

STATEMENT OF ASSOCIATE ADMINISTRATOR FOR PLANNING, THOMAS M. DOWNS,
BEFORE THE SENATE BANKING, HOUSING AND URBAN AFFAIRS COMMITTEE,
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS, CONCERNING IMPLEMENTATION
OF THE SECTION 18 PROGRAM FOR PUBLIC TRANSPORTATION IN NONURBANIZED
AREAS, MARCH 19, 1980.

Mr. Chairman, I am very pleased to be here to describe for the members of this Subcommittee the progress we have made in implementing the Section 18 program. With me is Mr. Robert McManus, the Associate Administrator for Planning, Management and Demonstrations, Urban Mass Transportation Administration (UMTA).

Let me state at the outset that the rural public transportation program is a necessary program that is totally supported within the Department and the Administration. Rural public transportation is necessary because that percentage of transportation deprived people in nonurbanized areas is significant and because this country can no longer afford the luxury of uncoordinated transportation in our nonurbanized communities.

As you know, the Federal Highway Administration (FHWA) and UMTA were given joint responsibility within the Department of Transportation (DOT) for implementing Section 18. While FHWA is the lead agency, the talents, experiences, and resources of both agencies are being effectively utilized; providing, I believe, an excellent example of cooperation. The FHWA was given the lead because the Section 18 program is a natural outgrowth of the Section 147 "Rural Highway Public Transportation Demonstration Program" created by the 1973 Federal-Aid Highway Act; and because coupled with this experience, FHWA can make use of its historical working relationship with the State highway and transportation agencies, since FHWA has a field office in every State.

For too long public transit has been identified in many individual's minds with urban environments, and the nonurbanized communities were ignored. Congress redressed the transit plight of nonurbanized America with the passage of the Surface Transportation Assistance Act of 1978, which added Section 18 to the Urban Mass Transportation Act of 1964.

After creation of Section 18, FHWA and UMTA, executed a memorandum of understanding relative to the joint administration of the program. Specifically, UMTA and FHWA have joint responsibilities for policy development and program review, while the day to day implementation rests with FHWA. Regulations were quickly issued with implementing procedures. Since inception of the Section 18 program many of the administrative problems have been resolved at both the Federal and State levels. While some of the problems and issues have been easy, others are still unresolved. Some of the problems are the labor protection provisions, local matching funds, and Federal maintenance of effort.

The labor protection provisions of Section 13(c) were applied by statute to the Section 18 program. The DOT and DOL developed a 13(c) procedure that would ensure the rights of labor while minimizing the impact on small rural systems. In June 1979, a special 13(c) warranty was adopted that offered an expeditious procedure for meeting the 13(c) requirements through a single standard agreement containing the necessary provisions. From our communications with the field, we know that some States and local jurisdictions still have reservations about the Special Warranty.

Such reservations include apprehension over the financial liability created by 13(c) without assurances that the program will be funded in the future. Accordingly, FHWA is proceeding with an evaluation of the 13(c) process this summer. We hope that our experience in the use of the warranty procedure will suggest ways in which the language or approach might be improved, while meeting the statutory mandate for labor protection. We intend to work closely with Department of Labor and State and local government officials in reviewing the impact of 13(c) requirements.

Since the Section 18 program serves some of the poorest counties in the Nation these communities are experiencing problems in securing the needed funds to satisfy the local matching requirements for Section 18 funds. FHWA and the States are cooperating in a number of ways to resolve this issue. For example FHWA has identified and disseminated a list of "Unrestricted Federal funds" that can be used for up to one-half of the local match for Section 18 funds. State agencies are using this list to help coordinate and assist rural communities. In addition, some States are promising to help the rural communities with additional funds, though some of these States have not yet fulfilled their commitment.

While the "Unrestricted Federal funds" list has been useful, FHWA is very concerned about the "maintenance of effort" on the part of other Federal agencies. We are concerned because the dollars expended by the other Federal agencies in transportation (e.g., Health, Education, and Welfare estimates \$500 million)

cannot be entirely replaced by Section 18 (currently \$85 million). The FHWA has received reports from a number of community action agencies and other coordinated transportation providers that their traditional sources of funding are diminishing, and they are seeking Section 18 funds to replace them. In addition, while Federal agencies might maintain their funding levels for transportation, the discretionary authority for the use of those funds is often at the State level, and States too are hoping that Section 18 funds will replace the transit funds of these other programs.

