

STATEMENT OF RALPH L. STANLEY, ADMINISTRATOR,  
URBAN MASS TRANSPORTATION ADMINISTRATION,  
BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION OF  
THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,  
HOUSE OF REPRESENTATIVES ON TUESDAY, FEBRUARY 7, 1984

Mr. Chairman, and distinguished members of the Subcommittee, I am pleased to have this opportunity to appear before you to discuss our budget proposal for fiscal year 1985 and the Urban Mass Transportation Administration's (UMTA's) implementation of the Surface Transportation Assistance Act (STAA) of 1982.

Mr. Chairman, last month marked the first anniversary of the enactment of STAA of 1982. This landmark legislation established a Mass Transit Account in the Highway Trust Fund which provides a dedicated source of funding for mass transit capital activities. The legislation also created a new formula to provide both capital and operating assistance. The transit community is well aware of and appreciates this Committee's significant role in securing the passage of this critical legislation.

Section 3 Discretionary Resource Allocation

One of the most sensitive issues facing UMTA and the Department of Transportation is the allocation of the \$1.1 billion in gas tax receipts made available by the STAA. As you know, the resource is intended primarily for rail modernization projects, bus projects, and new start projects. For rail modernization, UMTA will concentrate section 3 resources on rebuilding transit infrastructure. The bus category will be used for major bus expansions and other extraordinary bus capital projects. Today, I would like to focus on the most critical area, new starts.

During the last year, UMTA has been reviewing its policy with respect to new start rail projects. We have considered a number of factors to develop a policy to allocate the scarce section 3 funds for new starts including factors specified by the Appropriations Committees. UMTA will fund new start projects that are cost-effective, in addition to paying particular attention to factors such as the results of alternatives analysis and the degree of local financial commitment, which would include evidence of stable and dependable funding sources to operate the system. Other factors we may consider include the degree of local government support, the degree of private sector support, the degree of community support, and the participation of disadvantaged business enterprises.

The degree and reliability of local financial commitment and cost-effectiveness are the two primary criteria in this quantifiable measure of relative merit. We place a great deal of emphasis on the degree of local financial commitment for a new start project. This factor not only rewards these communities that make the greatest local fiscal effort, but also obviously maximizes the return on the Federal investment. We strongly encourage localities to take a fresh look at methods of generating new funding resources for major rail investments. UMTA will work towards a goal of financing 50 percent of total project costs from sources other than discretionary grants. Taxes, local bonds, and other financing concepts should be considered to develop reliable sources of funding that do more than simply meet a twenty-five percent local share level.

The measure of cost-effectiveness we will rely on is marginal cost, that is, added cost per added passenger, also taking into account travel time savings for existing riders as a desired benefit. The lower the marginal cost, the more cost-effective the project and the better return of the Federal dollars invested.

### Construction Management Oversight

This Committee has expressed interest in UMTA's oversight of the construction management of major construction projects. This is an interest that I share. As I testified before the Committee in Miami, addressing the construction management issue will be one of my priorities. UMTA intends to require grantees to use independent consultants for construction management oversight by including this requirement as a provision in full funding contracts or other contractual documents between UMTA and its grantees. Such a provision would establish a direct reporting relationship between the consultants and UMTA. Having a direct reporting relationship between the consultants and UMTA would ensure the credibility of the relationship. Moreover, the fact that 75-80% of the cost of the contract would be paid by the Federal Government, should help ensure that the consultants will be accountable to UMTA.

The possibility has been raised of amending the Urban Mass Transportation Act to establish a program of 100% Federal financing for construction management oversight. Our preference would be to follow the approach that we have

recommended and defer legislative action on this point. If problems develop in accountability or other areas as this approach is implemented, we could then revisit the issue.

#### Formula Grant Program Implementation

UMTA has proceeded expeditiously in the implementation of the STAA. Within a month of the statute's enactment, we published apportionments for the section 9A capital grant program which was funded in fiscal year 1983 from the Mass Transit Account of the Highway Trust Fund. During that period, we also developed and distributed to the transit community instructions for the implementation of the section 9A program. UMTA worked very closely with transit representatives in developing guidance on these programs. Much of the success for the quick and effective implementation of the new formula grant programs is the result of these cooperative efforts with the transit industry. To date, UMTA has obligated \$588 million of the \$756 million available for the section 9A program, and another \$106 million has been programmed for obligation in fiscal year 1984. The remaining section 9A funds are available to urbanized areas for obligation until September 30, 1986. We expect that most, if not all, of the section 9A funds will be obligated by that date.

