

**PROPOSED FISCAL YEAR 2004 BUDGET FOR  
THE FEDERAL TRANSIT ADMINISTRATION**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON**  
**BANKING, HOUSING, AND URBAN AFFAIRS**  
**UNITED STATES SENATE**  
**ONE HUNDRED EIGHTH CONGRESS**

FIRST SESSION

ON

THE DETAILS OF THE ADMINISTRATION'S FISCAL YEAR 2004 BUDGET  
PROPOSAL FOR THE FEDERAL TRANSIT ADMINISTRATION

—————  
MARCH 13, 2003  
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# **PROPOSED FISCAL YEAR 2004 BUDGET FOR THE FEDERAL TRANSIT ADMINISTRATION**

**THURSDAY, MARCH 13, 2003**

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
*Washington, DC.*

The Committee met at 10:20 a.m. in room SD-538 of the Dirksen Senate Office Building, Senator Richard C. Shelby (Chairman of the Committee) presiding.

## **OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY**

Chairman SHELBY. The hearing will come to order. I am very pleased this morning to welcome Federal Transit Administrator Jennifer Dorn from the Department of Transportation.

Welcome. We are sorry we were late. We had two back-to-back votes.

I asked Administrator Dorn to come before the Committee today to share the details of the Administration's 2004 Proposed Budget for FTA, and I appreciate her willingness to respond to the Committee's request for her time.

I will begin by saying that this is most likely the first time since 1998 that FTA's budget has garnered so much attention and scrutiny. Because we are in a reauthorization year, it is inevitable that the 2004 Budget would provide a glimpse into what the Administration will propose for TEA-21's successor bill. Incidentally, the reauthorization proposal is one that I hope will be delivered in an expeditious fashion. I need not tell the Administrator here that we are anxiously awaiting the details of the President's proposal. It is, frankly, a bit troubling that we have yet to see it. When it is released, I will be calling a hearing of the Full Committee to review it. That being said, let's move on to the 2004 Budget.

The President is proposing a Fiscal Year 2004 Budget level of \$7.226 billion—the same level as 2003. Several substantive legislative proposals accompany the budget. The Administration is proposing distributing all grant funds by formula, with the exception of New Starts. I have observed that transit properties have the tendency to make decisions based on the category of Federal assistance available, which may not lead to the best transit choice to meet that community's need. It is clear to me that what works for Birmingham doesn't necessarily work for a place like Detroit or even Baltimore.

I am most concerned, however, about the idea of eliminating the bus program. For many communities this is the lifeblood of its transit system. It is an invaluable resource to the great majority

of communities who rely on buses as the sole mode of public transportation. Eliminating the program, I believe, would be detrimental to mid-sized communities who need lump sums to make bus purchases and build bus facilities. Regular formula funds—even with the increase of 30 percent that would come from the elimination of the bus program—would not provide enough resources in a timely fashion to make cost-effective bus purchasing and construction decisions. It may take several years worth of formula funds for communities even to be able to do a modest bus fleet replacement. In my view, eliminating the bus and bus facilities program is not a feasible option that makes a lot of sense.

Along the same lines, I am interested to hear from the Administrator about the rationale for expanding resources for New Starts. I do think that there is great value in widening the criteria for New Starts eligibility that would include new innovative technologies like bus rapid transit. However, I worry that FTA is too quick to commit themselves to full funding grant agreements, which take up the Agency's funds going forward. The result has been that we are entering a reauthorization cycle with \$3.9 billion in New Starts funds having already been committed to existing and proposed projects. Cynics in the audience may believe that taking bus money to add to New Starts was necessary to have funds available for additional full funding grant agreements.

I am pleased that rural transit is finally garnering the attention that it deserves. This is an area too long neglected. I have seen the value of committing resources to advance rural connectivity in communities all over the country. Currently, 40 percent of rural counties offer no transit service at all. Increasing funds for the rural program will go a long way toward meeting the growing need.

The Administration is also proposing eliminating rail modernization as a program with separate requirements from the Urbanized Area Formula Program. Merging these two accounts will not in any way affect the amount of money that any one community receives. Instead, it will eliminate the requirement that only rail modernization funds be spent on rail modernization projects. While I could debate the wisdom of how the rail modernization program is allocated under TEA-21, I think this is an intriguing proposal and one that I hope to hear about in greater detail from the Administrator this morning. I think there are a few clever ideas in the President's proposal for transit, although on balance, I think it is a current services budget and I do hope that it will evolve significantly in some areas.

I plan to play an active role both as Chairman of this Committee and as Chairman of the Subcommittee on Transportation Appropriations to make sure that transit needs are addressed in the 2004 Budget, as well as in the reauthorization process.

I am looking forward to an active year on transit and have already begun to lay out the groundwork for an aggressive series of hearings at the Full Committee on reauthorization issues.

Along those lines, I delivered a letter to the Senate Budget Committee Chairman last week—signed by 64 of my colleagues in the Senate—that expressed a desire for transit funding increases in the Budget Committee's bill being marked up this week. I understand

that several Members of the Committee may be at that markup even as we speak.

Madam Administrator, we are pleased to have you with us this morning, and I look forward to hearing your remarks.

Senator Sarbanes.

#### STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you very much, Mr. Chairman.

I am going to have to depart because I am on the Budget Committee and we are going into markup very shortly.

I want to thank Chairman Shelby for holding this very important and timely hearing. Mr. Chairman, I just want to add a caveat to what you said. You were pointing out the need to have flexibility because what might work in one place might not work in another.

Chairman SHELBY. That is right.

Senator SARBANES. I think you said, what works in Birmingham might not work in Baltimore. But I want you to know, I am working overtime to try to ensure that what works in Birmingham will also work in Baltimore, and hopefully, vice-versa.

I just wanted to bring that up.

[Laughter.]

Chairman SHELBY. We want to take some of those Baltimore projects—not theirs, but some like them—to Birmingham.

Senator SARBANES. All right. You can put that on the record.

[Laughter.]

Chairman SHELBY. We have learned from him.

[Laughter.]

Senator SARBANES. The Committee, as you noted, will soon be charged with reauthorizing the transit provisions of TEA-21, which expires on September 30. This is important to recall as we resume our consideration of transit.

During the last Congress, this Committee, along with its Subcommittee on Housing and Transportation chaired by our able colleague, Senator Reed, held eight hearings on transportation issues.

In fact, I have the hearing record here. It is quite voluminous—I would need Senator Dodd to help me pick it up.

Senator DODD. I thought it was his opening statement.

[Laughter.]

Senator SARBANES. He was very relieved to find out that that was not the case.

[Laughter.]

Chairman SHELBY. If it is your opening statement, let's make it part of the record, without objection.

[Laughter.]

Senator DODD. It will be the record.

[Laughter.]

Chairman SHELBY. Go ahead.

Senator SARBANES. Administrator Dorn testified before us four times in the last Congress, as well as Secretary Mineta and others, including elected officials, business leaders, transit operators, and riders. They gave us some very thoughtful testimony.

I think you could sum it all up as: TEA-21 works. In fact, the Administrator herself said to us that America's investment in public transportation is reaping substantial benefits.

Because of the work that we all did together 6 years ago, investment in transit has increased by almost 50 percent over the TEA-21 period. We have seen increased ridership across the country and improved quality of life. Transit saw the highest percentage of ridership growth among all modes of surface transportation in the period from 1993 to 2001, experiencing almost a 30 percent increase. More and more communities are considering transit investment. They perceive that it stimulates economic development benefits.

A Dallas County Commissioner testified before us last June that over \$1 billion has been invested in private development along Dallas' existing and future light rail lines, raising nearby property values and supporting thousands of jobs.

Individual companies are also recognizing the value of transit. I was very much struck by a statement by Herschel Abbott with BellSouth testifying that his company is relocating almost 10,000 employees from scattered sites throughout suburban Atlanta to three downtown buildings near MARTA rail stations, each within an easy walk of the transit station.

He listed the benefits of this plan for BellSouth. He says that, "it saves employees time. It saves employees money. It saves wear and tear on the employees' spirit." And of course, transit also benefits the economy in other ways as well.

Bill Millar, the President of APTA, testified, and this is interesting because it is a point that is not often emphasized, that "When New Jersey builds a rail system, for example, often, the construction is done by a company that is headquartered in Idaho. When Texas cities buy buses, it might be a bus company in Colorado that gets the contract." So while the Federal money appears to be going to one jurisdiction, the economic impact of it can go far and wide. Investing in transit boosts the economy of States that are not getting the transit money directly, and I think we need to keep that in mind.

Of course, transit also has very important quality-of-life aspects to it. Senior citizens, young people, the disabled, and others attain mobility that would not otherwise be available to them. We had representatives of senior groups who were very strong on this point because they say it gives independence to our older citizens that they otherwise would not have.

Now, I want to look ahead for just a couple of minutes.

I share the Chairman's desire that we get the Administration's reauthorization proposal as promptly as possible so that we can begin the process of reviewing and examining it.

I think from the hearings we have had, there are three priorities which emerge clearly. First, we need to grow the transit program. And I am very concerned that your budget submission does not grow it for this year, and what that implies or predicts about what is to come.

Second, we need to maintain the funding guarantees which have been very important in enabling local and State governments to plan effectively.

And third, we need to preserve the balance that was established in ISTEA and then in TEA-21 between highways and transit both in terms of overall investment levels and in terms of Federal matching ratios for the highway and transit program. We worked

out that accommodation between highways and transit and it has stood us in good stead. I think it is very important to preserve that.

Obviously, there is a tremendous demand for transportation investment. DOT has identified \$14 billion per year in capital needs simply to maintain the conditions and performance of our transit systems. The FTA itself has come up with that figure. Twenty billion dollars is needed to improve conditions and service. And of course, others estimate even greater needs.

I made reference to the fact that the budget for the next year does not even keep pace with inflation, let alone with ridership growth. This decision essentially to flatline the transit programs runs counter to all the recommendations that we have received and all that we are hearing from constituencies all across the country.

