

**STATEMENT OF GORDON J. LINTON
ADMINISTRATOR
FEDERAL TRANSIT ADMINISTRATION
DEPARTMENT OF TRANSPORTATION**

**BEFORE THE
SENATE COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS**

July 22, 1997

Mr. Chairman and members of the Committee, thank you for giving me the opportunity to come before you and testify in support of the Administration's reauthorization proposal, the "National Economic Crossroads Transportation Efficiency Act of 1997," or "NEXTEA."

MEETING THE CHALLENGE

Today the United States finds itself in a global marketplace that is becoming more and more competitive. Every nation is striving to move its people, goods, and information in more effective ways. In the 21st century, the countries with the most efficient transportation systems will have a competitive edge that will make the difference between domestic growth and stagnation. Transportation expenses now account for eleven percent of the United States gross domestic product -- a greater share of the economy than defense. In order to strengthen America's economic performance, our transportation dollars must be invested in a manner that supports innovation and improved performance.

NEXTEA, sets the goals and priorities for public mass transit in the 21st Century. Sound transportation planning and investment decision-making are essential to ensure that transit meets the needs and the challenges of the next century.

Transit is a critical element in our overall transportation system. The goal of every Federal Transit Administration (FTA) program is to optimize the benefits of transit. These benefits include increased basic mobility for millions of Americans, congestion relief, and the commercial and residential viability of neighborhoods.

Mobility

FTA's investments benefit the more than 80 million Americans who live in transit-intensive metropolitan areas. Across America -- in both rural areas and cities - there are 32 million senior citizens who increasingly rely on transit as their ability to drive a car diminishes; there are 24 million individuals with disabilities who need transit to maintain their independence and fully participate in society; and there are 37 million people living below the poverty line who often cannot afford a car and must rely on transit. All of these people view transit as the vital link that connects them to jobs, shopping, education, health care, and American society in general. Research shows that, nationwide, passengers value the basic mobility provided by transit at \$23 billion annually.

Congestion Relief

Congestion annually costs more than \$40 billion in wasted time and fuel in our major metropolitan areas. Transit's greatest economic contribution is its ability to move many people efficiently and to reduce the economic costs of congestion. Without transit the nationwide costs in these metropolitan areas would be \$15 billion higher due to increased gridlock on our major roadways, which wastes additional time and fuel.

Livable Communities

FTA will continue to promote development of residential areas with a variety of commercial activities within walking distance of transit, which are known to transportation planners as "livable communities." The benefits of residing in such communities are substantial. Residents in these livable neighborhoods spend less time getting places, tend to have more socially cohesive communities, and enjoy numerous other advantages. Metropolitan areas with substantial walkable neighborhoods generate fewer vehicle miles of travel (VMT) than areas that are more auto oriented. Fewer VMT mean less vehicle-related air pollution and other undesirable side-effects of auto travel. The 80 million Americans who live in transit-intensive metropolitan areas save \$20 billion in auto costs each year.

Safety Role

Before I discuss the successes of ISTEA, I would like to mention our commitment to safety. The Federal Transit Administration shares the belief that safety is of utmost importance to the viability of the Nation's transportation system. FTA has worked diligently with the States to successfully implement the State safety requirements in ISTEA. The guidelines in those plans are being used to set the stage for commuter rail and freight railway safety standards nationwide. FTA's primary role is to provide guidance, training and technical support to our grantees to make transit systems and facilities safer for the employees and for the traveling public. FTA has worked hard and will continue to provide transit providers with safety and security information that highlight "best practices" in the area of safety and point out problem areas.

BUILDING ON ISTEA

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), passed in December 1991, has been a success. All of us should be proud to have developed and implemented this extraordinary legislation, because it was truly a landmark law. In the years since its passage, we at the Department have worked tirelessly to ensure that the objectives of ISTEA were realized in practice and implementation. These objectives include multimodal flexibility, innovation, and funding predictability.

The Administration, with the support of Congress, has provided record levels of investment in transportation infrastructure. We have engaged in the most extensive outreach effort in the history of the Department of Transportation (DOT) to aid our state and local transportation partners in implementing the new planning and multi-modal decision-making process outlined in ISTEA. We have worked to make ISTEA a success.

