

**STATEMENT OF
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**BEFORE THE
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES**

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Mr. Chairman, members of the Committee, thank you for providing us this opportunity to appear before you to discuss transportation infrastructure needs. Let me begin by reiterating what Deputy Secretary Downey said in appearing before your initial hearing a few weeks ago, and commend you for holding this series of hearings to highlight the importance of infrastructure to the nation's well-being and to the quality of life for all Americans.

Let me also say, Mr. Chairman, that as a fellow Philadelphian I recognize the value and importance mass transit plays in urban areas, and I look forward to working with you and the members of this Committee to making sure that we do everything we can to meet the basic mobility needs of our citizens. This Committee certainly has played a critical part in this regard through its role in passing the Intermodal Surface Transportation Efficiency Act of 1991.

That landmark legislation provides that "... significant improvements in public transportation [are] necessary to achieve national goals for improved air quality, energy conservation, international competitiveness, and mobility for elderly persons, persons with disabilities, and economically disadvantaged persons in urban and rural areas of the country."

In the context of that mandate, Mr. Chairman, I will respond to the issues dealing with transit infrastructure needs you have asked us to address. But first let me say a few words about transit infrastructure in light of the recent Los Angeles earthquake, a matter I testified about before the full Committee at a field hearing in Los Angeles just last week. The news is good. For example, there had been local concern about the structural integrity of the Red Line rail tunnel and its ability to withstand an earthquake. I walked that tunnel within forty-eight hours of the earthquake, and saw what a panel of experts subsequently concluded, that the tunnel performed as it was designed to. Indeed, service resumed on the rail line virtually within hours of the earthquake. Bus service was 94 percent operational on the day of the quake and 99 percent operational the next day. Finally, the Metrolink commuter rail system ridership increased significantly as a result of the earthquake.

Current and Future Infrastructure Needs

Let me now discuss transit needs, Mr. Chairman. Last year the Department submitted to Congress its biennial report on "The Status of the Nation's

Highways, Bridges, and Transit: Conditions and Performance." It was the first such report to formally combine highway and transit system information, and the transit portion was based on FTA's 1992 Transit Performance and Conditions report.

The 1992 report concluded that for mass transit to maintain its current condition and performance, plus meet new statutory obligations to serve disabled Americans and improve vehicular emissions, would require an annual capital expenditure of \$3.9 billion per year. Of this amount, \$3.1 billion would be needed annually to maintain current conditions and \$0.8 billion would be needed annually to maintain current performance by increasing transit capacity consistent with recent growth in transit passenger miles.

The report further concluded that for mass transit to improve its condition and performance by eliminating the backlog of investment needs and expand its capabilities and increase its market share of urban travel by 25 percent over a 20-year period would require an additional \$3.6 billion in capital investments each year, for a total of \$7.5 billion a year. Of this amount, \$2.1 billion would be needed annually to eliminate the backlog and \$1.5 billion per year to increase market share.

Mr. Chairman, we have not yet completed our estimates of needs for the 1994 report, which we expect to submit to Congress this summer, but I can tell you that we anticipate that its numbers generally will be higher than those in the 1992 report. Among other things, we expect to estimate needs based on

scenarios in which both highway and transit performance are maintained and improved. FHWA estimates that a significant share of highway travel demand - 34,000 lane miles over 20 years - will have to be handled by transportation system management, transportation demand management, and transit, rather than highway construction. The transit estimates will reflect the need to improve our use of transit as a travel demand management tool.

We expect that the estimates to maintain the physical condition of the bus and rail facilities and equipment will be somewhat higher than was estimated in the 1992 report. This is primarily because of inflation, more recent data, and more complete treatment of the costs of replacing rail vehicles and meeting the Clean Air Act requirements. The costs of using alternative fuel buses to comply with the Clean Air Act Amendments were estimated but not included in the totals in the 1992 report and, based on the Energy Policy Act, will, at least partially, have to be included in the 1994 estimates. Our preliminary analysis indicates that the conditions of rail system facilities have improved somewhat recently so that our estimate of the rail facilities backlog should be reduced significantly. However, a more complete treatment of rail vehicle replacement and rehabilitation costs than was included in the Rail Modernization Study will partially offset this reduction. Overall, the cost to improve rail conditions should go down slightly.

Again, Mr. Chairman, these are preliminary observations only. The report that we submit to Congress will provide our definitive position on this matter, but

I did want to bring to your attention the fact that we anticipate higher estimates in the upcoming report.

The President's Fiscal Year 1995 Budget Proposal

I have talked about needs estimates; let me now discuss how the Clinton Administration intends to address those needs. At a time of fiscal austerity across the Federal Government, when Federal programs are being considered for elimination, we are pleased to report that our budget proposal represents the largest transit budget ever proposed to Congress, \$4.8 billion.