Moreover, and I have discussed this with the Administrator before, the Administration has proposed to lower the Federal match for New Starts transit projects, but they have not proposed a corresponding change for highway projects.

This would run counter to what I set out as a third priority, which is to maintain the balance between the two, highway and transit, and not to skew decisionmaking at the local level toward highway projects.

In fact, the Mayor of Charlotte, North Carolina, testified at one of our hearings and I am quoting him: "There is a strong need to keep the program 80/20, as we do for other forms of transportation, including roads. That does send a strong message that transit is as important as our road network."

The head of the Utah Transit Authority testified that his agency would not have been able to build the first light rail line in Salt Lake City without the 80/20 match. He says at that time, there just wasn't the level of support needed to go at the higher local share. He says, now that they have seen the benefits of light rail, there is considerable demand to put more resources into the transit program.

We worked very hard to level the playing field, and we do not think we should put local decisionmakers back in a situation when they are trying to decide what better serves their purpose in terms of transportation needs where they say, well, if we build a highway, we only have to put up 20 percent of the money. But if we go to transit, we have to put up 50 percent of the money.

Now the argument that was made is that, we have tremendous demands and we do not have enough resources. Therefore, we will do 50/50 and we will be able to do more projects. But the same rationale applies for highways as well. There is a tremendous demand for highways that far exceeds the resources, just as is the case with transit. And yet, there is no proposal here to shift the highway matching ratio.

I am in favor of maintaining the 80/20 ratio for both. But if you are going to depart from it, it should not be departed from in one mode of transportation and not in the other, because then you are going to get transportation decisions based not on transportation reasons, but based on a skewed financial arrangement. And I urge that thinking upon the Administration.

The concepts that were contained in TEA-21 have worked. I think that they are valid. I think they need essentially to be

carried forward into the new reauthorization. And we look forward to working with the Administrator on this project.

Mr. Chairman, I want to also thank you and commend you for the letter that you originated and sent to the Budget Committee on growing the transit program. Just shy of two-thirds of the Members of the Senate signed that letter.

Chairman SHELBY. That is right.

Senator SARBANES. I think that is some indication of the support. Clearly, transportation generally needs more resources. I do not know what the Administration is going to do about that. But there is a tremendous demand and need out there for infrastructure improvement in the transportation network, both highways and transit. I am supportive of trying to do that and I am supportive of maintaining the arrangements and the linkages which have been established between highways and transit over these last two reauthorizations.

I think it is very important that we carry those forward into the new one.

Thank you very much, Mr. Chairman.

Chairman SHELBY. Senator Chafee.

#### **COMMENTS OF SENATOR LINCOLN D. CHAFEE**

Senator CHAFEE. Thank you, Mr. Chairman. I look forward to the witness' testimony, and thank you for holding this hearing.

I associate myself with your comments also, Mr. Chairman.

Chairman SHELBY. Thank you.

Senator Reed.

#### **STATEMENT OF SENATOR JACK REED**

Senator REED. Thank you very much, Mr. Chairman. Let me begin by commending you for not only holding this hearing, but also for the leadership you have shown. The letter that Senator Sarbanes alluded to is a very important statement of the commitment of so many of our colleagues to transit, and now we have to follow through.

I am pleased that my colleague from Rhode Island is here. We are well represented on this Committee.

[Laughter.]

And we are committed to transit collectively.

Last year, as Chairman of the Subcommittee, we held a total of six hearings on TEA-21 reauthorization. Senator Sarbanes indicated, we collected a voluminous record which I hope will help guide us in the deliberations going forward.

We have had the privilege of listening to Ms. Dorn and she has done a great job at the FTA, and we are very pleased with your performance and your commitment to this process.

I look at the President's Budget and there are some encouraging notes. But the overall and the most discouraging aspect is the lack of sufficient resources to do what we all know must be done to continue the success of transit.

There is an endorsement in the budget of the overall structure of transit and highway programs. But there are some issues that have been raised, Senator Sarbanes alluded to them, about specific aspects of the funding and the support of transit which are I think

important and must be considered as we go forward. But the bottom line is that the \$7.2 billion budget is inadequate to meet the demand.

One of the things we heard persistently during our hearings, and Ms. Dorn I think can verify this, is that with resources, transit will flourish. Without resources, it won't stay the same. It will deteriorate very quickly.

We see encouraging increases in ridership. We have seen the testimony of business leaders, as Senator Sarbanes mentioned, the BellSouth Company official who talked about how transit had a remarkable impact on their business operations. Transit's environmental benefits are something to emphasize, also.

We are looking at a reauthorization of the transit and highway bill. Just for the record, when we passed TEA-21, transit funding doubled and was projected to double. I do not see that doubling in this budget. As a result of those resources, ridership rose by 28 percent over the period of TEA-21. That is a remarkable increase.

As I said, I am encouraged in some respects. The Administration does appear to be committed to continuing the flow of the gas tax revenue for transit. That is a critical issue. That might be one of the most important fundamental issues that we address in our deliberations.

There are some interesting proposals for reducing barriers to small New Starts projects, for example, which we have to consider.

But I am concerned about other aspects. I am concerned that the Administration is proposing to turn the Bus Discretionary Program into a formula program. I think that the Bus Discretionary Program has done so much to increase the vitality of our bus fleets, to lower the age of buses from 15 to 20 years, to often 3 or 4 years, on average. It is a remarkable success.

And I am also concerned, as Senator Sarbanes is concerned, about the match requirements for New Starts. If we do not maintain the 80/20 split, there will be a distortion, not caused by the value of the project, but simply by how much money the localities can get if they have a highway project versus a transit project. That is not a good approach to dealing with comprehensive transit and highway issues.

One final point I want to make is, among the hearings that we conducted last year, we had two hearings on transit security. Administrator Dorn has shown a great sensitivity and a great feel for assuring the safety of our transit systems.

The General Accounting Office went out and asked just eight transit systems how much money they would need to ensure the security of their system from some type of deliberate attack. Their answer was over \$700 million. That is just eight systems. And the bottom line number is much greater than that.

Unfortunately, the President's Budget for the Transportation Security Administration contains no specific funding for transit. We just have to be realistic. Our opponents, our adversaries are ruthless individuals who look for the soft way in, not the hard way in.

We are spending billions to protect our air transportation system, and if we do not commit ourselves to protecting our transit system, I think we will regret that. And that is a regret that I do not think any of us want to have.

Mr. Chairman, I look forward to working with you. I look forward to the Administrator's testimony. And once again, let me thank you, Mr. Chairman, because your leadership is important and also, it is demonstrated by having this hearing and your letter and I thank you for that.

Chairman SHELBY. Thank you.  
Senator Dole.

#### **COMMENTS OF SENATOR ELIZABETH DOLE**

Senator DOLE. Chairman Shelby, I particularly look forward to working with Administrator Dorn because we have had that opportunity many times in the past. It has been my pleasure to work with Administrator Dorn at the Department of Transportation during my tenure there, at the Department of Labor, and for part of my tenure at the American Red Cross.

And so, since she has testified many times before this panel before I joined you, I know that I do not have to tell you that she is an extremely able and dedicated servant of the public, and I look forward to an opportunity to ask some questions in a few moments.

I have a statement I would like to submit for the record.

Chairman SHELBY. We will make it a part of the record.

Senator DOLE. In the interest of time, I am going to put it into the record.

Chairman SHELBY. Senator Schumer.

#### **STATEMENT OF SENATOR CHARLES E. SCHUMER**

Senator SCHUMER. Thank you, Mr. Chairman. And I thank you again for holding this hearing, and for your tremendous leadership on this issue. We really are very grateful to you for that.

I also want to thank Administrator Dorn for coming before the Subcommittee, and also for proposing in the budget MTA's East Side Access Project. They are going to receive a full funding grant in fiscal year 2004. It is to connect the Long Island Railroad to Grand Central Station. It enjoys broad bipartisan support in New York, and it is essential to the continued economic growth of the New York City region.

You just cannot get another train under that East River, and that is holding back growth because both Long Island and New York City job markets, until recently, have been growing and will be growing again, we pray. And so, we are going to need this very, very much. It is the project I think that New Starts was made for and I look forward to working with you and the Administration on its success.

Now, I am quite aware, as we all are, that the Nation faces large deficits—the war in Iraq, urgent homeland security expenses. But I still believe strongly that we cannot neglect our transportation infrastructure, which is essential to the Nation's long-term economic growth.

As I know the Administrator knows, because she is so capable, and I appreciate my colleague from North Carolina's praise of her and I think we all concur. The demand for transit has never been greater. This is not one of those flat growth areas.

As you, Madam Administrator, testified to this Committee last year, the demand for nationwide transit increased 28 percent. In

my city alone, known for having an older transit system, the growth has been even more dramatic. Ridership in New York City increased a staggering 43 percent from 1992 to 2002. Currently, there are over 2.15 billion trips taken annually in New York City alone, and that is not counting the so-called suburban commuting that comes in.

So, I know that there are some that argue that the Nation's older transit systems no longer deserve strong Federal support. But as these numbers demonstrate, New York's ridership continues to grow at levels comparable to the newer systems.

Given this growth by both old and new systems, I think there is a strong need for greater transit funding. Obviously, I share the concern of others, that the proposal to spend only \$7.2 billion, a flat funding request from 2003 to 2004, is not adequate.

I can only hope that this budget will not be reflective of your TEA-21 reauthorization proposal. We dramatically need to increase transit spending, not cut it. And I hope you will be a champion of increased funding for transit, also ensuring that we keep a ratio of highway-to-transit funding close to 80/20, and of continuing to adequately support older transit systems, as well as newer ones.

Your report released in 2001 on the condition of the Nation's transit systems states that in order just to maintain our existing systems, we need to be spending on the order of \$15 billion this year. And yet, the proposal is for half that amount, the Administration's 2004 Budget proposal.

If we want to maintain our existing systems and provide for a much-needed expansion nationwide, we have to do a lot better than \$7.2 billion this year.