Investment in Capital

To build on ISTEA's premise that Federal funds should help preserve federally funded infrastructure, NEXTEA proposes that the definition of transit capital be amended to include preventive maintenance as an eligible expense. Such an approach would parallel the capital definition for Federal-aid highway projects and make the modes more consistent in their definition of capital. This would provide the means for local transit operators to make better decisions on

whether to invest Federal funds to prolong the life of existing assets, or to invest in new vehicles, facilities and equipment. Another point that I would like to emphasize is that this increased flexibility will mitigate the effects of the proposed elimination of operating assistance to urbanized areas over 200,000 in population. Remember that in such areas, Federal operating assistance has only accounted for five percent of their operating expenses. Our new capital definition would also cover operating costs of providing the Americans with Disabilities Act (ADA) paratransit service, thus targeting assistance to those who need it most. This more flexible Federal capital definition, combined with state and local resources as well as farebox collections, will better meet the needs of both small and large operators in urbanized areas. With the new capital definition, everybody wins.

The most recent assessment of transportation needs, the 1995 *Status of the Nation's Surface Transportation System: Conditions and Performance*, prepared for Congress, reports that an investment of \$7.9 billion by all levels of government each year over the next 20 years will be required to maintain the Nation's transit facilities and equipment in their current state of repair and to meet projected increases in travel demand. The \$5 billion per year in capital funding provided in NEXTEA, combined with state and local investment, is more than sufficient to maintain current conditions, as well as make modest transit improvements. To significantly improve transit will require an annual investment of \$12.9 billion per year by all levels of government. Funding at this level would increase the comfort level and frequency of transit service by expanding capacity. Most rush hour riders would be guaranteed seats and shorter waiting times for buses and trains.

The Administration's reauthorization proposal authorizes \$24 billion in Federal Formula funding over six years. This funding will go a long way toward improving reliability and increasing service frequency on existing systems, thereby making transit a more attractive commuting alternative. NEXTEA would also authorize \$5.8 billion in "New Starts." Of that amount, \$3.7 billion has been committed through Full Funding Grant Agreements, thus leaving \$2 billion in authorizations for additional "New Starts." Funding for "New Starts" is also available through FTA's Formula Programs, innovative financing initiatives, the flexible funding provisions contained in ISTEA, and through NEXTEA's State Infrastructure Bank and Credit Enhancement proposals.

Investing in New vs. Older Systems

New transit construction or significant upgrades to existing service can be more effective than highway construction. Recent research by the firm Hickling-Lewis-Brod examined major transportation corridors and determined that high-quality transit significantly improves the overall door-to-door travel time for both transit riders and highway users. Should motorists switch from automobile commuting to mass transit, congestion on highways would lessen and highway travel time improve. Increased transit investment in these corridors is an effective use of transportation revenues that clearly benefits motorists.

Since January 1993, FTA has signed Full Funding Grant Agreements for 21 Congressionally approved new fixed guideway projects totaling \$7 billion. When state and local funds are also considered, these projects will result in the investment of over \$12 billion in new mass transit infrastructure in cities from coast to coast. These actions continue FTA's successful strategy of employing the mechanisms allowed in ISTEA to execute long-term contracts and maintain the Administration's strong support for mass transit.

At present, there are another 19 projects in preliminary engineering or final design that are not under Full Funding Grant Agreements. In addition, another 87 projects that are undertaking major investment studies are also seriously looking at building a new fixed guideway system. The total cost of these 106 projects is estimated at about \$93 billion with the Federal share being 80 percent or less.

In addition, NEXTEA builds on the efforts in ISTEA to strike a balance between existing infrastructure and the need to build new systems. NEXTEA recognizes that expanded transit service is in the national interest. Although new transit construction or significant upgrades to existing service can be more effective than highway construction, we recognize the need to balance new system construction with support to "older rail cities." Such support funds the replacement and rehabilitation of the existing rail fleet and the restoration of rail facilities such as stations, track, and yards and shops, as was guaranteed in ISTEA.

Flexibility in Making Transportation Choices

Besides providing a record level of transportation capital infrastructure, ISTEA empowered State and local governments by shifting decision-making authority and flexibility to them, and enabling them to make sound investment choices. ISTEA also promoted partnerships through means as diverse as a more inclusive planning process that brought in new players, and innovative financing strategies which attracted private sector resources.

