

TESTIMONY OF
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UNITED STATES DEPARTMENT OF TRANSPORTATION
BEFORE THE SUBCOMMITTEE ON METROPOLITAN AFFAIRS
OF THE HOUSE COMMITTEE ON THE DISTRICT OF COLUMBIA

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Mr. Chairman and Members of the Subcommittee:

I have been asked to appear before you today representing the Department of Transportation and the Urban Mass Transportation Administration to comment on H.R. 3634, a bill that would authorize funds for debt service, construction, and operating costs of the Washington Metro system.

First, let me provide a brief history of the relationship between Metro and the Federal Government. The National Capital Transportation Act of 1960 created a temporary National Capital Transportation Agency and authorized negotiation of an Interstate compact to deal with coordinated transit in the National Capital region. The National Capital Transportation Agency proposed a transit program that included construction of a regional rapid transit system.

In 1966, Congress enacted legislation approving the Washington Metropolitan Area Transit Regulation Compact through which the Washington Metropolitan Area Transit Authority (WMATA or Metro) was created.

Direct federal funding for construction of the Metrorail system was authorized by Congress through legislation passed since 1965. The

National Capital Transportation Acts of 1965, 1969, and 1972 provided approximately \$1,147,000,000 of direct federal funds and authorized the sale of \$1.2 billion in federally-guaranteed bonds for the system construction. A total of \$997 million of those bonds were sold. Acquisition by Metro of the local private bus companies was also separately authorized by Congress through the National Capital Transit Act of 1972.

In addition to direct Congressional authorizations to Metro, the Authority has received over \$1 billion under the Interstate transfer provisions of the Federal Aid Highway Act, as amended. Approximately \$1.1 billion is still available to this region through that mechanism. However, as had become clear by 1976, existing Federal funding sources, including the Interstate transfer funds, will not support construction of the full 101-mile Metro system.

Therefore, in 1976, the Congress, the Administration, and Metro decided that an alternatives analysis was necessary to determine whether the full system should be built. That analysis was completed in May, 1978, and reaffirmed the localities' desire to build the full system. On August 17, 1978, Metro submitted to the Department a financing proposal to accomplish the full-system goal.

Secretary of Transportation Adams responded immediately, announcing that the Administration agreed with the local governments' goal of completing the 101-mile Metro system. His announcement called upon Metro to develop a "Tier I" construction package that would result in segments that are contiguous to already funded segments, and are revenue producing. Tier I should also be able to be financed, on the Federal side, through available Interstate highway transfer entitlements.

Additionally, Secretary Adams conditioned the Department's commitment to the full 101-mile system on the local jurisdictions' having a dedicated funding source for the capital improvements program, debt service on outstanding bonds, and operating deficits.

At the 15th Airlie Conference at Warrenton, Virginia on December 15, 1978, Secretary Adams reiterated the Administration's commitment to the 101-mile system and the Department's willingness to support the Metrorail program beyond expiration of Interstate transfer entitlements, but only upon hard commitments by the local jurisdictions to meet their full funding responsibilities.

In February, 1979, the Administration informed WMATA that it should plan on a \$275 million annual program level for FY 1979 through FY 1981. These conditions, including the \$275 million annual program level, were reiterated in a recent letter from Deputy Secretary Butchman to Reverend Jerry Moore, Chairman of the WMATA Board of Directors, asking that Metro plan a construction program based on these requirements. A copy of that letter is submitted for the record.

The Department has sought to assist the jurisdictions to secure the dedicated funding sources. However, I am sure you are aware that efforts in the Virginia Legislature and the Maryland General Assembly failed earlier this year. The District of Columbia also has not identified a dedicated funding source for Metro.

The Department supports the imposition of a realistic deadline on the development and implementation of plans for establishing dedicated funding sources by the local jurisdictions. Metro is presently preparing schedules that will aid us in setting such a deadline. If these sources

are not in place by the established deadline, federal support of the full system will have to be reexamined.

I would thus like to talk about the bills being considered today in this context of the need for joint Federal and local implementation of a realistic construction and funding program if the full system is to be built and operated.

