

STATEMENT OF RALPH L. STANLEY
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BEFORE THE COMMITTEE ON FINANCE
UNITED STATES SENATE, ON THURSDAY, SEPTEMBER 18, 1986

Mr. Chairman, and distinguished members of the Committee, I am pleased to have this opportunity to present our views on the extension of the Highway Trust Fund. There is no question that extending the Trust Fund is a critical step in the reauthorization of the Federal mass transit and highway programs. I would like to outline some of our concerns for you as they relate to the Federal transit program.

The funds made available from the Mass Transit Account are currently used to fund discretionary programs under the Urban Mass Transportation Act. Legislation introduced in the Senate, as well as that passed by the House of Representatives, would continue this approach. However, the House and Senate bills would specifically authorize funds to be used for the various discretionary categories, that is, bus and bus related activities, rail modernization, and new fixed guideway projects. We oppose these categorical authorizations, which unduly limit the Federal, State and local discretion in use of these funds.

Under the present program structure, these funds are intended as a supplement to the formula funds made available to each area for basic needs. These limitations would prevent us from allocating funds consistent with this supplementary purpose. We also oppose the requirement in the House bill that the Congress annually approve specific categorical funding levels and allocation of funds. Such a requirement would perpetuate congressional micro-management of the program through earmarking of funds for specific projects, some of which are poor investments having limited positive impacts.

We have proposed that instead of following the current formulation, the Mass Transit Account funds be used, along with certain highway funds, to fund a combined transit and highway formula program through a block grant. We believe this distribution of this user fee resource would be fairer and more efficient than that currently employed. In terms of equity, under the present program structure, over 80% of the section 3 funds go to just 20 cities. By distributing these funds by formula, all States which contribute to the Mass Transit Account would get an equitable share. In addition, combining the transit and highway resources into a block grant with an urban mobility component would better meet the needs of the urban areas served by the Federal transit and highway programs. The mobility focus should be on those transportation services which best meet a community's needs. However, if Congress does not agree to a mobility program, then the Administration would support using Mass Transit Account

funds to fund UMTA's formula grant program or at least that the funds be distributed on some formula basis. Finally, we support funding of transit interstate substitute projects from the Highway Trust Fund instead of from the general fund, as they are under current law.

Another important issue we believe that you should consider is the exemption of buses from the fuel tax. Currently, buses owned by public transit authorities pay no taxes into the Highway Trust Fund. Gasoline buses owned by private transit companies pay no taxes if they are providing service open to the general public, but otherwise pay 9 cents per gallon Federal tax. Diesel buses owned by private companies pay either none of the 15 cents Federal diesel tax or just 3 cents, depending on the kind of service they provide.

The amendment would "level the playing field" between public transit authorities and private transit companies, so that public authorities could no longer use their exemption from fuel taxes to undercut private bus companies. None of the changes would affect the exemptions and refunds for school buses.

I would also note that the House highway authorization bill, H.R. 3129, takes funds from the Mass Transit Account to fund ten university transportation research centers. We do not believe that the centers are needed or that funding them with Mass Transit Account funds is appropriate.

In closing, I would like to urge that the gasoline tax evasion provision be retained in the Tax Reform Act when it is considered for fiscal passage in the House and Senate. This revenue loss affects both the highway and transit programs.

Mr. Chairman, that concludes my prepared statement. I am prepared to answer for the record any questions that you or other Committee members might have. Thank you.