FTA's goals of basic mobility, congestion relief, and livable communities are realized through policies that promote flexibility and local decision-making in capital investments. In FY 1996, FTA proposed and Congress enacted a provision that allowed periodic bus overhauls to be counted as a capital expense. In NEXTEA, we are proposing to broaden the definition of capital expenses to help maintain and preserve the Federal investment. Our proposal is to allow preventive maintenance to be funded as a capital expenditure. This will maximize flexibility for transit authorities and allow them to prioritize and target funds to prolong the life of existing assets, or to invest in new vehicles, facilities and equipment. In addition, transit providers in urbanized areas under 200,000 in population will also be given the flexibility to use all their transit funds for any eligible transit purpose -- including operating expenses.

Additionally, NEXTEA proposes that discretionary bus and bus-related funding, and fixed guideway modernization funding be rolled into Formula Programs. This is another way in which we are fostering local decision-making and increased flexibility. Funds from these categories will be available to be spent for any eligible purpose, as opposed to being limited to specific categories.

Focus on People and Communities

ISTEA focused on transportation's bottom line: making America a better place to live. It emphasized consideration of how transportation investment and policy choices affect safety, community quality of life, and the environment. Transportation is a major barrier, along with child care and skill training, in being able to get jobs. Over the last decade, employment opportunities have become increasingly dispersed. The suburbs now have over twice as many jobs as central cities. Yet the inner-city has by far the greatest concentration of welfare recipients. Frequently, existing transit services do not readily connect individuals living in the central city

with suburban jobs. One study of a major metropolitan area showed that transit could only reach 40% of entry level jobs even with trips of almost one and one-half hours. In rural areas, individuals may find themselves isolated and unemployable without the public transportation services needed to travel often long distances to get to job opportunities.

One of the most pressing problems today in the aftermath of new welfare reform legislation is making the reforms work. Nationally, only six percent of those on welfare own an automobile. A person can't get a job if a person can't get to a job. In response to this problem, NEXTEA proposes a new initiative called "Access to Jobs and Training." Transit is the "to" in "Welfare to Work." Under this new program, governors, units of local government, and nonprofit agencies will be able to compete for resources. The funds will be used to plan and implement the best methods of solving local transportation problems relating to getting people off the welfare rolls and into jobs or training needed to enter the workforce. While it is our intention that funding will primarily support operating and capital costs for service start-up, important eligible costs include collaborative planning to assess employment transportation needs and develop service strategies, integrating transportation and welfare planning, the coordination of existing service providers, operating and capital costs for service start-up, the development of long-term financing strategies, promotion of employer-provided financing, administrative costs associated with the program, and evaluation activities.

In addition, the proposed programmatic changes and expansion of the definition of "capital project" will give operators added flexibility within the transit programs to provide needed support for transit service to meet the requirements of the ADA.

Increased Reliance on Transportation User Fees

ISTEA provided increased funding from the Mass Transit Account of the Highway Trust Fund. Up until ISTEA, trust funded resources were primarily used for the Discretionary Grants programs. Relatively few trust fund resources were used for the Formula Programs. ISTEA provided \$18.2 billion in trust funded authority, or 58 percent, of the total \$31.5 billion for transit.

We have continued to increase the use of trust funded resources over the life of ISTEA. In FY 1991, 43 percent of the transit program was trust funded. In FY 1994, 65 percent of our program was trust funded and in FY 1997, 81 percent of our program is trust funded.

NEXTEA proposes to fund the entire \$30 billion, six-year transit program from the Mass Transit Account of the Highway Trust Fund. This change brings the treatment of transit funding more in line with that of highway funding, and supports the Administration's goal to maximize the use of user fees for financing transportation.

Livable Communities

Transit is about making our communities into more livable places. FTA continues to promote the development of residential areas with a variety of commercial activities where shopping, work, and other necessities of life are all within easy walking distance of transit. Residents in these livable neighborhoods spend less time getting places, tend to have more socially cohesive communities, and enjoy numerous other advantages. Livable communities count on citizen participation at every phase of the local planning process. These efforts get people in communities involved in solving their own transportation problems. Ultimately, such communities promote a sense of "neighborhood" and contribute to an improved quality of life while lessening dependence on the automobile.

One example is in the City of Corpus Christi, TX where three bus transfer centers and a pedestrian access project were undertaken. Local citizens were involved in the design and construction. This led to pride and support for the project within the community, resulting in decreased safety related incidents and complaints, and zero graffiti. Also, in Los Angeles the Neighborhood Initiative, a coalition of eight neighborhoods, supported by transit brought renewal to these neighborhoods resulting in an overall 19 percent decline in crime and the creation of 100 new jobs.

