

STATEMENT OF RALPH L. STANLEY
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BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION OF
THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
HOUSE OF REPRESENTATIVES ON THURSDAY, MARCH 7, 1985

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 1986. Before discussing the specifics of our budget, however, I would like to briefly discuss two overriding concerns that shaped our proposal. The first is the size of the deficit, a problem we all know about. The second is the size of the UMTA program, which has grown from an annual funding level of approximately \$130 million during the 1960s, passed the billion dollar mark in the 1970s, and has exceeded the four billion dollar level over the past three years. It is our belief in the context of the national deficit issue that we no longer can afford this level of funding for what essentially is a local responsibility.

UMTA's fiscal year 1986 budget proposal is essential to the Administration's goals of facilitating the maintenance of a safe and efficient national transportation system, and yet reducing the share of the Federal deficit created by the cost of transportation programs. Specifically, this budget proposal seeks to reduce the Federal cost of providing transit services, the benefits of which are largely local. To achieve this goal, the Administration proposes to limit Federal funding of transit primarily to dedicated sources of revenue. At the same time, the Administration seeks to encourage the private sector to expand its role in providing efficient transportation services. The involvement of the private sector is particularly appropriate for the UMTA program, and will greatly aid efforts to have localities bear the cost of transportation services and facilities from which they primarily benefit.

I recognize these proposals will involve a significant restructuring of the UMTA program, but it is one that I believe is necessary to realize the President's goal of establishing the proper Federal, State and local relationship in providing transit, and of reducing the Federal deficit. Our budget request for UMTA for FY 1986 is \$1.377 billion. Eighty percent of that amount will be funded from the Mass Transit Account of the Highway Trust Fund, consistent with the Administration's goal of funding most Federal transportation assistance through user fees. The Trust Fund monies would be distributed by formula and would not be available for use by recipients for operating assistance. We also propose to raise the minimum local share for these formula capital grants from 20 percent to 30 percent to encourage a greater local commitment to transit projects.

In proposing to have the transit program essentially distributed by formula and based on Transit Account funding, we are also calling for the elimination of the discretionary grants program, beginning in FY 1986.

Discretionary Grants

The section 3 program is now the largest discretionary funding source in the government. Because it is funded from the Transit Account, there has been congressional discussion about allocating at least some of the funds on the basis of a formula. We would go further. The Administration believes it is more appropriate to allocate gas tax receipts entirely on the basis of a legislative formula than to target them to a few selected localities. Moreover, regardless of the source of funding, there are inherent problems in allocating discretionary grants funds, particularly for new starts.

The demand for new start funds far exceeds any available Federal resources, as members of this Committee are well aware. Over the course of the past 18 months, the Administration has worked very hard to develop and implement a set of objective criteria for evaluating applications for scarce new start funds. We appreciate the efforts of this Committee to encourage the adoption of such objective criteria. However, judging from the FY 1985 appropriations process, continued Federal funding for new rail starts under a discretionary program threatens to result in the development of unnecessary and inefficient transit systems that cost more to operate than other available transportation alternatives.

If the Federal Government agreed to fund construction costs of all the projects earmarked by Congress in FY 1985, we would create an "unfunded liability" of \$4 to 6 billion dollars that could not be paid for even under the most ambitious transit funding proposal. Moreover, already other cities are developing additional projects for which they may be expected to seek Federal funding, thus adding to the potential Federal debt.

In FY 1985, section 3 new start funds available under the FY 1984 and 1985 obligation limitations will be used to complete committed fixed guideway projects and especially worthy projects which can be fully financed using available funds. We will propose reprogramming to accomplish this.

Formula Grants

For fiscal year 1986, we are proposing to fund a capital formula grants program entirely from the Mass Transit Account of the Highway Trust Fund.

This Account currently funds the contract authority available in fiscal years 1984 and 1985 for discretionary grants and, under our FY 1986 budget proposal, would replace the appropriations from the General Fund as the sole funding source for a capital formula grants program. Such a change would allow this user financed fund to be distributed on an equitable basis to the entire country. The Administration believes that since the funds in the Mass Transit Account are collected in all 50 States, it is appropriate to distribute these user fee receipts by formula to all 50 States. We are requesting an obligational limitation of \$1.1 billion on the available contract authority, which is consistent with the existing authorization under the Mass Transit Account.

This funding proposal is based on the principles I mentioned earlier. Transit is, in large part, a local responsibility, both because its benefits are primarily local and because the myriad decisions concerning its provision - such as fare and route structure - are local. Because transit is essentially a local responsibility, we believe that transit programs should not receive substantial Federal funding other than from the current Federal user fee collected specifically for financial assistance to mass transit capital projects.

As I pointed out earlier, these FY 1986 formula grants funds would not be available for use by recipients for operating subsidies. Of all the components of transit expense, those relating to operating costs are the most driven by purely local policies. Decisions regarding service hours, service frequency, fares, and labor costs are made at the local level - and rightly

so. It is also right that the locality, to whom those local decision-makers are answerable, not the Federal Government, bears the costs of those decisions. Moreover, by law the funds from the Mass Transit Account are only available for capital purposes.

As part of the restructuring of the formula grants program, we propose to change the maximum Federal share of all formula capital grants from 80 to 70 percent. This ratio will encourage a greater commitment at the local level to make more economically sound decisions on how the funds are used. The proposal is in line with the Administration's long-standing goal of encouraging greater local participation in the funding of local mass transit projects.

Rural and Elderly and Handicapped Programs

Our budget proposal would continue capital funding for the section 18 nonurbanized area program, as well as for the section 16 program for the elderly and handicapped. These programs have proven useful and are strongly supported at the State level.

The budget proposal would make 2.93 per cent of the FY 1986 Mass Transit Account contract authority available for the section 18 program. This follows the current statutory scheme under which 2.93 per cent of the formula grant funds are available for the nonurbanized areas. The section 16 program would receive up to \$35 million of the FY 1986 formula funds. We believe that both programs would be sufficiently funded under our proposal.

Interstate Transfer Grants-Transit

The Administration requests no FY 1986 appropriation for mass transit projects substituted for withdrawn Interstate segments. Instead we propose to make these projects eligible for funding from the Highway Trust Fund, which will put them on the same footing as substitute highway projects. We believe that user fee principles should apply: it is more appropriate to fund all substitute projects directly from the source that otherwise would have funded the withdrawn Interstate segments than to separately fund substitute transit projects from the General Fund. In this case, failure to apply these principles needlessly adds to the Federal deficit.

Washington Metro

To continue construction of the Washington Metrorail System, we are requesting a FY 1986 appropriation of \$250 million under the Stark-Harris legislation. This is the same level of funding made available in FY 1985, and will provide a sufficient level of Federal funding to maintain an adequate construction program for progress on the rail system. The Administration will continue our current policy of funding only cost-effective, contiguous, and operable segments. We will use full funding contracts for all grants beyond 76.4 miles but within the Stark-Harris authorization. Once that authorization is exhausted, we will oppose any proposals for special funding for Metro.

Research and Training; Administration

We are not requesting an appropriation for the Research, Training, and Human Resources account. Rather, \$24.6 million in unobligated balances from prior years will be used to carry out the program for FY 1986.

We are requesting a FY 1986 appropriation of \$26.8 million for administrative expenses. The reduction from the FY 1985 funding level is due to savings from various management initiatives and the first phase of personnel reductions designed to achieve a staffing level by FY 1988 that is consistent with our planned lower program levels.

This restructuring of the UMTA program that we are proposing obviously would require changes in the authorizing statute, and we will be submitting the necessary implementing legislation to the Congress shortly.

Conclusion

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

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