

STATEMENT OF RALPH L. STANLEY, ADMINISTRATOR
URBAN MASS TRANSPORTATION ADMINISTRATION
BEFORE THE SUBCOMMITTEE ON INVESTIGATIONS
AND OVERSIGHT OF THE COMMITTEE ON PUBLIC
WORKS AND TRANSPORTATION
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Mr. Chairman, Members of the Subcommittee: I am pleased to have this opportunity to appear before you to discuss the Urban Mass Transportation Administration's Section 18 program and the impact this program has had in developing and improving public transportation in the small cities and rural areas of this country. Since I know one of your particular interests is the coordination of Federal transportation resources in rural areas, I will also discuss UMTA's Section 16(b)(2) program of transportation assistance for elderly and handicapped persons. We think that these programs are running smoothly at the State level and we are confident that even with reductions in the level of UMTA funding the States should be able to continue these programs at satisfactory levels.

PROGRAM SUMMARY

The Section 18 program for non-urbanized areas was created by the Surface Transportation Assistance Act of 1978 to assist in the provision of public transportation services in rural and small urban areas. This was the first public transit assistance program established specifically for non-urbanized areas. Under the program, funds are allocated to the States by a statutory formula based on each State's portion of the population of the Nation's non-urbanized areas, that is, those areas with less than 50,000 inhabitants. State transportation agencies in turn distribute program funds to eligible

local recipients, which include local public bodies, non-profit organizations, Indian tribes and operators of public transportation services. In addition, private operators of transit as well as paratransit services may participate in the program through contracts with public bodies.

Program funds may be used for capital, operating, and administrative expenses, with up to 15 percent of the State allocation available to the State agency for program administration, planning, and technical assistance, including coordination of public and private transportation programs.

In the seven years that the Section 18 program has been in existence, Congress has appropriated an average of \$76 million per fiscal year to the program, resulting in a total appropriation of \$534 million. These funds have assisted States and localities in the establishment, maintenance, and improvement of public transportation systems in rural and small urban communities. There are now more than 1,000 rural public transportation systems nationwide receiving Section 18 assistance. The characteristics of these systems vary widely, with services ranging from user-side subsidy programs using taxis in small towns, to extensive multi-county systems which broker services among several operators. The majority of riders of these systems have few alternatives; they are the elderly, handicapped, low income or those without access to an automobile.

The Section 16(b)(2) program, since its establishment in FY 1975, has made available over \$207 million in capital funds. These funds go to private non-profit organizations to provide transportation services for elderly and handicapped persons. Forty percent of these funds are used in non-urbanized areas. Like Section 18, the 16(b)(2) program is administered by State transportation agencies.

The 1982 STAA

The Surface Transportation Assistance Act of 1982 (STAA) made several significant changes to the program. The Section 18 and Section 9 formula funds are now authorized from the same source, thus establishing Section 18 funding for the first time as a fixed percentage of UMTA's overall formula funding program. The STAA also provides for an increased role for the States in the transfer of UMTA's formula funds, thereby laying the groundwork for UMTA to strengthen and expand its relationship with State transportation agencies. Specifically, the changes made by the STAA allow for the transfer of formula funds among urbanized areas, and between urban and rural areas after consultation among the parties. This allows the Governors to transfer unused transit funds to those areas where the needs are greatest.

TRANSFER TO UMTA

When the program was authorized under the UMT Act in 1978, the Department decided that the Federal Highway Administration, with its initial work on the Rural Transportation Demonstration Program and established field structure and relationship with the States, would be best able to administer the program. FHWA did an excellent job in getting the program going.

However, following the 1982 STAA legislative changes the Department decided that it was time to transfer the Section 18 program from FHWA to UMTA in order to manage it in closer coordination with other UMTA programs. States would then be able to deal with one agency for both urban and rural transit assistance programs.

On October 1, 1983, UMTA assumed responsibility for administering Section 18. We took the opportunity provided by the transfer to streamline the program administrative procedures, reduce the Federal role in the project development and approval process, and enhance the responsibility of State agencies in program development and management. These changes were made after consultation with State officials, rural operators, and transportation interest groups. Formal program guidance was issued prior to the transfer. States now submit a single, annual grant application for a Statewide program of projects, which eliminates Federal review and approval on a project-by-project basis. States certify that the various statutory and administrative requirements are met by local recipients. States also have the ability to adjust funding among projects within the program of projects where necessary. New Section 16(b)(2) guidance also was developed, and was modeled after our Section 18 procedure, so that both programs could be administratively compatible.