The section 9 formula grant program created by the STAA began this past October 1st. This program will fund routine capital projects, limited operating subsidies, and planning. The capital projects include routine

expansion of bus service, routine rail modernizations, replacement of old buses, normal bus facility construction and modernization, bus rehabilitation and the purchase of related support equipment.

Our experience with section 9A was valuable in the implementation of the section 9 formula grant program. On June 27, 1983, UMTA issued a circular which sets forth the instructions for implementing the section 9 program. Like the section 9A circular, the section 9 circular draws upon statutory language to streamline the grant process by strongly encouraging a single annual grant application to cover a grantee's activities during an entire year. Moreover, the circular relies upon the self-certification process specified in the STAA to eliminate the submission of lengthy project justifications and elaborate background materials. In sum, we believe the formula program has been implemented quickly and with few problems, and we know that our grantees are pleased with the less burdensome and much expedited grant process under this new program. To date, \$1.9 billion of the \$2.32 billion appropriated for section 9 in fiscal year 1984 has been programmed for obligation.

### Regulatory Changes

Implementation of the new formula grant programs has not been the only activity undertaken by UMTA as a result of the STAA of 1982. Provisions of the STAA also required changes to three regulations that affect UMTA: the minority business enterprise regulation; the regulation issued pursuant to section 504 of the Rehabilitation Act of 1973 on nondiscrimination on the basis of handicap; and the Buy America regulations.

### Disadvantaged Business Enterprise

Section 105(f) of the STAA requires that, except to the extent that the Secretary determines otherwise, not less than 10 percent of the funds authorized to be appropriated under the Act be expended with small businesses owned and controlled by socially and economically disadvantaged individuals. To implement section 105(f), the Department issued a regulation on July 21, 1983, which amended the Department's existing minority business enterprise regulation so as to incorporate provisions to increase disadvantaged business enterprise (DBE's) participation in the Department's transit and highway projects and include the new grant programs created by the Act in the coverage of the regulation. As a transition year, fiscal year 1983 can be viewed as a success. DBE goal achievement in UMTA-assisted contracts exceeded the 10 percent level established by section 105(f) and women business enterprise participation exceeded a 3 percent level.

UMTA is still receiving and reviewing goal submissions for fiscal year 1984. Generally, the process is running smoothly. Thus far no recipient has requested UMTA approval of a fiscal year 1984 goal of less than 10 percent. However, based on goals submitted to the Federal Highway Administration by State departments of transportation, we anticipate a few requests for lower goals.

### Elderly and Handicapped Individuals

On September 8, 1983, the Department issued a notice of proposed rulemaking to amend the existing interim final rule concerning transportation for elderly

and handicapped persons. The amendment was required by the STAA. In accordance with the new subsection, the proposed rule would: (1) establish minimum criteria that UMTA recipients must meet for the provision of transportation services to elderly and handicapped persons; (2) establish procedures for the Department of Transportation to monitor recipients' compliance; and (3) ensure that elderly and handicapped persons, and organizations representing them, have an opportunity to comment on a recipient's compliance plan.

At the request of several parties, including organizations representing elderly and handicapped persons, the Department extended the public comment time period into early December. The Department is now reviewing the more than 600 comments received.

### Buy America

Section 165 of the STAA replaced previous Buy America requirements. On September 15, 1983, UMTA published regulations implementing the new statute and requesting comments on the regulations. The ninety-day comment period ended on December 15, 1983, and UMTA staff is currently reviewing the comments.

A major issue raised by the comments is the statute's elimination of the \$500,000 threshold for application of Buy America requirements. Many

commenters expressed their desire that some type of minimal dollar level of applicability be reinstated due to the significant impact of the new statute on smaller areas. Another concern raised by several States is that applicability of the Buy America requirements to the purchase of small passenger vans may reduce or eliminate competition in among manufacturers of those vehicles.

### Section 18

A significant activity that did not result directly from passage of the STAA is the transfer of responsibilities for the administration of the section 18 formula program for non-urbanized areas from the Federal Highway Administration to UMTA. UMTA began administration of this program on October 1, 1983. UMTA has taken the opportunity provided by this transfer to streamline section 18 program administrative procedures, and to enhance the responsibilities of State agencies in program development and management.

