

STATEMENT OF ARTHUR E. TEELE, JR., ADMINISTRATOR, URBAN MASS
TRANSPORTATION ADMINISTRATION, BEFORE THE SUBCOMMITTEE ON SURFACE
TRANSPORTATION, HOUSE COMMITTEE ON PUBLIC WORKS AND
TRANSPORTATION, ON WEDNESDAY, FEBRUARY 23, 1983.

Mr. Chairman, and distinguished Members of the Subcommittee,
thank you for this opportunity to appear before you to discuss
our budget proposals under the new Surface Transportation
Assistance Act of 1982. I am pleased to be here to testify
before this Subcommittee, and I recognize this Subcommittee's
jurisdiction and concern over the programs of UMTA.

Particularly, I am aware of the high degree of interest in issues
relating to the recent gas-tax legislation -- legislation that
the Public Works Committee had a vital role in moving through the
Congress. I must also be sensitive, however, to the fact that
many of the issues of concern here today are normally dealt with
in the appropriations hearings process, and I wish to publicly
reaffirm my intent also to deal fully and forthrightly with those
issues in testimony before the House Appropriations Committee,
Subcommittee on Transportation.

THE NEW LEGISLATION

Mr. Chairman, let me pledge to you my strong personal support of the new legislation which was enacted on January 6, 1983. We now have in place a formula to fund all routine capital needs for the Nation's mass transit systems, and a discretionary program designed to fund those activities that are of a one-time, or extraordinary nature. You have my pledge that UMTA will do all that it can to insure that this new legislation is implemented swiftly, professionally, and in the spirit which the Congress intended in drafting it. Indeed, I am pleased to be able to announce to you today that after making the preliminary apportionments under the new Section 9A program on January 23rd, and issuing a formal circular to explain the mechanics of the program on February 2nd, by the close of business today we will have obligated slightly over \$95 million in Section 9A funds.

Mr. Chairman, I am firmly convinced we are about to see a completed renaissance in the field of urban mass transportation. The new legislation which this committee passed will help create this renaissance by introducing a new era for the Federal transit program. No longer will transit agencies have to file lengthy individual grant applications for each and every project they wish to undertake. Rather a simple annual multi-project application -- which will be considerably shorter than a previous application for a single project -- is all that is necessary for the new formula program.

Due in great part to the outstanding efforts of you and your Subcommittee, this landmark legislation will have a major and positive impact on the Nation's public transportation systems:

- . For the first time, transit authorities have a Federal dedicated source of funding as a result of the new mass transit account in the Highway Trust Fund. Not only does this assure a permanent funding source, it also serves as a national model for the states and localities to use in developing their own dedicated sources of funding.
- . The new block grant program in Section 9 with its statutory formula provides predictability of annual funding for urbanized areas.
- . This program involves maximum local flexibility and a streamlined grant process that minimizes paperwork.
- . The formula used to distribute these funds was an excellent compromise worked out by the Congress. It fairly distributes the funds on the basis of both bus and rail activities.
- . While funds made available for planning purposes under Section 8 will provide for most comprehensive planning activities, Section 9 funds will also be available for

the operations and maintenance planning of the transit operators, or to supplement as necessary the basic Section 8 funds programmed for such purposes.

- . For the first time the Section 20 human resources program, which previously was funded from the Section 3 authorization, is included in the research, training and administration authorization.

The Mass Transit Account

As authorized by the Surface Transportation Assistance Act, the establishment of the Mass Transit Account of the Highway Trust Fund will provide approximately \$1.1 billion per year to be derived from the one-cent increase in the user fee on motor fuels. The use of motor fuel revenues as a financing source recognizes the interrelationships between transit usage and our Nation's highways. As a result of the changes in the program structure creating the major formula block grant program, we can turn much responsibility for transit over to State and local governments where these decisions rightly belong.