The FHWA is endeavoring to cope with this concern in several ways. First, UMTA has agreed that nonurbanized areas (with a 2-year demonstrated need in excess of their Section 18 funds) will continue to be eligible for Section 3 funds. Secondly, through the "White House Rural Transportation Initiatives Committee," which I chair, the FHWA has been able to raise and discuss the issues with other Federal agencies. Results from this include community service administration's commitment of existing funds and their set aside of an additional \$1.5 million for rural transportation planning.

The problems and concerns of the Section 18 program are being addressed. The Section 18 program is becoming a significant factor in State and Federal plans for assisting nonurbanized transportation needs.

President Carter has helped foster the efforts of the Section 18 program by specifically recognizing it as a critical program.

During June 1979, the White House announced the "Rural Development Initiatives to Improve Transportation in Rural America." A major focus of these initiatives is to improve effectiveness and coordination between social service and public transportation programs in rural areas. Fourteen Federal agencies are involved in this effort, and the Section 18 program has the pivotal role in the attempt to coordinate over 100 other sources of Federal transportation funds for rural areas.

During this past year, a series of 12 regional implementation conferences were held to communicate the White House Initiatives to the field. The conferences gave DOT officials the opportunity to present and discuss the objectives of Section 18 with State and local personnel, and Federal representatives were able to listen to the special problems and experiences of State and local officials. In many cases these conferences were able to resolve misunderstandings, as well as gain valuable feedback on program administration. These learning experiences have enabled us to refine and improve the implementation of the program.

As Chairman of the White House Rural Transportation Initiatives Committee, I am responsible for monitoring the progress of the public and social service transportation initiatives, and for resolving any impediments to them. The first committee status report was completed this month, and I am pleased to report that significant steps have been taken by each Federal agency represented on the committee.

The first calendar year of the Section 18 program has been completed. Briefly, the status of implementation is good. Total Section 18 obligations through the end of February equaled \$25 million

and we have experienced a dramatic increase in the monthly rate of obligations during this fiscal year. Over \$8 million has been obligated in the months of January and February alone. The January obligation of project operating and capital assistance was 66 percent higher than in all of FY 79. While there is still room for improvement, we have passed the start-up phase for this program. As an increasing number of States complete their programs of projects, we expect to reach a monthly obligation rate of over \$9 million by year's end.

The States have been actively involved in the start-up of the Section 18 program. Over \$6 million of Section 18 funds have been used by the States to finance their administrative and technical assistance activities. These start-up activities included hiring staff, developing management plans and allocating procedures, and soliciting and reviewing applications. The States are providing the resources necessary to transform the Section 147 projects into permanent Section 18 projects, and to develop other transportation programs.

We are working closely with the States to assure that intercity bus services are considered an integral part of the Section 18 program. To date three States have identified intercity bus projects for Section 18 funding. Eight other States have either conducted or plan to conduct surveys of intercity bus transportation funding needs, and therefore, may come forward with proposals that will use Section 18 funding. Finally, this summer the Transportation Research Board, in cooperation with the Department of Transportation, plans to

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hold the first national conference on intercity bus transportation. A key component of this conference will be the intercity bus industry's relation to the Section 18 program.

As you can see, our first year was a time for gearing up, for removing obstacles, and building a responsible program base. A majority of the preliminary work has now been completed, and we expect greater progress in the next few months.

Numbers and data are insufficient in measuring the successes achieved by the Section 18 program because the Section 18 program provides public transportation to disadvantaged people. Without rural public transportation many Chicano families in Texas would be unable to reach competitively priced grocery stores, a number of factory workers in West Virginia would be paying considerably more for transportation, and a blind worker in Vermont would have to return to thumbing rides to work. These are but three examples of public transportation helping people. As the Section 18 program develops then more transportation can be provided to those in need.

The Department and Secretary Goldschmidt are committed to a strong and effective Section 18 program. Two weeks ago the Secretary appeared before this Subcommittee and expressed his determination to make this program work. We believe that this program is an essential element of the President's "Small Community and Rural Development Policy"; and that the prospects and potential for public transportation in nonurbanized areas are exciting.

The challenge is to provide effective rural public transportation without imposing urban solutions. The Department believes that it can be done. The Administration's proposed

transit legislation, for example, would provide additional authorizations for this program and would ensure that each State would receive at least one percent of the total Section 18 apportionment. Presently, the apportionment received by some States is so small that it is not practical for them to try and make use of it. The one percent minimum apportionment would enable every State to plan and implement a meaningful public transportation program for nonurbanized areas.

Thank you, Mr. Chairman. That concludes my prepared statement. I would now be happy to answer any questions you or other members of the Subcommittee may have.