Our budget proposal would increase Federal capital spending on transit from \$2.87 billion as originally enacted in FY 1993, and \$3.5 billion in FY 1994 to about \$3.97 billion. This is an increase of four percent, or \$179 million, over the current fiscal year, and an increase of twenty-five percent, or \$962 million, over the budget the FTA was operating under in fiscal year 1993. Each transit system in the country will receive more Federal transit money than it did last year under our proposal. We have fulfilled our promise to fully fund our formula programs at the ISTEA authorized levels, and are requesting an increase of nineteen percent in Federal formula funds over last year for a total of \$2.9 billion. These funds are used by communities largely to maintain or expand existing bus and rail systems, and to help comply with the Clean Air Act, the Americans with Disabilities Act, and other statutory requirements.

With State and local match, this will increase annual capital spending from about \$5.1 billion in past years to \$7.2 billion per year. This is enough to maintain conditions and performance as well as to improve conditions, as defined in our latest needs report.

The Federal capital program level will satisfy 53 percent of total needs as estimated in our 1992 report, versus only 38 percent at FY 1993 enacted levels. Assuming a level of funding equal to our fiscal year 1995 budget proposal in subsequent years, and taking into consideration the new ISTEA flexible funding provisions, we could make significant progress in eliminating the current \$18 billion backlog in capital needs. For example, Federally assisted bus replacements would increase from about 2,000 per year to about 4,000 per year. With additional local match, buses would be replaced at a rate sufficient to reduce the backlog of 9,000 overage buses by over half by the end of 1998. This would bring the average fleet age down from over 8 to below 7, much closer to the desired level of 6 years old.

Our proposed program level would also permit rail systems to continue on the path of restoring all rail system facilities to a good state of repair within ten years as contained in our rail modernization study update report of August 1991.

Flexible Funding

There are other capital resources available to our grantees as well,

Mr. Chairman. From the perspective of the transit program, undoubtedly the most significant and innovative change mandated by the ISTEA is what we call the "flexible funding" provisions - the portions of the Federal highway and transit programs that have been freed up to allow decisionmakers at the State or local level to decide for themselves whether to allocate the funds to highway or transit projects. This flexibility at the local level has really begun to change profoundly the way in which transportation decisions are being made across the country. As State and local officials attempt to balance the competing needs and demands of clean air, congestion mitigation, the Americans with Disabilities Act, and the comprehensive Energy Policy Act of 1992, the flexible funding provisions provide resources to stimulate transportation solutions, not just highway or transit projects.

Specifically, Congress in ISTEA provides a potential \$70 billion in flexible funding over six years for transit or highway projects. In fiscal year 1992 approximately \$300 million was transferred for transit use, in fiscal year 1993 some \$470 million has been transferred, and approximately \$200 million has been transferred to date this year. In total, this represents close to \$1 billion in additional capital funding for the transit program to address infrastructure needs.

State, Local, and Private Resources

Mr. Chairman, you have asked us to address the use of State, local, and private resources available for dealing with the revitalization of transit

infrastructure. The Federal role is but one part of the mix in terms of funding mass transit. State and local sources of funding will provide some \$2.8 billion in capital funding for mass transit this fiscal year, and, of course, will continue to provide the majority of local operating costs, since at the Federal level we provide only some five percent of total annual operating costs. We recognize this critical role of non-Federal funding and, in fact, encourage areas to support mass transit with State and local resources. Under the ISTEA, for example, projects with local funding of two thirds or more of a project's cost are subject to fewer Federal requirements. And we encourage our grantees to use innovative financing techniques to stretch their resources to the maximum extent possible. Under our section 9 formula program, if a recipient can show that a lease would be more cost-effective than a purchase, that lease can be funded at the higher Federal share for capital projects, eighty percent. And our recipients continue to use bonding, leasing, joint development, and other innovative measures.

How to Facilitate Infrastructure Improvements

You have also asked us, Mr. Chairman, what can be done to facilitate infrastructure improvements. Let me briefly discuss some of the things we are doing in this area.

- ♦ **Innovative financing options.** We are working with the Secretary's office and FHWA in identifying innovative financing options available to the transportation industry.
- ♦ **Expand use of flexible funding.** As I noted earlier, the ISTEA flexible funding provisions are used more each year, and we expect the use of these funds to increase over the life of the ISTEA. We continue to have a number of outreach efforts in this area to make sure that State and local officials are aware of the funding options available to them. Our awareness efforts include regional conferences, meetings, and a document we publish each year that shows, on a State by State basis , what specific funds are available.
- ♦ **New technologies.** Breakthroughs in computers and communications and defense related technologies can help to increase highway and transit capacity and efficiency without major new highway expansion. Continued support will improve linkages between transit and other modes. For example, a number of our grantees are beginning to use global positioning system technologies to help in their fleet management. And technology also is useful for telecommuting purposes.
- ♦ **Livable communities initiative.** We also have a significant initiative in our budget proposal, Mr. Chairman, that I think could be quite useful in making