In FY 1983, the user fee will be distributed according to statutory formulas contained in Sections 9A and 18. Beginning in FY 1984, under the new legislation, the user fee will be distributed under Section 3 of the UMT Act. Funding under the

Section 3 discretionary grants program will, as in the past, be used to finance transit capital and certain planning projects on a discretionary basis. These would include extraordinary needs such as rehabilitation and modernization of commuter rail and fixed-guideway systems, certain types of bus purchases, and the upgrading of facilities.

The Formula Program

The Section 9 formula program will become the principal source of funds for routine capital grant projects and for limited operating subsidies. These activities would include replacement of overage buses, routine expansion of bus service, normal bus facility modernization and/or construction, bus rehabilitation and purchase of related support equipment, such as computer hardware and software, radios, passenger shelters, bus stop signs and significant spare parts such as engines, transmissions and air conditioning units.

A good portion of the rail modernization activity may also be accomplished under the formula program. However, these needs are known to be substantial and it is anticipated that the Section 3 discretionary program will supplement the formula grant funding in the existing rail cities.

Some fixed-guideway activity may conceivably be accomplished under formula allocated programs, as long as it does not require the use of Section 3 discretionary funding to maintain a feasible construction schedule for a major capital investment.

Implementation

I would now like to advise you of the rapid progress we have made in implementing the new legislation. We are as a matter of highest priority committed to getting the new program funds obligated and into the local economic stream. Immediately following Congressional passage of the legislation on December 23, 1982, we notified over 1,000 potential grantees of the significant features of the new legislation. On January 24, 1983, we published in the Federal Register a partial apportionment of the \$779 million contract authority to allow potential grantees to begin local programming activities necessary to utilize the funds. On February 2, 1983, slightly less than 30 days after signature of the law by the President, the implementing instructions were made available to potential grantees. In fact, by close of business today, \$85 million will have been obligated. I think it is safe to say that this is the quickest that any new program has been implemented by UMTA.

The American Public Transit Association (APTA) has publicly commended UMTA's efforts in implementing the new program, and I would like especially to recognize the UMTA career staff for their outstanding efforts in the development and implementation of the new program.

THE ADMINISTRATION'S BUDGET PROPOSAL

Based on the new programs and authorizations contained in the Surface Transportation Assistance Act of 1982, we have developed a budget that we believe is responsive to the basic needs of mass transportation, yet strikes a balance with the important goal of containing the Federal budget deficit.

1983 Supplemental Appropriation

According to the Department of the Treasury, the new one-cent increase in the user fee will generate approximately \$536 million in revenues for the latter half of this fiscal year when the user fee first becomes effective on April 1. The new legislation provides contract authority of \$779 million for FY 1983, so our budget proposes a deferral of \$229 million to limit obligation to \$550 million. This level is consistent with the program level we originally proposed in our legislation and with anticipated revenues.

In the interest of quickly providing planning and program information to grantees and to allow an immediate level of funding to recipients, we published on January 24, 1983, in the Federal Register, a partial 65 percent apportionment of the \$779 million in Section 9A funding. As we indicated in our Federal Register apportionment, the remaining 35 percent is being reserved while further data is developed and submitted by our grantees. The final apportionment will be published by July 1, 1983.

Our budget also requests a supplemental appropriation of liquidating cash to make cash disbursements in FY 1983 to satisfy obligations made under the new trust-funded-contract authority.

FY 1984 Discretionary Program

Looking toward FY 1984, our budget proposes an obligation limitation of \$1.1 billion on the \$1.25 billion trust fund authorization for Discretionary Grants. Again, our rationale for this action is to set a program level that is more consistent with anticipated trust fund revenues of \$1,089 million.

FY 1984 Section 9 Formula

For Section 9 Formula Grants, we are requesting an appropriation of \$1,973.5 million. As set forth in the new legislation, 2.93 percent, or \$57.8 million, would be available to nonurbanized areas under the Section 18 program according to a formula based on population. The remaining 97.07 percent, or \$1,915.7 million, would be available to urbanized areas according to two statutory formulas: one for urbanized areas of less than 200,000 in population and one for urbanized areas with populations in excess of 200,000.