Fiscal Year 1984 was our start up year, and based on that first year's experience we have revised the Section 18 and 16(b)(2) circulars to address and clarify problem areas. These changes are in response to our analysis and

comments from our grantees. They afford the States further flexibility, particularly in the program management area. These revised circulars will be available soon.

Looking back over the past year and a half, we believe that the transfer has been a successful one and that States and rural operators are well satisfied with the way UMTA is administering the program. In short, we have established a simple, responsive program which gives great flexibility to the States and rural transit operators to use the program in a way which best meets their public transportation needs.

I would like to now review the program more specifically, discuss program expenditures, the issue of coordination, and then address some of the problems and issues faced by rural and small urban transit operators.

PROGRAM FUNDING

Regarding funding, from fiscal year 1979 to fiscal year 1985, \$534 million has been apportioned under Section 18. By the end of this fiscal year we estimate that over 98 percent of this amount will have been obligated by UMTA. While the rate of obligation of Section 18 funds was slow during the first few start-up years of the program, that situation has changed considerably in the past two years. In FY 1984 alone, States obligated a total of \$116 million, and at current obligation rates, the level will be even higher for FY 1985. By the end of this year, the program's once substantial carryover balance will be reduced to a nominal level.

States are also beginning to take advantage of the Governor's transfer provisions. Nationally, urbanized areas under 200,000 population are experiencing a surplus of UMTA funds. Such funds are being transferred to non-urbanized areas where the State Section 18 allocation is insufficient to meet the needs. In the first year transfers were permitted, \$2 million in Section 9 funds were transferred to Section 18. This year so far, we have processed transfer requests of \$6.5 million to Section 18, and expect this amount to more than double by the end of the fiscal year. Texas, our largest Section 18 recipient, plans to obligate all its available Section 18 funds, and, in addition, will transfer \$6 million of Section 9 funds for use by its twenty-eight rural transit systems. There are, however, a few States that continue to have difficulty utilizing these funds.

Of the Section 18 funds obligated nationwide in FY 1984, 37 percent were used for capital expenditures, 41 percent for operating assistance, 15 percent for project administration, and 7 percent for State administration. These funds were used by approximately 1,000 systems in 50 States, the Commonwealth of Puerto Rico, and the U.S. territories. On the average, 30 percent of the operating costs of these rural and small urban systems were covered by Section 18 funds. Twenty-two percent were covered by State funding and the remainder were covered by local funds and farebox revenues.

FEDERAL ROLE IN RURAL PUBLIC TRANSIT

The Federal role in the development of rural public transportation in the past several years has been a positive and catalytic one. However, the program has been oriented to the States and with Federal transportation dollars more scarce, there is a need for greater State support. At the State level, the Section 18 and Section 16(b)(2) programs gave many State Highway Departments or State DOT's their first responsibility in managing a "transit" program and addressing transit issues on a statewide basis. This role, in turn, contributed to the recognition of the need for State programs to fund transit. Forty States now have programs which provide funding for transit. At the local level, communities were more willing to allocate local funds to a service for which funding was predictable.

Our budget proposal calls for a reduced level of Federal funding for the transit program. This is necessary at a time when Federal deficits are exceeding \$200 billion a year. We believe that transit essentially is a State and local function, and in this connection are pleased at the strong role the States have taken in running this program. The Federal funding provided in the past has enabled the States to develop experience in establishing rural programs. It is not unreasonable to ask the States to provide increased financial support for these programs. In fact, there are aspects of the Section 18 program which may well serve as a model for realignment of the Federal/State roles in administering financial assistance programs for transit. Local needs could be matched more effectively if Federal funds are allocated directly to Governors who would then have the flexibility to further allocate funds. State governments are closer to the transit operators and could facilitate a more effective allocation of Federal funds.

COORDINATION

We understand this Committee is concerned about the coordination of various Federal programs for rural areas. In 1977 the GAO identified 114 Federal programs for which transportation is an eligible expenditure. We are now updating a listing of Federal programs that can be used to fund specialized transportation and to match Section 18 funds.