transit more attractive. Communities that are designed with a mix of employment, housing and retail nearby as well as within walking distance of transit stops can increase the number of trips made by mass transit, bicycles, and walking, thereby decreasing single occupant auto trips. Such modal shifts can decrease congestion, reduce air and noise pollution, and improve the general mobility and accessibility of our population. Locating housing near transit can decrease the need for second or third vehicles. We include in our fiscal year 1995 budget a proposal to use \$30 million as supplemental funding for transit projects that fully involve the neighborhood, provide access to services such as daycare facilities and convenience stores at the transit facility, and encourage mixed use neighborhoods that include residential, commercial and office space. In short, the Livable Communities Initiative is designed to encourage land use, urban design and planning that embraces transit use.

- ♦ **Congestion reduction strategies.** Highway congestion is the most obvious example of the need to use technological breakthroughs and pricing in implementing demand management. ISTEA offers the opportunities to begin to implement congestion pricing.

- ♦ **Transit Benefit.** The Energy Policy Act of 1992 increased the transit tax-free benefit \$60 a month and placed a cap of \$155 per month on employer tax

benefit for parking. We are undertaking efforts to get the word out to employers to make them aware of this benefit, and to begin to level the playing field between the costs associated with driving as opposed to taking transit. We are proud of the fact that DOT was the first Federal agency to fully implement the Federal transit benefit program.

- ♦ **Cash Out. As part of a strategy to reduce global warming, President Clinton has proposed requiring employers who provide subsidized parking to their employees to offer them instead a taxable cash allowance. This would make more explicit to these employees the cost of this parking and entice many to take cash instead, which can then be used for transit, carpools or van pools, or other alternatives to the single-occupant automobile.**

Transit and Air Quality

Mr. Chairman, you asked us to address research studies that assess the effect of mass transit on air quality. Published reports over the last several years on the effectiveness of "transportation control measures" in reducing mobile source emissions have generally found that the measures have positive air quality effects, although very small benefits when considered in the context of total vehicular emissions produced in a large metropolitan area or region. Several of these studies have assessed transit improvements - ranging from increased subsidy of fares to new transit infrastructure like heavy- and light-rail

systems. In these studies, technological measures such as enhanced vehicle inspection/maintenance programs and clean fuel programs emerge as the most cost-effective air quality measures. This is not surprising considering the relatively small mode share for transit in most cities and the growing reliance on single-occupant vehicles nationwide, as revealed by the 1990 census data.

Unfortunately, in most studies the benefits of transit are confined only to the potential to reduce emissions. In reality, we do not undertake transit improvements solely for air quality benefit. If anything, this is an ancillary benefit of projects which are developed primarily to improve mobility and accessibility and support rational land use and urban development. These benefits are simply not considered in the studies which have assessed various transportation control measures on the basis of their capacity to reduce emissions.

We also believe, as was stated in the first DOT/EPA Report to Congress on progress in implementing the 1990 Clean Air Act Amendments, that transit can play a greater role as an effective air quality measure if new or enhanced service is put in place in conjunction with complementary measures which act as disincentives to single-occupant vehicle use. To date, there has been very little practical experience with these types of demand management measures. We believe, however, that over the next five years some polluted metropolitan areas may implement some of these strategies as they strive to meet Clean Air Act requirements. Transit will no doubt have a larger role to play in areas where limits on the use of the private automobile are being proposed.

Enhancing the Intergovernmental Partnership (E.O. 12875)

Finally, Mr. Chairman, you ask what we are doing to reduce the imposition of unfunded Federal mandates and minimize their effect on State and local infrastructure investment strategies, as called for by Executive Order 12875.

As I noted earlier, we have presented to Congress the largest transit budget in history, which clearly shows where the Clinton Administration stands on transit. Our intent is not to impose new requirements on our grantees but rather to try to minimize existing ones to the extent possible.

In addition, one of the first tasks I have undertaken as Administrator is a strategic planning effort involving all of FTA. We are focusing on what we can do to better serve our customers, local transit systems and current and potential system users. We are looking at a broad range of things we can do to minimize paperwork and better focus on the business of meeting the basic mobility needs of Americans. Among other things, we are considering how computers and electronic submissions could make life easier for our grantees as they apply for FTA funds and document their compliance with Federal requirements.

Conclusion

Mr. Chairman that concludes my testimony. Again, I look forward to working with you and the members of this Committee to making sure that transit meets the mobility needs of our citizens, and I think our budget submission

indicates our commitment to that goal. Thank you, and I would be pleased to answer any questions you may have.