Federal investment in transit infrastructure is one of the most important ways we can stimulate the economy and provide clean, livable cities to our citizens. I look forward to working with you to find ways to increase transit spending in the future.

Thanks again for coming today and again, Mr. Chairman, thank you for this hearing and for your leadership.

Chairman SHELBY. Senator Dodd.

#### **STATEMENT OF SENATOR CHRISTOPHER J. DODD**

Senator DODD. Thank you very much, Mr. Chairman. And thank you, Madam Administrator, for being here and for your work.

I think it is important you are hearing from us. We obviously want to hear from you as well, but I think it is very important at a time like this that you can carry back to your Agency and to the Administration the concerns that you are going to hear. And unlike an awful lot of subject matters where you will find a highly divided Committee, I think what you are hearing here from the Chairman all the way through, with maybe some minor exceptions, is our deep commitment.

I was struck, Mr. Chairman, I do not know if you were here, I think it was last year when the issue came up, discussing I think informally here on the Committee, transit issues. I recall thinking to myself as I looked down the row of the various Members and where they were from, I was anticipating what I thought each Member might say about the subject matter based on where they

were from in the country, and how surprised I was about what a different reaction we received.

I recall our colleague from Idaho saying, this is a very important issue to Boise. I remember being taken aback, thinking, I would have assumed that the Senator from Idaho would be only talking about roads. Our colleague from Colorado, the same thing. He said, this is a major issue for us. And on down the Committee.

This, for years, used to be an issue of East Coast-West Coast versus the rest of the country. And what the Chairman has so eloquently said here this morning is this is no longer the case, that transit is really a major issue for almost every State.

Nevada is the most urbanized State in America. We traditionally would think of it as a rural State in the West. But, in fact, of course, with the populations in Las Vegas and Reno, it is highly urbanized.

It is very important I think and I appreciate your listening to us and I apologize that we are all taking a little bit of your time to share our thoughts, but sometimes having the ability of listening to our concerns and where we stand on this, particularly since there is as much unanimity as there is, I thought might be of some value for you. Some of this will be repetitive, but I just wanted to share a few thoughts with you.

As has been said here, ridership across the country and the new programs developed by local leaders in response to local needs are changing the way in which we think about community transportation services.

Today, transit doesn't necessarily mean, as you have heard, waiting on a city corner in New York or Boston or Hartford or Providence, or riding on a city bus any more. It doesn't necessarily mean waiting on a crowded platform to get on a subway car.

For many Americans, transit now means they have access to a wide range of community-based services, including services like dial-a-ride to help an elderly person get to a grocery store, the job access program to help get working Americans from their homes to their jobs even when they do not live in the city. Or with an established route bus program. Transit is changing to meet the needs of more Americans in more communities in more parts of the country than ever before.

There are now nearly 6,000 transit systems in the United States. And it is not just the 10 or 15 big systems that we hear so much about. And the operators of the Nation's 6,000 transit systems are doing a tremendous job making life better for those who ride transit and for those who do not.

According to the Texas Transportation Institute, the annual economic loss to the United States caused by traffic congestion is almost \$68 billion. And believe me, as you know, Madam Administrator, in the area of Fairfield, Connecticut, for instance, and my colleague from Rhode Island can testify to this because we share Route 95 coming through our two States, God help you if you get caught in lower Fairfield County. And it used to be just during rush hour. Now it is almost any time of day. It is literally a parking lot. It has affected commerce. It has affected everything in that northeast corridor, that tremendous bottleneck that occurs as a result of the congestion that has been mounting up.

An additional \$20 billion would be lost if the United States' transit commuters drove instead of rode on transit systems. In other words, our transit programs are functioning as critical parts of the largest surface transportation system. It is no longer a question of whether we should build more highways and more transit. We must do both because it is now clear that transit is contributing to the efficiency of a deeply interconnected whole and unified transportation network.

As I look at the FTA's budget proposal, I must tell you, Madam Administrator, like the Chairman and like others, I am concerned about it. We all know the pressures. We all know what is looming in costs and so forth. But this is such a critical piece of our economic growth and development.

At a time when transit ridership is growing, and you heard the testimony of others already, at about 3½ percent a year, the FTA has recommended no additional resources for transit at this time. At a time when the need to relieve highway congestion is so critical, the Administration appears to be proposing that we take away one of the most effective congestion mitigation tools.

What is more disturbing is that FTA has recommended major changes in the programs that have been functioning so very, very well. It seems to me that the proposed flatline funding combined with unnecessary changes could prove disastrous for the traveling public, especially in smaller urban and rural communities, such as the State the Chairman is from.

I note that the programs slated for elimination or significant changes are those that are often relied upon by the small- and medium-sized transit operators.

The Administration is proposing, for example, completely eliminating the Bus Discretionary Program and moving the bus money to the New Starts Program.

In my view, that is likely to put small communities in direct competition against large transit properties in a way that may reduce the rich variety of services that have been emerging over the last decade.

We should be encouraging transit innovation in our less densely populated communities, and I do not see how making in my case a man in Connecticut, a rural or suburban community, and Boulder, Colorado, compete against our Nation's largest transit districts under inflexible criteria is going to encourage innovation or improve services.

The Administration is also recommending significant change to the Job Access and Reverse Commute—the JARC Program. The Administration wants to convert this program from a competitive grant program administered at the local level to a formula program administered at the State level.

Again, this program, JARC, has been a model of transit innovation, even in States that haven't historically been thought of as transit-dependent. JARC is improving lives and local economies, smaller communities across the country, and I am not convinced that we should radically change the program's design. Indeed, if we do anything, we should be trying to figure out how to build on JARC's success. I understand that there have been concerns about the earmarking of JARC funds. But block-granting, we know all too

well, these rural, less politically influential communities do not do well at the State level when it comes to the allocation of funds. And too often, they get short-changed if we do not pay attention to them.

So, I am hoping that you will be thinking that through and realizing, but for us, a lot of these rural smaller communities would lose out at the block funding approach at the State level.

Finally, I want to comment on the Administration's proposal to eliminate the Transit Clean Fuels Program. This was another innovative initiative started under TEA-21.

I think it is unfortunate that Congress has never funded this program and I regret that the Administration has decided to back away from this effort, especially in light of the President's recent commitment to develop hydrogen-powered automobiles through a Department of Energy program.

In my view, the Nation's transit agencies should be leading the way toward clean fuel implementation and given the looming problem in the Middle East, we may be wishing we had some program like this to minimize our dependency on a very troubled area of the world. The FTA should not be retreating, in my view, just as the technologies are being developed.

We, in Connecticut, have several striking examples of successful clean fuels initiatives, including a bus initiative currently operating—at a profit, I might add—by the Greater New Haven Transit District and a planned fuel cell bus rapid transit line in Hartford, Connecticut. In Connecticut, we believe that clean fuel technology is the future of transportation and we are ready to embrace that future now.

As the reauthorization debate continues, I hope that the Administration will consider its position on transit clean fuel technologies and other matters that I have raised.

We are very fortunate, indeed, to have as the Chairman of the Full Committee, the person who is also Chairman of the Subcommittee dealing with these issues.

It is going to be I think important for us here to be talking about this, and I appreciate the Chairman's request to get some sense of authorizing proposals so that we can go to the Appropriations Committee with a clear direction of where we in this Committee, charged with the business of overseeing urban mass transit, can have a benefit.

I see my colleague from Utah arriving. And by the way, what great news from your State last night. I just cannot tell you how that brightened up an otherwise gloomy picture as we look toward the next few weeks or days in front of us, to hear what a wonderful job the people in Sandy, Utah—I even know about Sandy, as you know. My wife is from Utah. I cannot tell you how excited we were to hear about the good news for the Smart family.

But also, Salt Lake is an urban area. Transit issues are critically important. So, you are going to hear from all of us. And unlike the days when we were competing up here about transit dollars, I think you know this, and I am preaching to the choir because I know how much you care about it, you are going to hear from all of us up here today how important these issues are.

I apologize, Mr. Chairman, for taking a little additional time, but this is an issue that really does deserve the attention of the full Congress.

Thank you.

Chairman SHELBY. Senator Bennett, do you have anything?

#### **COMMENTS OF SENATOR ROBERT F. BENNETT**

Senator BENNETT. Thank you, Mr. Chairman. I just want to welcome the Administrator. As Senator Dodd has indicated, we have a transit program in Utah, a combination of buses and light rail, which is doing extremely well.

Since you represent FTA now, FTA institutionally has been enormously helpful. And we can report to you and to the Congress that ridership is higher than the most optimistic projections. Even those who grumbled and complained that it was going to be snail-rail and it was going to be a tremendous boondoggle have to grumpily admit that revenues are higher, ridership is higher.

And, interestingly enough, because of the increased ridership, the subsidy per rider on light rail is about half of the subsidy per rider on buses. This indicates that light rail indeed has a great future if it is done right. And I congratulate the people of Utah for doing it right. But obviously, they could not do it without the support of the FTA.

I appreciate your being here and look forward to your testimony.

Chairman SHELBY. Administrator Dorn, your full statement will be made a part of the record in its entirety. You may proceed as you wish.

#### **STATEMENT OF JENNIFER L. DORN ADMINISTRATOR, FEDERAL TRANSIT ADMINISTRATION U.S. DEPARTMENT OF TRANSPORTATION**

Administrator DORN. Thank you very much, Mr. Chairman. And I do appreciate the passion and the support of the Members of the Committee for transit and am eager for us to have a more fulsome discussion about a number of the proposals.

I would mention that FTA is in a relatively unique position vis-à-vis the reauthorization proposal because many of our proposals for reauthorization are, in fact, embedded in the budget.

So, we have the luxury of being able to talk about things in a programmatic way, as well as in a budgetary way today. It is a great opportunity for me, and thank you for providing it.

I recognize fully that resource adequacy is fully in the eye of the beholder. I think it is important that we not lose sight that in the President's Budget is a record level of funding for transit, positioned to grow 26 percent over the 6 years.