As you know, the Surface Transportation Act of 1978, which authorizes UMTA's Section 3 capital program through 1983, did not contemplate significant funds for Metro construction because substantial funding is available through Interstate transfers during this time frame. Some additional authorization would be necessary to complete a full 101-mile system. Last August, the Secretary indicated that Metro would be eligible to compete for Federal funds from UMTA's Section 3 discretionary capital program for FY 1983 and beyond. The Department has reached no conclusion as to whether separate legislation for Metro would be preferable to inclusion of funds in a new national transit authorization.

In the context of the Federal-Metro relationship, I would also like to state that the Department does not support any federal contribution for operating expenses beyond the Section 5 program of the Urban Mass Transportation Act of 1964. Although the Metrorail system serves a number of Federal installations, the Washington, D.C. area benefits in many ways from the presence of the Federal Government, and the institutions it supports.

The Administration has consistently supported a higher Federal payment to the District of Columbia than Appropriations Committees have been willing to approve. In an indirect way, the Federal Government is already making a special contribution to Metro operations through its

payment to the District of Columbia. The District alone covers almost one-half of Metro's operating deficit.

H.R. 3634 offers several attractive features, most notably the provisions of Section 17 that condition the Federal capital contribution on provision of local dedicated funding sources to meet the system operating deficit, and provision through Section 15 of a means for federal repayment of the agreed upon two-thirds share of WMATA bond service. However, its provisions for new authorization of funds for construction are premature at this time.

At the rate of \$275 million per year, there are sufficient Interstate transfer funds to meet the Federal share of the Metro construction costs through at least FY 1982. We will not know the cost of completing the 101 miles of Metro until we have reached agreement on what revenue producing segments are to be constructed with the \$1.1 billion in Federal funds that are available, along with the schedule for their completion and operation. Last week we again asked WMATA to prepare a program for the use of these funds.

In order to move ahead with construction in the near term, we must conclude an agreement on the two-thirds Federal, one-third local sharing of WMATA bond interest and principal. This agreement must specify the means and the timetable for obtaining the full faith and credit assurances from the local governments on the one-third local bond service obligation. The agreement must provide a plan for establishment of a local sinking fund to cover one-third of the bond principal, and the parameters of any acceleration of the federal interest payment and an agreement for repayment of interest thereon.

In summary, it would be premature to authorize additional Federal funds for Metro construction until the Department and the local governments have agreed on:

1. The tier 1 construction program for use of Interstate transfer funds over the next four years;
2. The means by which local full faith and credit or other unconditional pledges will be obtained to assure payment of the local one-third of the bond interest and principal; and
3. Dedicated funding sources to be secured to meet the system operating deficits and the local match for capital construction.

Mr. Chairman, you have also asked us to compare H.R. 3634 and H.R. 1972. Both are bills that would aid the Metro system and deal with the bond payment issue.

Contributions for Construction:

H.R. 1792 proposes to authorize \$1.7 billion beginning October 1, 1980. This amount, coupled with the remaining Interstate transfer funds, appear to provide more Federal funds than Metro believes to be required to accomplish either their Plan I or revised Plan II proposals. This would be true at the six percent escalation rate for construction costs assumed by WMATA, and even at eight percent.

H.R. 3634 authorizes \$275 million per year for FY 1982 through FY 1987. This amount, coupled with the available Interstate transfer funds, also appears to overfund the system, based on our preliminary estimates for a \$275 million per year plan.

As noted above, until the Department has reached an agreement with the localities on the operable segments that will be funded with the available Interstate transfer funding and agrees on a construction schedule, it is difficult to assess the appropriate funding schedule.

Payment of Bonds:

Both bills are similar on this issue and basically would be acceptable to the Department. We believe, however, that some further refinement is necessary so that local funding properly can be assured.

Operating Expenses:

Both bills are similar on this issue. The Administration does not support an Federal contribution for operating expenses beyond the approximately \$26 million annually provided to Metro through the Section 5 program, and so opposes this feature of both bills.

That concludes my prepared testimony. I would be happy to respond to any questions you might have.