### FY 1985 BUDGET PROPOSAL

The demands placed upon limited Federal dollars are many and varied. Certainly not all of these demands can be fully met. But we believe that the FY 1985 UMTA budget proposal which we have transmitted to Congress provides a substantial level of funding for the mass transportation community while helping to control Federal spending.

Our budget request for FY 1985 includes \$2.97 billion in general fund appropriations and \$1.1 billion for the trust funded discretionary grants program.

In looking at the composition of our budget request, you will note that even though our total funding represents a decrease from the FY 1984 appropriated level, our proposal provides a slight increase in total capital assistance. This overall increase in capital assistance is made possible by holding operating assistance to urbanized areas below \$545.5 million. Previously, the Administration's proposed phase-out would have ended operating assistance in FY 1985.

#### Discretionary Grants

For FY 1985, \$1.1 billion is requested for the discretionary grants program. This level is the same as the amount of contract authority to be funded from the Mass Transit Account. Of this amount, \$400 million will be devoted to new start projects consistent with the criteria and evaluation process discussed earlier. A total of \$520 million is planned to continue rail modernization through the rehabilitation and reconstruction of the older rail systems. While most bus and bus-related needs will be met through the formula grants program, we believe it prudent to devote \$100 million of the discretionary grants limitation to fund extraordinary bus and bus-related projects that a grant recipient cannot adequately handle through its regular formula apportionments. Finally, within the \$1.1 billion request, \$50 million would be applied to section 8 planning grants, \$25 million to the section 16(b)(2) elderly and handicapped program, and \$5 million for innovative techniques.

The request of \$1.1 billion applies only to the Discretionary Grants program. Any unobligated carryover that might exist from the \$779 million contract authorization apportioned according to formula in FY 1983 of course remains available for obligation by the grant recipients.

### Formula Grants

For Formula Grants, we are requesting an appropriation of \$2.39 billion, essentially the same as was appropriated for FY 1984. In accordance with the STAA of 1982, 2.93 percent, or \$70 million, will be available to nonurbanized areas under the section 18 program and \$2.32 billion will be available for urbanized areas under the section 9 program. As we mentioned earlier, our budget also proposes that funds for operating assistance purposes be held to \$545.5 million compared to the original phase-out plan which contemplated zero funds for operating assistance in FY 1985. No operating assistance restrictions are proposed for the section 18 program in FY 1985.

Our proposal for reducing operating assistance in FY 1985 has two particularly notable features. First, the reduction is not across-the-board. Rather, we recognize the difference between large and small cities in their reliance on Federal assistance to meet their operating costs.

We have also extended the time frame planned for the phase-out of operating assistance. Rather than eliminating operating assistance over a four year period, we are now looking toward a five-year schedule under which FY 1989 funding would be available solely for capital and planning purposes. The Administration continues to believe the appropriate Federal role is in the

financing of capital projects not operating subsidies. This level of \$545.5 million reflects our continuing commitment to reduce the Federal role in operating assistance but also takes into account the concerns expressed by Congress and the need to make the phase-out of operating assistance an orderly one.

#### Interstate Transfer Grants - Transit

A FY 1985 appropriation of \$250 million is requested for mass transit projects substituted for withdrawn Interstate segments. Based on current estimates, the value of the remaining withdrawals amounts to \$1.17 billion beyond the current fiscal year. A \$250 million per year appropriation level would permit completion of funding before the completion of the Interstate Highway System.

#### Washington Metro

To continue construction on the Washington Metrorail System, we are requesting FY 1985 appropriation of \$250 million under the Stark-Harris legislation. For the past six years, the system has received, on average, \$275 million a year for metrorail construction.

This level is the same as was appropriated in FY 1984 and will continue the current rate of the construction on the 76.4 mile system to which this Administration is committed. At this level, the 76.4 mile system could be completed in mid-1987. Additional funding in FY 1985 would not speed up construction.

Research and Training; Administration

To continue our technical assistance efforts and research in support of mass transportation will require \$44.8 million in FY 1985 and to fund the Administrative Expenses of UMTA will cost \$31.3 million. Both of these appropriations are subject to a combined authorization of \$90 million. In the Research, Training, and Human Resources program there has been a shift of funding to reflect an increased emphasis on safety and security, financial planning and management, and human resources activities.

Conclusion

Mr. Chairman, that concludes my statement. I would be pleased to answer any questions that you have.