In the face of enormous and costly challenges, particularly the fight against terrorism and protecting the homeland, as was referred to by Senator Dodd and others, the Fiscal Year 2004 Budget signals the high priority that President Bush and Secretary Mineta place on our national transportation system and on public transportation particularly. I think it is a prudent balance of priorities at a very difficult time and I fully support the President's Budget for fiscal year 2004.

Last April, I testified before the Committee regarding the success of TEA-21 and the opportunities we envisioned to build upon that success. And foremost among these was providing stable, dependable funding streams for transit. I have heard that over and over from the stakeholders at State and local levels. It is nearly as important as the amount of resources. Dependable formula funds and full-funding grant agreements for New Starts have significantly improved the ability of transit agencies to finance, to plan, and to execute projects to produce real results for the transit-riding public. As I indicated then, and I fully believe now, stable formula funds help agencies do more with limited resources because they give financial markets the confidence to support transit investments. They give communities an incentive to commit long-term resources, and they give community developers the confidence that the transit commitments necessary to support new development will be honored.

It should come as no surprise to this Committee, therefore, that our budget reflects a significant shift away from the uncertainty—and that is the key problem, in my view—the uncertainty of discretionary grant programs, and moves them toward more predictable formula-based and multiyear funding programs. Compared to the recently enacted 2003 Budget, the President's Proposed Fiscal Year 2004 Budget would increase by nearly 20 percent the formula-based transportation funding for rural communities.

We know, and as the Chairman so aptly stated, we need to help address the transportation needs in 40 percent of the communities that have no public transportation, and become more responsive to the increased needs of rural areas who already have some level of service.

We are eager to fund the transportation component of the President's New Freedom Initiative as a formula program to States. We want to provide increased transportation services to better meet the needs of persons with disabilities who are of working age and who are able to work, but one of their most significant barriers to becoming a full participant in the work force is transportation. That is a very important Presidential initiative.

We also increase by 21 percent transportation funding for an expanded New Starts Program, so that current full-funding grant agreements can be honored, meritorious projects in the pipeline can be funded, and a broader spectrum of cost-effective—and I want to emphasize that—cost-effective transportation projects can be accommodated.

Through these formula funds and multiyear agreements, we will put public transportation dollars to work equitably throughout the Nation and, importantly, at community discretion. The more we can get the funding decisions made closest to the customer, the better decisions they often are.

In my written statement, you will find more specific information about changes we are proposing to preserve the viability of the mass transit account of the Highway Trust Fund. I would just comment that the Administration believes that funding transit through the gas tax revenues is an appropriate vehicle to support public transportation.

I have also outlined, in more detail, how we propose to ensure that New Starts projects are cost-effective and are best suited to

community needs, how we seek to improve local communication and coordination and decisionmaking regarding service to the elderly, persons with disabilities, and low-income populations, and how we propose to improve transit planning in communities and in States throughout the Nation.

There is nothing more important to good transit investments than to have a good plan, to have that coordinated at the local level, and to be able to provide transportation for more services and more riders.

I would like to provide, rather than speaking to those details, just a couple of points about the overall goals that have driven the development of this proposal.

At a time when it might have been easier to say “things are working well enough” or “do not rock the boat,” Secretary Mineta told me to think boldly—as he did in the ISTEA and TEA–21—to think boldly about how we can make sure that public transportation works and grows in every community.

We believe the fundamentals are definitely in place through ISTEA and TEA–21. We propose some changes that are outlined in our proposal. This is a result of literally hundreds of meetings with transit stakeholders who said TEA–21 and ISTEA have made very important and fundamental changes in how we do business. We think we need to make some improvements and we tried to respond to those comments.

First and foremost, we are proud that this budget proposal promotes common sense transit solutions. To accomplish this goal, we propose to reduce the number of different program “silos.” That is why we want to formularize all programs, except New Starts, so that States and localities have the flexibility that they need to fund local priorities, as Chairman Shelby mentioned. Instead of trying to match projects to specific pots of money, we want States and localities to be able to base their transit decisions on maximizing mobility and creating seamless community transportation networks. That is what it is going to take to grow this program.

Second, consistent with the President’s call for customer-focused, outcome-oriented Government, our budget proposal includes a new ridership-based performance incentive program to encourage A-plus performance in transit. The outcome in transit is more riders, and we want to incentivize all of our grantees toward producing that result.

Third, this budget reflects the President’s and FTA’s determination to keep our commitments, especially to the people who most depend on public transportation for mobility. By sustaining the Federal funding at the TEA–21 record-high levels, we will be able to continue to provide stable, predictable formula funds to urbanized areas, increase funding for underserved rural areas, honor our multiyear funding commitments under the New Starts Program, and, perhaps most importantly, improve services to the elderly, low-income, and persons with disability through coordinated planning, predictable funding, and working together with our counterparts in Health and Human Services and the Labor Department. They provide significant dollars for transportation, although not always in a coordinated fashion with us at the local level, the State level, or the Federal level.

Finally, this budget supports the President's effort to champion independence and economic opportunity for all Americans. It proposes the creation of a new formula program, as I mentioned, the President's New Freedom Initiative, providing \$145 million for new transportation services to those who can be more fully integrated into American communities and the Nation's workforce. Further, our proposed 20 percent increase in funding for rural communities represents a downpayment on our commitment to basic mobility.

Mr. Chairman, I do believe this is a responsive and responsible budget proposal. I appreciate the opportunity to discuss its elements and those elements that relate to reauthorization and their connection to the budget.

Thank you.

Chairman SHELBY. I am concerned about the cost overruns in the projects under the FFGA's and the cost of general service delivery. Could you articulate further your view of the Federal role in transit and what principles are guiding you in your reauthorization proposal? For example, I am interested to know why you believe that distributing Federal transit dollars based on formula, essentially going out on auto-pilot, would allow the Federal Government to maintain any role in containing costs?

Administrator DORN. A number of good questions there.

First of all, with respect to oversight of capital projects—

Chairman SHELBY. Right.

Administrator DORN. —I believe that the FTA has one of the best oversight and partnership programs with transit agencies of any in Government, and we are working to improve that.

Chairman SHELBY. What about the San Juan project? That is a troubled project, isn't it?

Administrator DORN. It was a troubled project, but it is moving forward very aggressively to be on track. And both the Inspector General and I personally have increased our vigilance. They have turned around a number of management problems.

I am proud to say that the vast majority of the full-funding grant agreements which the FTA has executed have been on time and on budget. I think there are a number of areas where the transit agencies and the FTA seek to improve our cost-estimating and the kind of benefits that we are proposing.

We are very vigilant about making sure that the bar is set at the right level for investments, and we will continue down that path.

Chairman SHELBY. On the San Juan project, we are sending some staff from this Committee, authorizing Committee, and also the appropriations transportation, to see what is really going on down there. I am sure they will coordinate that with you because that is one of the most troubled projects that we have, I think. I wouldn't say the only one, but it is one.

Administrator DORN. I think that there have been significant problems in the past. That project is 90 percent complete. And when it is complete, it will take 120,000 passengers daily. So, I look forward to the completion of an excellent project. But you are correct. It has had significant troubles in the past.

With respect to the issue of bus discretionary funding, I think there is some misunderstanding with respect to that amongst some of our stakeholders.

We have learned from the State and local funding partners through ISTEAs and TEAs—21 that few things are more valuable than predictability of funds.

But the problem is that nothing is more unpredictable than an earmark. That is how 100 percent of the Bus Discretionary Program has been utilized. The problem is that then local communities cannot count on it from year-to-year, and that tends to skew their decisions about longer-term investments. There are serious trade-offs in this, and sometimes even the winners tend to be losers because they do not know if they are going to get an earmark the next year.

We feel that if funds are distributed based on proportional levels of needs through a formula, they can make good investment plans and good investment decisions. And in fact, they can use that predictability to secure grant anticipation revenue bonds, et cetera.

We feel that more and more money granted through formula, as long as it has the appropriate caveats, will be an asset to the local communities.

Chairman SHELBY. You recently signed a full-funding grant agreement with the New Orleans Regional Transit Authority, which would provide an 80 percent Federal share for their Canal Street Corridor Project. At the same time, your budget proposes a statutory change to raise the local commitment to a 50 percent match. How do you reconcile this inconsistency? You have just done that and now you are proposing this 50 percent match, which most of us are going to oppose.

Administrator DORN. So that is a no-win question.

Chairman SHELBY. True.

[Laughter.]

Administrator DORN. Okay. Let me take it on.

Senator DOLE. Tell us why we shouldn't do that.

[Laughter.]

Chairman SHELBY. I am just seeing what you did and then what you are proposing and there is a big inconsistency.

Administrator DORN. Yes, a very appropriate question, Chairman Shelby.

The full-funding grant agreement which I just signed for New Orleans at the 80 percent level is one of the last remaining projects—in fact, the last remaining project—against which the Federal Government had made a long-standing commitment. That has been in the works for a number of—

Chairman SHELBY. We are not against that. We just want to know about the inconsistency.

Administrator DORN. I understand. It was a promise made a number of years ago. The local community continued to plan that project based on that promise and the continued working relationship with them.

It is one of the minority projects that has been funded at the 80 percent. It is a New Start, one of the first New Starts. It was this Administration's belief, therefore, that we needed to give advanced notice on 50/50. So in the Fiscal Year 2000 Budget, the Administration said, 2 years hence, 50/50 would come into play. And so, we believe it is very important that that kind of advanced notice be provided and that is why we are supportive of that.

I would just like to make one other comment about the 50/50 proposal. There are some uniquenesses with respect to transit and highway projects. Senator Sarbanes is very correct when he talks about the traditional match of 80/20 for highways, as is the case for the vast majority of funds that we spend in transit. It is 80/20. However, in the New Starts proposal, which is only about one-sixth of our budget, we believe that the proportion of New Starts funds should be 50/50.

Chairman SHELBY. Why?

Administrator DORN. There is every opportunity for a transit agency to use formula funds, or to use CMAQ funds or STP funds, to bring that match up to an equitable 80/20. Over the past number of years, in fact, the flex funds that have been used going from highway to transit has been about \$1.2 billion annually.