Americans with Disabilities Act Implementation

FTA estimates that 63 percent of the active fleet of the national fixed-route bus system is now lift-equipped, putting FTA on target in meeting its goal of full ADA bus accessibility by the year 2005. To further assist FTA recipients in meeting the requirements of the ADA, NEXTEA proposes to include within the definition of "capital project," contracting for the provision of paratransit service.

Innovative Financing

FTA has been quick to implement ISTEA and follow President Clinton's lead to create new opportunities to supplement Federal funds with private funds. To maximize the impact of every dollar spent on transit, the FTA is working to introduce various innovative financing methods to the transit community. Since 1994, FTA has reviewed and approved 22 innovative financing transactions involving over \$2.2 billion in Federally-supported assets. These included cross-border leases, sale/leasebacks, bond issues for construction, and leveraging of soft match. Altogether, these transactions netted over \$143 million in additional private investment for the transit systems.

Innovative financing is but one of many efforts to expand funding availability for transit. Other initiatives include facilitating joint developments to attract private partners for transit infrastructure projects, and developing ways to better coordinate funding between Federal programs. For example, some Community Development Block Grant funds may be expended in support of transit projects in redevelopment communities. Also, FTA is Co-Chair of the DOT/Department of Health and Human Services (DHHS) Coordinating Council on Human Services Transportation, which seeks to link transportation delivery through multiple programs (medicaid, senior transportation, and public transit) at the local level. Our Access to Jobs and Training initiative will also be an important tool in this regard.

State Infrastructure Banks

In cooperation with the Federal Highway Administration (FHWA), the FTA has helped develop and implement the State Infrastructure Bank (SIB) pilot program. These banks are designed to enable state governments to leverage funds for use on eligible highway and transit projects. Of the originally approved ten pilot SIB states, nine have signed cooperative agreements with FTA and FHWA. It is anticipated that each Federal dollar invested via a SIB will draw in an additional four dollars from state, local, or private sources. NEXTEA proposes to make the SIB program permanent and available in all 50 States.

Credit Enhancement Program

To further stimulate innovation in financing mass transit projects, NEXTEA proposes a new \$100 million a year Transportation Infrastructure Credit Enhancement Program to leverage Federal dollars and encourage private sector investment in highway and mass transit projects of national significance that may otherwise be delayed or not constructed at all because of their size and uncertainty over timing of revenues. With this new program, the Department will be able to make grants that, along with supplemental contributions by states and other entities, will comprise a Revenue Stabilization Fund for projects to secure external debt financing, or to be drawn upon if needed to pay debt service costs in the event project revenues are insufficient. Most surface transportation projects, such as mass transit facilities and vehicles, intercity passenger rail facilities and vehicles, intermodal terminals, and rail grade crossings would be eligible.

Research

In the area of research, a major accomplishment was the roll-out, in October 1996, of the first prototype of the Advanced Technology Transit Bus (ATTB). The ATTB incorporates aerospace construction, accessible design, and hybrid-electric propulsion into a single vehicle design. The ATTB construction shaves over 10,000 pounds off a typical 30,000-pound bus. Savings from the weight reduction include lower fuel and brake costs as well as less road damage. The low-weight bus also uses advanced materials and a high-efficiency drive system to save fuel, reduce emissions, ease maintenance, and provide a longer lasting non-corrosive body. Under this program, technologies developed by the defense industry are being applied to increase passenger service, increase operational efficiency, and decrease operating costs. The ATTB is a solid example of defense-developed technologies being converted to transit use.

More and more over recent years, FTA has been entering into joint sponsorships with other government agencies at the Federal, state and local levels, and partnerships with consortia formed by transit industry suppliers, transit agencies, national laboratories and universities. The objective of these partnerships is to increase competition and leverage funding. Examples of programs involving such partnerships include the Advanced Public Transportation Systems program (APTS) and the Fuel Cell Transit Bus.

Federal transit research has played a key role in maintaining the Nation's global competitiveness in developments such as electronic farecards and transit vehicles powered by low-polluting fuels, hybrid electric buses, fuel cells and battery powered propulsion systems. The United States must continue devoting resources to this area to ensure that emerging technologies are developed for markets both domestic and international.

IN CLOSING

In closing, NEXTEA builds upon the ISTEA themes of multimodal flexibility, innovation, and funding predictability. Moreover, the Access to Jobs and Training initiative is a practical step that will help ensure the success of last year's historic welfare reforms.

Again, thank you for giving me the opportunity to present the Administration's reauthorization proposal to you. At this time I will be happy to answer any questions that you may have.