$75 million, three-year program that could be used for operating as well as capital expenditures. The Administration intends to submit a rural and small urban area program to cover FY 1978-80.

4. In the last three years of UTAP we would fold together the UMTA formula grant program and the highway urban systems program into a single block grant program, funded from the general fund, that would be available for transit capital, transit

operating or highway capital expenses. No more than 50 percent of the funds could be used for transit operating expenses. There would be \$2 billion in this combined block grant program, and the \$700 million from the general fund, that would be available for transit capital, transit operating or highway capital expenses.

No more than 50 percent of the funds could be used for transit operating expenses. There would be \$2 billion in this combined block grant program, and the \$700 million UMTA discretionary capital grant program would continue, for a total funding level of \$2.7 billion per year.

What does all of this mean for the District of Columbia?

Let me come back now and pick up some numbers. First, let's look at the urban systems apportionment that are available for highway or transit capital investments for fiscal years 1975-76 and 77.

TABLE I

Washington, D.C. Urbanized Area <u>Located In:</u>	<u>FY</u> <u>1975</u>	<u>FY</u> <u>1976</u>	<u>FY</u> <u>1977</u>
Maryland	\$ 5.1 Mill	\$6.8 Mill	\$6.8 Mill
Virginia	3.6 Mill	4.8 Mill	4.8 Mill
Washington D.C.	<u>3.7 Mill</u>	<u>5.1 Mill</u>	<u>5.1 Mill</u>
Total	\$12.4 Mill	\$ 16.7 Mill	\$16.7 Mill

Under the UMTA formula grant, which would be established by UTAP to be used for either transit capital or transit operating expenses, the amounts that the Administration presently anticipates would be apportioned to the District and the surrounding urbanized area are as follows:

TABLE II

Washington, D.C. Urbanized Area <u>Located In:</u>	<u>FY 1975</u> <u>\$700 Mill</u>	<u>FY 1976</u> <u>\$800 Mill</u>	<u>FY 1977</u> <u>\$900 Mill</u>
Maryland	\$ 5.9 Mill	\$ 6.8 Mill	\$ 7.6 Mill
Virginia	4.2 Mill	4.8 Mill	5.4 Mill
District of Columbia	<u>4.4 Mill</u>	<u>5.0 Mill</u>	<u>5.7 Mill</u>
TOTAL	\$14.5 Mill	\$16.6 Mill	\$18.7 Mill

In the last three years of UTAP, FY 78-80, the programs are combined and the Washington area would receive \$16.9 M, 12.0, and 12.7 for Md., Va. and D. C. respectively.

UTAP would provide \$15.9 billion in urban transportation funds over the next six years, \$10.5 billion of which is new money. This represents a serious commitment on the part of the Administration to urban transportation. It is not

designed to solve all problems; it is an assistance program intended to allow federal resources to flow to areas of high-priority need. The amounts that would flow to the District and, through the Governors, into the surrounding suburban jurisdictions, should be of material assistance in meeting the most urgent transit needs.

Allow me to turn now to the impact of the bus deficit on the federal guarantee of the WMATA bonds.

The bus deficit does not, in and of itself, have an impact on the WMATA revenue bonds issued and guaranteed by the federal government. The federal guarantee is made on the basis of income expected to be derived from the Metro rail system. In recent months, however, the issue of the bus deficit has arisen concurrently with the Department's need to request additional assurances regarding the degree of financial commitment from the local governments. These assurances were considered necessary to support the findings that the UMTA Administrator must make in order to approve and guarantee further issues of the rapid rail revenue bonds.

The two issues might thus have become confused; they are, however, severable: the amount of the bus deficit and the formula under which that deficit is allocated among WMATA's member jurisdictions is a purely local matter; the rail revenues from the Adopted Regional System (Metro) are pledged to the redemption of the federally-guaranteed bonds.

In order for the Administration to approve and to guarantee the WMATA transit revenue bonds, the Secretary must find: (1) that the bonds will represent an acceptable financial risk for the Government of the United States, and (2) that the prospective revenues of the Authority furnish reasonable assurance that timely payment of interest on the bonds will be made. The Secretary has delegated his function to the UMTA Administrator.

In the case of Series "A" through "C" revenue bonds, the necessary findings were made based upon a Traffic Revenue and Operating Costs Study prepared in 1969 and updated in 1971. However, in view of rapidly changing conditions during the period since 1971, the revenue and cost forecasts were considered insufficient to support the findings necessary to support issuance and guarantee of the Series "D" bonds. To accommodate the need for updated estimates, UMTA approved a technical study grant to WMATA in the amount of \$131,321.

The results of the study were not available in time to be considered at the time of issuance of the Series "D" bonds. The Department therefore requested that each WMATA Compact member-jurisdiction pass a resolution pledging the necessary financial support to redeem the bonds in the event that revenues should prove insufficient to meet the obligation. Following sub-

mission and review of these resolutions, the Secretary approved the WMATA Series "D" Revenue Bond Issue to be issued as of April 1, 1974.

We anticipate that the technical grant study findings which are anticipated to become available as of July 15, 1974 will form the basis of the Administrator's determination with respect to the Series "E" revenue bonds proposed to be issued in September or October 1974.

This concludes my prepared testimony, Mr. Chairman. Mr. Premo and I will now be happy to answer any questions which you or other committee members may have.