So the issue of the alleged inequity between highway and transit I think is modified by that piece.

Chairman SHELBY. Did you make that promise to anyone else other than New Orleans?

Administrator DORN. To my knowledge, no.

Chairman SHELBY. Okay.

Administrator DORN. And there are certainly no projects forthcoming at that level.

Chairman SHELBY. Have you thought about, if we were to go with a 50 percent funding match, which I hope we never do, that it would probably exclude a lot of communities that might not have the revenue base to get to 50/50. It looks like the program would just be weighted toward the more affluent communities in the country that could match on a 50/50 basis. I think that it might defeat your whole purpose of a widespread transit system all over America.

Administrator DORN. That certainly is not our purpose or our goal. And in fact, we do not have evidence to suggest that a 50/50 share requirement would dampen interest in the New Starts development process. The pipeline is bursting and we want to fund more projects.

States and localities are now understanding the value of transit investments. So, we believe that this would allow us to spread the dollars more adequately. And also, the additional benefit is that the more that a local community gets behind a project and they have a stake in it, the more carefully they plan the execution of that project.

Chairman SHELBY. Well, we differ on that issue.

Senator Dodd.

Senator DODD. Thank you very much, Mr. Chairman. I think the Chairman is going to have some allies on this issue.

Administrator DORN. I understand that.

Senator DODD. Let me just say, for clarity purposes and I do not want to spend a lot of time on this, but actually, I see this as a flatline budget. It is the same budget that was in the 2003 request.

Now, we have made those across-the-board cuts. So if you are using that as a baseline, then, obviously, you can make an argument for an increase. But the budget request for 2003, the budget that was adopted by the House of Representatives, is almost

exactly the same budget that is being made this year. Is that not the case?

Administrator DORN. That is the case.

Senator DODD. So, you have some increases here that you have talked about, various programs. Tell me quickly what is being cut to pay for those.

Administrator DORN. What is being cut is—primarily, what we are doing is allocating the former Bus Discretionary Program, 50 percent of it to New Starts, so we can add money there, 30 percent to urbanized formula, and about 20 percent to rural formula.

So, overall, the pie is about the same. We are suggesting that we need to distribute it in a different fashion primarily by formula.

Senator DODD. So that is where the cuts are coming from, by moving it from that—

Administrator DORN. From the Bus Discretionary Program, that is correct.

Senator DODD. And are you planning on a certain amount of cuts occurring as a result of the block grants occurring so that there won't be as many of the dollars getting back to local communities?

Administrator DORN. No. In fact, just the reverse. I believe that you mentioned the JARC Program, the Job Access Program.

Senator DODD. I am going to ask about that.

Administrator DORN. We think that has been a very effective program and it has now moved beyond the model or demonstration. It is only now in a couple of hundred communities.

What we would suggest that we do is take an allocated piece of money—I believe it is \$150 million—and disburse it by formula, by income level, census data, et cetera, to all the States, so that all the States would be able to use that model and replicate it.

We agree with you, Senator, it is a very important program that has done a lot for communities and we would like to replicate it.

Senator DODD. I appreciate that. But I do not see where that grows. I do not see any growth in that budget.

Administrator DORN. There is not a growth in the JARC Program, that is correct.

Senator DODD. Considering now that we just lost some of the 300,000 jobs, people are going to be looking—it seems to me, given the increasing unemployment rate in the country, having a program that would really assist people to be able to get to jobs they might not otherwise be able to get to under a transit program, would fit in very nicely with our efforts to get people back to work.

Administrator DORN. I agree with that. And our proposal and our perspective is that every State has a low-income population that has those needs, and we would like to see those opportunities spread farther than in only a handful of communities.

Senator DODD. Yes. Well, from my point here, that is one area where I would like to see some increase and some support for it.

Let me ask you quickly about two programs. First, about the New Freedom Initiative Program. I commend you for this one. This is \$145 million to improve mobility options for persons with disabilities. My only concern here is how will the Department of Transportation eliminate any duplication of efforts where there may be some in this area? Have you thought about that?

Administrator DORN. Definitely. We think that this arena of providing opportunities for the disabled to get to work is a new focus area that really needs to be targeted.

And so, that is why we have proposed a separate program. But the way we have structured it, because it is given to the State level, we have encouraged cooperation and coordination so that there need not be duplication. In other words, what we want to make sure is that the intended purpose of this \$145 million for New Freedom is, in fact, accomplished. But the way that it is administered, it gives a lot of opportunity for local communities to sit down, as they have done in the JARC Program, and sort out who does what and how we could eliminate some of the duplication.

We think that it is a real opportunity to serve this population and to serve this population with our colleagues in Health and Human Services, et cetera.

Senator DODD. And just one last question, on the Clean Fuels Program, again, you have the President in the State of the Union, he talks about hydrogen-fueled cars.

Here we have efforts out there being made to eliminate this program at a time when we may be watching gasoline prices go up through the ceiling, rates we have never seen before, or haven't seen in years.

It seems to me, in this one area, given the importance of the cost of fuel and so forth, here is one way to really save some money, promote alternative fuels. Environmentally, it makes a lot more sense. Why would you even be thinking about eliminating a program that is as potentially beneficial as this?

Administrator DORN. Well, I totally agree with the spirit and the focus of your remarks. And the transit industry has been very aggressive about trying to be cleaner.

The Clean Fuels Program was recommended 6 years ago. And since that time, there have been important advances and requirements in the bus industry which make the program much less necessary; in fact, not necessary.

Currently, every standard transit bus that is purchased is either alternative fuel or clean diesel. In addition to the fact that, as you pointed out, the Congress has decided not to fund that program, and fold it into the bus discretionary, and since we are making such significant progress with respect to all bus purchases being either clean diesel or alternative fuels, it has just outlived its useful life. However, I totally accept the spirit and the goal that you have mentioned.

Senator DODD. I suspect, Mr. Chairman, we will be coming back to this idea as well to try and promote it a little bit further. But I appreciate that.

Chairman SHELBY. We certainly will.

Senator DODD. Thank you.

Chairman SHELBY. Senator Dole.

Senator DOLE. Transit certainly, in my home State of North Carolina, is a very important issue. I want to applaud the Administration for recognizing that transit investment is indeed about serving people. This is certainly the clear intention of the creation of the performance incentive grants. Would these incentive grants be

awarded for an increase in the percentage of ridership or would it be based on an overall number of new riders?

Administrator DORN. Very good question. The performance incentive that we have in mind, Senator Dole, is to be based on a percentage. And also, we would size the awards based on the size of the agency.

So both of those elements would protect the integrity of what we are trying to do, which is to increase performance in every transit agency in terms of increased ridership.

Senator DOLE. I continue, Administrator Dorn, to be concerned about the vulnerabilities of our public transit system to attack. What do you see as the FTA's role in transportation security now that the Transportation Security Administration has been moved to the Department of Homeland Security?

Administrator DORN. Thank you for the question. Very important area that I have worked on with Senator Reed, as well.

We have a very cooperative and committed working relationship, with TSA. We are both focused on making transit safe and secure, and in fact, it is more secure than it has ever been. We have some work to do, as all sectors of the economy do with respect to that.

The TSA has been very focused on helping establish the priorities among transit sectors about threats and vulnerabilities and what kind of assistance we might be able to give. They have been helping us leverage the research dollars from other departments in terms of some of our chem-bio activities, et cetera. And of course, they are responsible for setting appropriate standards across the industry, and we have been working very closely with them in that regard.

FTA has been concentrating on the things that we do best: Training, making sure that employees are trained as well as they can be, front-line employees as well as supervisors; we work very hard to ensure that every community, large or small, has a good emergency response plan that is hooked in with the fire, the police, and the emergency responders; and we are focused on ensuring that public awareness is really at a high.

Those are the kinds of technical assistance efforts that we have provided. We have provided them at no cost to the transit agencies because we know how stretched they all are in this arena.

Senator DOLE. Going to the 50/50 cost share that you propose, according to an April 2002 GAO report, this 50 percent cap would result in slightly over \$1 billion that would be allocated to other programs. Does FTA agree with this estimate?

Administrator DORN. We would have to look through the record to make sure that that is an up-to-date estimate, but it certainly is hundreds of millions of dollars that could be utilized for other cost-effective projects that receive full-funding grant agreements.

Senator DOLE. One last question. Under the budget the Administration proposes, consolidating the myriad of separate transit programs in order to give States and localities additional flexibility to meet their mobility needs in their communities, won't some States be tempted to ignore the needs of certain user groups if they can shift funds amongst the various programs they administer?

Administrator DORN. We are making every effort, and I think it is a good one and will be a productive one, to ensure that the intended purpose is accomplished.

That approach has worked well in the elderly and disabled program that is now administered by the States, and we will insist that funds for the other programs—New Freedom Initiative and the JARC Program be utilized for the intended purpose.

But there are a lot of ways that other agencies and other local providers might be able to consolidate their efforts, so that they could provide more service and more riders in that intended arena.

It is a good question, though.

Senator DOLE. Thank you very much.

Administrator DORN. Thank you.

Chairman SHELBY. Senator Reed.

Senator REED. Thank you, Chairman Shelby, and thank you, Madam Administrator, for your testimony.

So much of what you are proposing rests on formulas rather than discretionary funding. Could you provide the Committee formula runs that compare the Fiscal Year 2003 Appropriations bill with your proposed 2004?

Administrator DORN. Absolutely. I would be happy to provide that for the record.

Senator REED. Thank you very much.

And in a similar vein, could you provide the Jobs Access Reverse Commute funding each State would receive under the new formula approach versus the appropriations approach.

Administrator DORN. Yes. That may be slightly delayed. The JARC piece, we are now determining how that formula would be based. But we will send the first point out and then as soon as we complete the formula recommendation for the JARC, we will send that up as well.

Senator REED. Thank you, Administrator.