In comparing the differences between funding levels provided for in FY 1984 in the authorizing legislation, and those included in the President's FY 1984 budget request, allow me to note that most of the difference can be attributed to the Administration's continued position with respect to the phaseout of the Federal operating assistance program. The remainder essentially involves the \$150 million difference between the \$1.25 billion authorization level of the Discretionary Program and the \$1.1 billion budget request. The authorization would have permitted

through the discount and transfer provisions up to \$1 billion of Section 9 funds to be used for operating assistance. Our budget proposes to limit this amount to \$275 million. This is the level that we originally proposed when we submitted our legislative package last year and is consistent with our original phaseout proposal announced in February 1981.

Mr. Chairman, when I appeared before your committee last year in April and presented the Administration's proposal, I pointed out that we proposed that the Federal support for public transportation be "concentrated on capital projects and that there be a corresponding phaseout of operating assistance." We continue to be firmly committed to this phaseout. The cost of operating transit assistance involves decisions which can only, and most appropriately, be resolved at the local level. With the possible exception of the cost of fuel, all factors which affect operating costs are based on local decisions -- wage rates, service levels, and fares.

This Administration has been both candid and consistent regarding our position with respect to operating assistance. As you may recall, when the Administration took office in 1981, we made the determination that we would provide an orderly phaseout of the operating assistance program. We continued the program in

FY 1981 and 1982 at basically unchanged levels, one-third was to have phased-out in FY 1983, two-thirds in FY 1984 and discontinuation in FY 1985. The operating assistance limitation of \$275 million in FY 1984 is consistent with our original policy. Furthermore, numerous Administration officials and I have emphasized this position in public statements all across this Nation. Our position has remained unchanged -- a strong and continued commitment to the phaseout.

Federal operating subsidies have distorted local service and financing decisions and have resulted in excessive costs, declining productivity, and unrealistically low fares. But this process is reversible. I can report that aggressive transit systems have already taken actions to reduce costs and improve productivity in anticipation of the proposed Federal operating subsidy reductions.

There has been an increasing trend towards use of local dedicated revenue sources for transit. Also, farebox coverage is up significantly according to preliminary APTA figures. In addition, private sector operators are demonstrating a broad

capability for supplying commuter buses, special vehicles, and paratransit services. We believe that these efforts represent clear signs that the phaseout can be effectively accomplished. Prudent management by local officials, transit managers, and the private sector will rise to the challenge of maintaining and improving our Nation's public transit systems.

Finally, when compared with the FY 1982 capital program, the 1983 and 1984 UMTA capital programs have been increased by 31 percent and 44 percent, respectively. This is in keeping with the Administration's program for rebuilding and modernizing our Nation's transit systems. It aims at correcting the under-capitalization of these systems, so that their benefits will not be lost to the cities.

Washington Metro

Our budget proposal for FY 1984 includes an appropriation request of \$230 million for Washington Metro. Funding requested under the Stark-Harris legislation for Washington Metro together with funding also to be made available under other UMTA funding sources should provide \$275 million in new funds for FY 1984.

Interstate Transit Substitutions

The budget request provides \$380 million for transit substitute projects under the Interstate Transfer Grants program. This request for transit substitute projects is the same level as the authorization contained in the Surface Transportation Assistance Act.

Research, Training and Administration

The request provides \$81.7 million to fund our research, training, and administration activities. Included in our request is \$5 million for the Section 20, Human Resources Program. Under the new legislation, this program is now included under the research, training, and administration authorization. Through FY 1983, this important program was financed out of Section 3 Discretionary Funds.

Conclusion

Mr. Chairman, thank you for the opportunity to appear before you this afternoon and discuss this landmark legislation. We believe that the Surface Transportation Assistance Act of 1982 signals the dawn of a renaissance of public transportation in America. The efforts of the Public Works Committee and the Congress have resulted in a major restructuring of mass transportation programs that will benefit the public for years to come. I commit myself to working with you to implement this important new legislation and would be pleased to answer any questions you might have.