Concerning coordination, I would like to single out the Administration on Aging (AOA), and in particular, its Title III program. UMTA and AOA have had an interagency cooperative agreement for several years which has yielded positive results. For example, Section 16(b)(2) funds are used to purchase vehicles for many local aging agencies, and Title III funds are used to cover operating costs. This past year, we sponsored for the first time a joint AOA-UMTA National Conference on Transportation for the Elderly and Handicapped. This conference brought together human service and transportation providers and State officials to explore ways to improve specialized transportation in both urban and rural areas.

Several features of the Section 18 program have been helpful in fostering local coordination. These include the flexibility in the use of funds where there are restrictions on other available funds. The matching provisions of Section 18, which permit part of the local match to be composed of in-kind services and also permit up to one half of the local share to consist of other Federal funds, have served especially to draw other Federal funds into a coordinated system. Both the Section 16(b)(2) and Section 18 program guidance requires that services be coordinated to the maximum extent feasible.

It is clear, however, that while the combined Federal resources currently available for rural and specialized transportation are considerable, they have not always been utilized in efficient or cost-effective ways. Coordination of transportation resources locally cannot be achieved effectively in the absence of coordination at the State level. I believe that State level coordination is particularly crucial since most of these Federal programs are administered through State agencies and it is at the State level that specific policies are established. Moreover, with Federal transit funding decreasing, and with the possibility of reductions of UMTA regional staffs, the role of the State becomes even more important. Two states, Florida and California, have gone so far as to pass State legislation which mandates coordination at the local level. A number of other states have State level transportation coordinating councils or review committees to ensure that State programs are administered in a coordinated fashion.

PROBLEMS FACED BY LOCAL SYSTEMS

You have also asked us to address some of the problems that local systems face. The resourcefulness of rural and small city transit operators often enables them to solve problems in creative and inexpensive ways. However, there are a number of common problems that I continually hear about across the country, and I will briefly mention a few. One is the difficulty in raising local matching funds for Section 18. Although this is changing, the users of rural transit have historically had little local political voice, and some economically depressed rural communities have difficulty raising the local match. Another ongoing problem is finding satisfactory small vehicles and lift equipment. Some improvements have been made in the last ten years, but more are still needed. System insurance requirements continue to become more costly. Training and technical assistance needs are great and resources are limited. While the establishment of the Section 18 program has contributed to the development and professionalizing of the rural transportation field, the fact that the field has grown so quickly creates a continuing demand for management development. Finally, the use of volunteer drivers is complicated by IRS requirements concerning the treatment of mileage reimbursements for volunteers.

PROGRAM SUCCESSES

The problems do not overshadow the many successes in rural public transportation. We can all look back over the last several years with satisfaction. This country now has a vigorous and growing rural and small urban transportation industry and it should be possible to transfer more of the funding responsibility to the States. While rural transit often looks very different from the mass transit systems in large cities, it is appropriately designed to meet the specific and unmet needs of the transit dependent in rural areas.

The voice of rural transit operators is now being heard at the State level where they have often been the moving force behind the development and influence of State transit associations. In turn, these groups have, often for the first time, put transit funding on the agendas of many State legislatures. Many State DOT's have developed excellent State transit programs to compliment Section 18 and 16(b)(2), and the other UMTA assistance programs.

Both UMTA programs strongly encourage the participation of the private sector. We are seeing an increasing amount of contracting-out to taxi and private bus operators as local areas recognize the transportation expertise these providers possess. Wisconsin projects are good examples of private sector participation. For example, since 1979, a 16(b)(2) recipient in

Antigo, Wisconsin, has leased its lift-equipped bus to a private bus operator who transports its clients to and from a rehabilitation center morning and evenings and provides midday service for elderly people to a nutrition program. Another private non-profit agency in east central Wisconsin just received approval for a fleet of eight 16(b)(2) vehicles which it will lease to a private bus operator. Agencies throughout a two county area will then purchase service from the private operator. Several small towns in Minnesota contract with taxi or private bus lines to provide fixed route and paratransit services under the Section 18 program.

It is the local operators and sponsors who deserve the highest praise, however, for their "can do" attitude. They have done much with limited resources, struggled with county boards, city councils, pleaded their case for funding, accommodated emergencies with special clients, and above all persisted. They know first hand the difference their service makes to isolated individuals whose only link to the larger world is transportation.

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