Just returning again to an issue that has been discussed, and that is the 80/20 split. It has been my understanding in talking to my transit and highway officials in Rhode Island, that, interestingly enough, a lot of the flexibility in ISTEA has benefited transit, that money has flowed to transit.

I think, as a starting principle, one reason is because they will get the same reimbursement from the Federal Government if they make a transit investment or if they make a highway investment. And when they look at the needs, they say, oh, we need transit.

Now, I think the reality, under your budget proposal, is they are going to look at a highway program and it is 80 percent and they are going to look at a transit program, and it is 50 percent. And they are going to say, wait a second. It is a more important program, but we do not have the resources.

And I think also, in the context of what I have been listening to in terms of State budgets, is that they are just scraping to come up with any money to keep their programs going.

Again, it seems to me that this proposal will distort and inhibit a lot of the progress we have made, not just in transit funding, but also in overall intermodal transportation planning.

Administrator DORN. I respect your view. I tend to disagree, and that certainly is not the purpose.

We believe that there are a number of cost-effective projects out there and we are eager for communities to have transit that makes sense to them.

I think I would probably have to agree to disagree on that point. But we will make every effort to make sure that there is a level playing field. And I think with the CMAQ funding and the STP funding that you mentioned—which is being increasingly targeted or transferred to FTA or transit programs—that can be a real help in balancing that alleged inequity.

Senator REED. Well, I guess my other response would be, do you have any data or any indication that local transportation authorities will start moving money from highway to transit if the ratios change?

Administrator DORN. The overall Federal match at this point is about 50 percent. In addition, more and more, we have seen that successful transit projects have bred other successful transit projects.

In other words, States and localities have more and more confidence that, if they plan a project well, a transit project is a good investment. In fact, we have seen the State and local contribution growing in proportion to the Federal in that TEA-21 period.

So there is more and more confidence. Can I absolutely prove it to be so? No.

Senator REED. Well, I just recall, and we are both engaging in some anecdotal evidence at the moment.

Administrator DORN. Yes.

Senator REED. I wish Senator Bennett was here because I recall John English, the General Manager of the Utah Transit Authority, making the point very explicitly that without the 80/20 match, they would have not been able to begin their first phase of the light rail, which absolutely duplicates what you have just described, a successful transit project generating other transit projects which are supported locally much more aggressively, which leads to a better transit solution overall.

So let's agree at this point to disagree.

Administrator DORN. Okay.

Senator REED. For the record, does the Administration support maintaining the current level of gas tax receipts that go to the transit trust fund?

Administrator DORN. Yes.

Senator REED. Thank you.

Getting back now to the issue of transit security and terrorism, I know Senator Dole alluded to it also. The Transportation Security Administration has, as I understand, no specific line item for transit security. Are you working with Secretary Ridge and Secretary England to try to develop a specific program and specific resources?

I recall just a few weeks ago, one of our colleagues in the House received some criticism by suggesting that in a major urban area in the United States, the transit system might be threatened. That caused a great deal of concern. But it underscores the fact that these are potential targets. Are you working with TSA?

Administrator DORN. Absolutely. On a daily basis, our staffs are working together.

A specific transit allocation of funding is not in the plan at this point. One of the key advantages of having TSA as a part of the President's Homeland Security Department, as approved by the Congress is that they will now be able to prioritize the threats and vulnerabilities.

Certainly, the data that we have as a result of doing 37 threat and vulnerability assessments throughout the country has been shared with TSA. That represents our perspective on where the threats and vulnerabilities are and where the needs are.

As TSA works through the relative priorities, I hope and expect that those needs will be adequately considered.

Senator REED. Thank you, Administrator. Once again, I thank you for your cooperation, your assistance, and your dedication. It is a pleasure working with you.

Administrator DORN. Thank you.

Chairman SHELBY. Senator Bennett.

Senator BENNETT. Thank you, Mr. Chairman. I will be unusually brief here because I sit with you not only on this Committee, but also on the Transportation Subcommittee on Appropriations. So, I want to be very careful that I am in tune with you all the way through.

[Laughter.]

Chairman SHELBY. Senator Bennett and I have been together on a lot of these issues.

Senator BENNETT. On a lot of these issues.

Chairman SHELBY. Especially that Salt Lake City project.

Senator BENNETT. That is correct.

Administrator DORN. Right. Good project.

Chairman SHELBY. It was. Funded, I believe, 80/20.

Senator BENNETT. Yes.

Chairman SHELBY. It might not have been built if it was 50/50.

[Laughter.]

Senator BENNETT. That is correct. And I would note for the record that, a propos of the Chairman's earlier questions, it came in under budget and ahead of time. It was opened weeks, if not a month or so, prior to the anticipation, and it did come in under budget, both in the primary—

Chairman SHELBY. If Senator Bennett would yield. Maybe the Administrator could use that project comparative to the others that get in trouble, that some stay in trouble, as an example of what to do and what not to do.

Senator BENNETT. Frankly, I think there is a great deal that could be learned out of the Utah experience. Not only with respect to transit, with I-15, where we did a design/build circumstance on our highway, and again, came in under budget and ahead of time and surprised everybody. A project that normally would take 9 years was completed in 4 years.

That is another subject. But as long as we are bragging about Utah, I will take the opportunity to do that.

You know the appropriators are going to have heartburn about the discretionary bus circumstance.

Administrator DORN. I understand.

Senator BENNETT. And I won't grill you on that in any greater degree, except to suggest to you that you be sure your justification for that is well-prepared and well-presented.

You obviously do that generally. But this one is the one where most of the bullets are going to be placed, along with the 80/20, 50/50 controversy.

We will be looking for more justification there perhaps than you might normally prepare because appropriators do not like to see these kinds of things get changed along the way.

Administrator DORN. I understand.

Senator BENNETT. So that is my only counsel to you. I am delighted with your service. Glad you are here.

It is fun to watch a former Secretary of Transportation deal with transportation issues from this side of the dias.

Thank you again.

Chairman SHELBY. Senator Carper.

#### COMMENTS OF SENATOR THOMAS R. CARPER

Senator CARPER. Thank you, Mr. Chairman. And welcome. Thank you for being with us again today.

Just refresh my memory. What is the Federal gasoline tax? Is it about 18 cents?

Administrator DORN. It is 18.4 cents. And transit gets 2.86 cents of that.

Senator CARPER. I do not mean to put you on the spot, but in terms of history of the level of the gas tax and what was attributed or apportioned to transit, do you have any recollection of what it has been for the last decade or so?

Administrator DORN. It was 80/20, 80 highway and 20 transit has been the division since 1982.

Senator CARPER. All right. Thank you. And Senator Reed asked a question I think about the Administration's position with respect to resources, I think through the gasoline tax. I thought I understood you to say that the Administration was asking for no change. Did I misinterpret that?

Administrator DORN. That is correct. It was my understanding that there was some concern whether or not it was appropriate to fund transit from the gas tax receipts. And I answered in the affirmative. The Administration believes that that is an appropriate funding mechanism.

Senator CARPER. Are you hearing from anyone in the Congress, the House or the Senate, that more monies are needed for highways and for transit? Are you hearing that at all?

Administrator DORN. Yes.

Senator CARPER. Does the Administration have a view on that?

Administrator DORN. We believe that given the various and important challenges of this Administration and this country, that the level is appropriately set in the President's Budget, yes, Senator.

Senator CARPER. Before I worked here in this job, I used to be Governor of Delaware. From time to time, we would raise or talk about raising the gas tax. We actually raised it I think once in the 8 years I was Governor.

I come from a school that is old-fashioned. I think if programs are worth having, we should pay for them. If they are not worth

having, we shouldn't have as many of them as we otherwise might like to have. And we will have an interesting debate here in the months ahead over what level of resources we actually need for highways, for bridges, and for transit, and I hope for rail as well.

There is a program that I think is designed to affect small cities, maybe transit-intensive cities. I have a question I want to ask about that. What kind of cities are involved in that? What kind of city do you have to be in order to fall into this category?

Administrator DORN. You have to have a really excellent transit project. That is the first piece. But what we are seeking to do in the President's proposal is to expand the eligibility for the major capital infrastructure piece, the New Starts piece.

We believe that there are lots of opportunities—particularly for smaller and growing cities, but not necessarily only them—to be able to have a cost-effective transit solution without having a fixed-guideway. In other words, you do not need a rail in order to have a cost-effective kind of proposal and project. So, we are expanding the eligibility and increasing the funds for that pool. It is not allocated based on a formula. It is based on a good plan and proposed locally, proposed alternative to build a project that makes sense for that community.

We have had a number of communities who have come to us with a proposed light rail, for example, when what they really want to do perhaps is a bus rapid transit. But they have to follow the path of the money. And the money says it has to be a fixed-guideway.

Our proposal suggests that we broaden the eligibility.

Senator CARPER. All right. Some of these questions have already been asked. It is tough when you get here this late.

We have another hearing going on in the Environment and Public Works Committee that focuses on CMAQ and on conformity.

Administrator DORN. Yes.

Senator CARPER. I apologize for not being here for the rest of the hearing and to hear what was asked of you and what you said.

With respect to flatlining of certain programs, I understand that FTA freezes funding for programs such as the elderly and disabled, for Job Access and Reverse Commute Program.

We are very much involved all over the country in welfare reform. As an old Governor, I got to be the lead Democratic Governor on welfare reform within the NGA and worked to implement welfare reform in my own State as our Chief Executive.

One of the programs—there are really four things that I always found that you needed in order to help move people from welfare to work and to stay off of welfare.

One, you need a job. Two, they need a way to get to the job. Three, they need some help with their child care. And fourth, if you expect people to leave welfare and lose their health care, they are not likely to stick with that for long.

In my own State, and I think in other places around the country, the Job Access and Reverse Commute Program has been really an important part of welfare reform. I just want to know, why don't you put more resources into a program like that, that has a proven track record—we have plenty of people who are still on welfare and we are trying to help them move off.

And I think as time goes by, what we are trying to do is instead of using our Federal tax dollars to give people cash welfare checks, what we are trying to do is to provide supports around them so that the work actually pays more than welfare.

