

STATEMENT OF
SECRETARY OF TRANSPORTATION DREW LEWIS
BEFORE THE
SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS
SENATE COMMITTEE ON BANKING,
HOUSING AND URBAN AFFAIRS
CONCERNING PROPOSED MASS TRANSIT LEGISLATION
MAY 15, 1981

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you this morning to discuss the Administration's proposed mass transportation legislation. I am accompanied by Art Teele, the Urban Mass Transportation Administrator.

We recognize that transit systems are an essential component of our overall transportation network. Our proposals are designed to use available Federal funds effectively to improve these systems, while removing the Federal Government from unnecessary involvement in day-to-day operational matters. Our proposals will result, I believe, in transit systems that continue to respond to the needs of our citizens but that do so more efficiently than today.

Before turning to the specifics of our legislative proposal, I should point out that the success of the President's Economic Recovery Program will be particularly critical for mass transit systems. So those of us who are concerned about transit are particularly gratified by the bipartisan recognition and support that both the Congress and your constituents have given to President Reagan's initiatives, which will curb inflation and halt the alarming escalation in Federal spending that has fueled inflation.

The nation's transit industry feels the effects of inflation keenly. For one thing, the transit industry is very labor intensive. Wages are characteristically adjusted to the Consumer Price Index, in many cases quarterly. The General Accounting Office's recent report on Federal operating assistance attributes 64 percent of transit cost increases between 1973 and 1978 to general inflation. Since the oil embargo of 1973, transit revenues have failed to even remotely keep pace with costs. The GAO estimates that the nation's transit operating deficits, which totaled \$2.2 billion in 1978, will exceed \$6 billion a year by 1985.

I've come to you today to propose a different course of action -- a course of action that recognizes that the best way to ultimately help transit in this country is to control inflation. A course of action that recognizes a legitimate Federal role in support of mass transit -- and also recognizes that transit operations should remain primarily a local responsibility, free from undue Federal intrusion and not dependent on unwarranted Federal subsidy.

Let me turn to the specifics of our legislative proposal. This Administration believes that the most appropriate and productive role of the Federal Government in mass transit lies in supporting necessary capital investments. Without the availability of Federal capital assistance, it would be virtually impossible for communities to meet the large financial demands that capital projects periodically require. Federal capital assistance also allows orderly vehicle replacement programs which might otherwise be difficult given the fluctuations in local financial situations and the current constraints on many local budgets.

Therefore, we are proposing a strong and positive program for Federal capital assistance to the transit systems of this country. We intend to make

available between \$2.5 and \$3 billion annually over the next four years for capital investments, including Interstate transfer funds. The Federal capital assistance program will focus primarily on the maintenance and improvement of existing, proven transit systems and on projects with near-term payoffs. We will emphasize the funding of bus and bus-related projects as well as rail modernization projects, and we will defer, certainly until the economy improves, any new construction of rapid rail systems.

I believe that Federal support for the purchase of equipment and vehicles carries with it a responsibility for localities to protect that investment with adequate maintenance programs. It doesn't make any sense for Federal tax dollars to be used to pay up to 80 percent of the price of a piece of equipment unless we can be sure that the equipment will be properly maintained. Therefore, our legislative proposal includes provisions to ensure that recipients of Federal funds have the capability to maintain transit equipment and facilities.

As you know, we propose to gradually phase out the Federal operating assistance program in a manner that is the least disruptive to local areas. I believe that state and local communities must be responsible for the operation of their mass transportation systems. Those levels of government have the greatest degree of flexibility to use innovative, creative approaches to solve their transit problems and meet their transit needs. Moreover, the issues surrounding operating subsidies are local rather than Federal -- issues such as fares, routes, wage rates and levels of service. Federal transit operating assistance invites a wide range of Federal intrusion into local decisionmaking. Why should the Federal Government be prescribing how decisions on fares are made?

Why should a determination of service levels turn on the availability of Federal subsidies? We believe that the Federal Government has no business in those areas.

Obviously, this is a significant change in Federal policy. While Federal funds only make up 13 percent of total operating costs nationwide, localities have made their plans with the expectation of receiving this Federal aid. To allow localities enough time to adjust to the loss of Federal operating assistance, we also propose to phase out the program over a four-year period. Under our proposal, there would not be any reduction in the level of Federal operating assistance during Fiscal Year 1982. This is subject to change during the budget process, of course. During the phase out period, local governments, and probably state governments as well, can determine what level of service they want to provide and what combination of revenues and subsidies is needed to support that service.

We do not propose any change in the formula for distribution of the operating assistance funds. While the present formula could probably be improved, I do not believe it is worth the effort given that the program is being phased out. We do propose to continue use of the 1970 Census to identify the areas that are eligible for these operating assistance funds. It would be unwise to bring new areas into the program at the very time the program is being phased out, and we do believe that the available operating assistance funds should be focused where they are needed the most.

The Department is also undertaking an extensive review to eliminate costly and burdensome regulations, and this effort will help to offset the loss of Federal operating assistance. For example, the Department's

Section 504 requirements for providing accessibility to disabled persons on mass transportation facilities has been troublesome to many communities. We think the regulation in its present form is an inordinate, inflexible burden on local communities. We believe each community should be able to decide for itself how best to meet the transportation needs of handicapped persons, either by making regular transit services accessible or by tailoring specialized transportation services to the needs of disabled individuals or through some combination which fits that particular community. Therefore, we have included in our legislation a provision which would allow localities to develop their own programs for providing transit service to handicapped persons, after considering the levels of services that are provided to the general public on the regular bus service. The localities would certify to the Secretary of Transportation that a locally developed program is or will be in place. That certification would constitute compliance with the requirements of section 504 and related laws.

In closing, Mr. Chairman, let me stress that our proposal represents a strong Federal commitment to maintaining viable mass transportation service in this country -- but that it is a commitment that recognizes that there must be definite limits to the Federal government's role in an issue that is clearly a local one. It is a commitment that recognizes the Federal Government has failed in the past few years to preserve local flexibility in decisionmaking and to minimize Federal intrusions in mass transit policy. In conclusion, we believe such a commitment restores the proper balance to the Federal/local partnership, while serving the best long term interests of mass transit in our nation.

Thank you Mr. Chairman. That concludes my prepared remarks. Mr. Teele and I would be pleased to respond to any questions you or the other Members may have.