Administrator DORN. You make a very good point, Senator. I think that the JARC Program has been a very successful approach. We are eager to expand the opportunity for other communities throughout the Nation to emulate that approach. And it is a holistic one, as you mentioned, the job, how to get there, the child care, the health care, et cetera, all very important.

In terms of funding levels, it is a matter of priorities and trade-offs. And yes, this is a current services level budget.

We believe that our proposal and how we would administer the program provides a lot more opportunity for coordination amongst other agencies who have, in effect, mega-bucks to do transportation, and we haven't always hooked in with them.

So, we have smoothed the way, I believe, for the State-administered piece of that program to be able to pool some resources from HHS and from Labor programs, so that we can provide transportation more efficiently and to more riders.

It is a current services level, but we do provide opportunities for better coordination so that we can get more services to more riders. I am hopeful that the JARC model will be used for a number of other areas, like elderly and disabled, as well. And you are right, it is a very good program.

Senator CARPER. Mr. Chairman, I would just say to my colleague, Senator Bennett, it used to be in Delaware, people would show up at the welfare office and say, I would like to sign up for welfare and get a check. They do not do that much any more. They come to the welfare office and we say, how would you like to go to work? The same is probably true in your State as well. And people say, I do not know how to get to work. I have a tough time getting to work. This program is actually quite helpful in enabling people not just to receive and be on the dole from all of us, but to actually become self-sufficient and stay there.

Thank you, Madam Administrator.

Chairman SHELBY. If there are no further questions, we want to thank you for your appearance today and thank you for waiting on us while we had the votes.

Administrator DORN. Thank you. No problem.

Chairman SHELBY. We look forward to working with you where we can. But we do have some problems, as you notice from the hearing today, especially that funding formula.

Thank you.

Administrator DORN. Thank you, sir.

Chairman SHELBY. The hearing is adjourned.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

[Prepared statements, response to written questions, and additional material supplied for the record follow:]

**PREPARED STATEMENT OF SENATOR ELIZABETH DOLE**

Thank you, Mr. Chairman. I would like to express my appreciation for your holding this hearing today. Today, the U.S. transit system faces tremendous challenges which we must address as we seek to protect both our citizens and the American freedom of movement. Since the tragedy of September 11, we have looked to our transit system not only for transportation but also as an evacuation system and as a highly vulnerable asset to terrorist attack. We are all in agreement that we should have the safest, most secure transit system possible since this system is essential to the proper functioning of our economy.

Our transportation system is the backbone of our communities, one which we must continually maintain and improve upon so that our communities can properly function and grow. This budget contains a number of new initiatives which seek to assist communities which have not traditionally been served by Federal transit funds. I especially note the higher priority the Administration has placed on rural public transportation; an area which I believe has been too long overlooked. Our rural populations have long been challenged by a real lack of public transportation. In fact, 40 percent of rural counties have no public transit today and this is especially true for southern and western States. This is an area which deserves attention and I applaud the Administration for taking steps to address this problem.

In addition, I want to complement the "small start" initiative in this budget. This recognizes that there is a difference between large and small transit projects by creating an option for smaller projects which may suit a community's needs better. Unfortunately, I believe that the current program has inadvertently created an incentive for communities to build transit based on available funds—not based upon what their needs are. The proposed less complicated rating process would go far to correct this problem.

North Carolina is truly an up and coming State in public transportation. Our communities are taking a fresh look at public transportation as solutions to problems we face with growing congestion and mobility issues. With this increased interest from within the State and my background in transportation, I look forward to working with all my colleagues as we move to reauthorize the TFA-21 law. In addition, I especially look forward to working with my old friend Administrator Dorn and thank her for taking time out of her busy schedule to join us here today.

Thank you.

**PREPARED STATEMENT OF SENATOR JON S. CORZINE**

Mr. Chairman, thank you for calling this hearing to discuss the Administration's proposed budget for the Nation's mass transit needs in the next fiscal year. I welcome Federal Transit Administrator Dorn today and look forward to her testimony.

Mr. Chairman, I have strong doubts that the budget that the Administration has proposed will be sufficient to meet the needs of our Nation's transportation infrastructure. The challenges posed by increased traffic congestion, poor air quality, and an aging road, rail, and bridge network require a strong level of financial commitment from the Federal Government. Unfortunately, I cannot find that level of commitment in this proposal.

With regards to the Administration's 2004 transit proposal, I am equally disturbed by the levels, Mr. Chairman. The Administration has proposed a Fiscal Year 2004 Mass Transit Budget that is \$7.2 billion. That is the same as the Administration's Fiscal Year 2003 Budget request and the same as the Fiscal Year 2003 Omnibus Spending bill that recently passed both Houses of Congress and was signed into law by the President. When you factor in the 2 percent rate of inflation that the Administration projects, it means that then the Administration is proposing a 2 percent cut for transit.

Additionally, there are other aspects of the Administration's transit proposal that I also find disturbing. For example, the Administration proposes a 50 percent cap on Federal funding for New Starts projects. I am afraid that this will have a negative effect on States and localities that do not have the extra funding to pay for a New Starts rail projects. And because the Administration does not propose a similar cap on highway projects, States and localities might be forced to have to choose highway projects over mass transit projects.

I am also disturbed that the Administration proposes to end a key bus program—the Bus Discretionary Program—and use part of the funding to help pay for New Starts. In these tough economic times, we should be doing all we can to provide opportunities for bus travel. By using some bus money for New Starts, we are robbing Peter to pay Paul.

Finally, I would like to take a moment to mention Amtrak. The Administration proposes \$900 million for Amtrak for fiscal year 2004. Amtrak's President David Gunn has said that if he does not get \$1.8 billion for fiscal year 2004, Amtrak will shut down operations. We narrowly averted a shutdown in the last Congress, Mr. Chairman. It disturbs me that we are again playing a game of chicken with the fate of Amtrak in the balance. My State relies on Amtrak more than any other State. If there is a shutdown, it will result in not only the ending of Amtrak's operations in New Jersey, but also the ceasing of many of the operations of New Jersey transit trains that share the same rail network. Seventy-five percent of all NJ Transit commuters—82,000 people—would have to find another way to get to work.

I understand that the Administration's proposal is subject to change. Congress will establish different and hopefully higher highway and mass transit levels for each of the next 6 years. I look forward to doing this as a Member of the Banking Committee.

Thank you.

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#### PREPARED STATEMENT OF SENATOR TIM JOHNSON

As we work to develop a bill this year on transit funding, I want to work with the Committee to address the needs of rural States like South Dakota. While the transit program will and should always have a considerable focus on big cities, rural transit is an area that needs more attention.

Transportation is a fundamental concern in rural America. In every aspect, including highways, public transportation, freight movement, air service, and other needs, the vitality of rural areas depends on viable transportation infrastructure.

The focus of transportation in States like South Dakota is centered correctly on highways and roads. But rural States have unique transit concerns that are not fully addressed. Rural States do receive funding guarantees. However, while 32 percent of the Nation's population lives in rural areas, only 4.2 percent of the Federal Transit Administration's annual budget is devoted to rural transit.

South Dakotans rely heavily on transit. When the populations of Sioux Falls and Rapid City are taken out of the equation—about one quarter of South Dakota's population—2.1 million people use rural transit in my State annually. For a State with such a small population, this is an astounding number. When Sioux Falls and Rapid City are added in, it demonstrates the importance of transit in South Dakota. We have some very low-density areas in our State and yet they need adequate transit service, particularly for senior citizens and the disabled.

Currently, all of the longstanding pressures on rural transit are being compounded by higher fuel and insurance costs. The State of South Dakota came up with over one-half million dollars to fund rural transit last year in addition to the one-half million already committed by the State. With a drought and a slow economy, South Dakota does not have the resources to do that this year.

An adequate investment is required to provide service to meet essential needs. In particular, an adequate level of service is required to provide transit for senior citizens and the disabled to run errands, go to the doctor, and attend to other daily routines. Providing sufficient transit needs would allow residents to live in their homes, remain independent, and not feel forced to go into assisted living. To address this, I am interested in providing each State with a specified minimum level of funding for key programs. It should be considered in a transit reauthorization bill, so that the unique needs of rural areas are met.

Last year, I cosponsored S.2884, which provided a reasonable floor per State under the funding level for the rural program, for the elderly and disabled program, and for small metro areas. Senators Allard, Crapo, Hagel, and Enzi are Members of this Committee who also cosponsored that measure. That bill also clarified the ability to use elderly and disabled program funds for operating assistance and would increase the Federal match for operating costs in the rural program. Western States do not have transit match parity with highways, as the highway match in western States is over 80/20 due to the Federal lands adjustment in the highway program. This adjustment should also apply to the transit program, at least for the rural program, the elderly/disabled program, and small metro areas like Sioux Falls and Rapid City.

S.2884 did not address overall funding levels or how funds should be divided between urban and rural areas. I want to work with Chairman and Ranking Member on this matter. I believe that the key concepts I and others advanced last year should and can be accommodated into our work this year, including: Creating reasonable per State minimums for the rural, elderly and disabled, and small urban

area programs; and modernizing the transit matching ratios to address operating and Federal lands issues.

I look forward to working with all my colleagues to improve rural transit as part of this important legislation.

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**PREPARED STATEMENT OF JENNIFER L. DORN**

ADMINISTRATOR, FEDERAL TRANSIT ADMINISTRATION

U.S. DEPARTMENT OF TRANSPORTATION

MARCH 13, 2003

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today in support of the President's Fiscal Year 2004 Budget proposal for the Federal Transit Administration (FTA). We are looking forward to working with this Committee and with Congress to achieve the goals outlined in our budget request. This budget request reflects a number of important elements of the Administration's reauthorization proposal for surface transportation programs, and I am pleased to be able to discuss those with you today.

The President's Budget is good news for all of us who care about public transportation. In the face of enormous and costly national challenges—fighting terrorism, protecting our homeland, and promoting economic growth—the Fiscal Year 2004 Budget signals the high priority that President Bush and Secretary Mineta place on our national transportation system. I am especially proud that they support sustaining the record \$7.2 billion in Federal investment in public transportation proposed by the President and enacted in the Fiscal Year 2003 Budget.

Public transportation offers a variety of benefits to communities and to the Nation. It contributes to a healthy economy, ensures community mobility, reduces congestion, helps conserve energy, and helps protect the environment. I believe that this budget proposal, particularly when combined with other reauthorization proposals, can position transit to achieve tremendous success in 2004 and beyond. Furthermore, as illustrated in the recently released Conditions and Performance Report, this budget, with equal participation from States and local communities, will keep America on track not only to maintain our transit infrastructure at its current "good" average rating, but to improve it as well.

**Predictable Funding**

Last April, I testified before this Committee regarding the success of TEA-21 and the opportunities we envision to build upon that success. Foremost among these was providing stable, dependable funding streams for transit. Dependable formula funds and full funding grant agreements have significantly improved the ability of transit agencies to finance, to plan, and to execute projects that produce real results for the transit-riding public. As I indicated in my testimony last April, stable formula funds help agencies do more with limited resources because they give financial markets the confidence to support transit investments; give communities an incentive to commit long-term resources; and give community developers the confidence that the transit commitments necessary to support new development will be honored.

It should come as no surprise to this Committee, therefore, that our budget reflects a significant shift away from the uncertainty of discretionary grant programs to more predictable formula-based and multiyear funding programs. In particular, when compared to the recently enacted Fiscal Year 2003 Budget, the President's Proposed Fiscal Year 2004 Budget would:

- Increase by nearly 20 percent (up \$55 million) formula-based transportation funding for rural communities to help address transportation needs in the 40 percent of rural counties that currently have no public transportation services.
- Fund the transportation component of the President's New Freedom Initiative (\$145 million) as a formula program to States in order to provide increased transportation services to better meet the needs of persons with disabilities.
- Increase by 21 percent (up \$263 million) transportation funding for an expanded New Starts Program so that current full-funding grant agreements can be honored, meritorious projects in the pipeline can be funded, and a broader spectrum of cost-effective transportation projects can be accommodated.
- Increase by 22 percent (up \$16 million) formula funding for State and metropolitan planning, technical assistance and training in order to help States and communities take full advantage of recent advances in transportation planning technology.

Through these formulae and multiyear merit-based programs, we will put Federal public transportation dollars to work equitably throughout the Nation, rather than in only half of our States and urban communities who receive bus and bus-related discretionary funds by earmark each year.

#### **Reauthorization Concepts Reflected in the Fiscal Year 2004 Budget**

Predictable funding is but one of the important goals of the programmatic changes proposed in the President's Fiscal Year 2004 Budget. As we developed the budget proposal, we were mindful of the fact that it represents what will be the first year of the reauthorized surface transportation act. In anticipation of this, the 2004 Budget requests reflects the budgetary foundation for the new legislation that will authorize these programs for the next several years. While the final details of the reauthorization proposal are still being cleared within the Administration, there are a number of concepts reflected in our budget that I am pleased to be able to share with the Committee today.

First and foremost, we are proud that this budget proposal promotes common sense transit solutions. We know that this is what American taxpayers want and expect of public transportation, and we want to help every community deliver on this promise. To accomplish this goal, we propose to reduce the number of different program "silos" and formularize all programs except New Starts, so that States and localities have the flexibility they need to fund local priorities. Instead of trying to match projects to specific pots of money, we want States and localities to be able to base their transit decisions on maximizing mobility and creating seamless community transportation networks.

Second, consistent with the President's call for customer-focused, outcome-oriented Government, our budget proposal includes a new ridership-based performance incentive program to encourage A-plus performance in transit. The program will be relatively small the first year—\$35 million in urbanized areas and approximately \$3 million in rural areas. Nevertheless, it will encourage States and urban areas to institute the data collection necessary to measure performance, and focus attention on the issues that matter most to riders and potential riders.

Third, this budget reflects the President's and FTA's determination to keep our commitments, especially to the people who most depend on public transportation for basic mobility. By sustaining Federal funding at the TEA-21 record-high levels, we will be able to continue to provide stable, predictable formula funds to urbanized areas, increase funding for underserved rural communities, honor our multiyear funding commitments under the New Starts Program, and, perhaps most importantly, improve services to the elderly, low-income, and persons with disabilities through coordinated planning and predictable funding.

Finally, this budget supports the President's efforts to champion independence and opportunity for all Americans. It proposes the creation of a new formula program as part of the President's New Freedom Initiative, providing \$145 million for new transportation services to help persons with disabilities have the opportunity to become more fully integrated into American communities. Further, our proposed 20 percent increase in funding for rural communities represents a "downpayment" on our commitment to basic mobility for all Americans.

#### **Sustaining the Mass Transit Account of the Highway Trust Fund**

Before I review the specifics of FTA's budget proposal, I would like to briefly comment on the issue of split-funding transit programs from the Mass Transit Account and the General Fund. Historically, approximately 80 percent of the funding for transit programs has been provided from the Mass Transit Account, with the remaining 20 percent coming from the General Fund of the Treasury. This 80/20 funding split was carried through each FTA program.

Under current accounting practice, FTA's split-funded accounts are drawn-down (or outlayed) immediately and placed in the General Fund. This results in the premature draw-down of the Mass Transit Account, and would, if left unaddressed, result in the depletion of the account by 2007.

The President's Fiscal Year 2004 Budget proposal addresses this issue by funding as many programs as possible from a single source, while maintaining the overall approximate proportion (80/20 percent) of funding between the Mass Transit Account and the General Fund. In particular, we propose to fund formula programs and research activities entirely from the Mass Transit Account; to fund the FTA Administrative account entirely from the General Fund; and to split-fund only the New Starts Program. By minimizing the number of split-funded accounts, we significantly reduce the premature draw-down of the Mass Transit Account, thus avoiding the depletion of that account.

### **Urbanized Area Formula Programs**

Under the President's Budget proposal, urbanized areas will have increased flexibility and more predictable funding. By folding a portion of the former Bus Discretionary Program into the formula program, we propose to ensure that every community can count on a share of these funds each year.

You will note that we propose to move the Fixed Guideway Modernization Program from the Capital Investment Grant Account to the new Formula Grants and Research Account. In doing so, we do not propose to change either the funding level for this program or the formula used to distribute these funds. However, we will accomplish the important goal of increasing local flexibility and administrative ease in the use of these funds from year-to-year. As you may be aware, some communities find that their need for Fixed Guideway Modernization funds can vary substantially from year to year, and the priority they give to other investments also varies. We propose to give communities the flexibility to merge Fixed Guideway Modernization funds with their regular urbanized area formula grant, so that they can make more prudent, cost-effective investment decisions each year. In 1 year, for example, they may choose to invest more in buses; while the following year, they may require a larger expenditure on rail modernization projects. We believe that local decisionmakers should have the flexibility to make long-term investment plans that are not driven by the old programmatic silos. Furthermore, by funding these programs from the same account, a grantee can submit a single application for bus or rail ongoing capital needs and preventive maintenance.

Finally, with regard to urbanized area programs, I would like to highlight our proposal to create a new performance incentive program that will reward those communities that focus on the customer and prove their success in increasing ridership. Participation in this program will be voluntary, and a portion of the Fiscal Year 2004 funds will be available to establish data collection efforts and baseline measurements of ridership among the elderly, persons with disabilities, and low-income individuals. Our intent is to ensure that the ridership incentives do not adversely affect service to these important constituencies.

### **New Starts/Major Capital Investments**

The President's Budget proposes to increase the New Starts Program by 21 percent (\$263 million) over the recently enacted Fiscal Year 2003 amount. This growth is important for two reasons. First, it ensures that we will be able to meet the commitments made under existing full-funding grant agreements and fund the most meritorious projects in the New Starts pipeline. Second, it is critical to achieving our goal of promoting common sense transit solutions. This increase will permit us to fund cost-effective nonfixed guideway transportation corridor solutions, as well as the fixed guideway projects authorized under current law. With today's technology—particularly bus rapid transit—a fixed guideway is not always necessary to create a cost-effective major new or expanded corridor system. Currently, however, by making the inclusion of a fixed guideway a fundamental requirement for a New Starts grant, we encourage communities to consider only these more expensive alternatives. Further, some small and medium-sized communities that would benefit enormously from the creation of new transit options simply cannot generate enough new riders or travel-time savings to justify a more expensive fixed guideway system. I also want to assure the Committee that we will work closely with you and with all of our stakeholders to ensure that, as we make room for these cost-effective non-fixed guideway transit solutions, we do not compromise the intent of the New Starts Program.

In the context of this change, I would also note that we are proposing two additional modifications to the New Starts Program. As you know, under current law, any project requesting less than \$25 million in New Starts funds is exempt from the rigorous New Starts evaluation and ratings process. Unfortunately, experience has demonstrated that early project estimates can be inaccurate. On numerous occasions, project sponsors who intend to seek funds without participating in the project evaluation process suffer serious setbacks when they determine that they do, in fact, require more than \$25 million in New Starts funds. Moreover, small projects that proceed without adequate attention to ridership and financial projections may find themselves in financial difficulty. Therefore, we propose to eliminate the \$25 million exemption in the New Starts Program. Under our proposal, any project that seeks Federal New Starts funds will be required to participate in the New Starts evaluation and rating process. At the same time, we recognize that the complexity of New Starts projects can vary considerably. Therefore, we are proposing that projects requesting less than \$75 million be subject to a simplified evaluation and ratings process. We would utilize the same evaluation criteria established by Congress for

projects seeking more New Starts funds, but develop a less complicated measurement and ratings system for these “small Starts.”

As we enter the next reauthorization period, there are more active New Starts projects than ever before. This undoubtedly reflects the value that communities place on major transit investments to address mobility and congestion issues, and our budget proposal is responsive to this dynamic.

#### **State-Administered Programs**

This year, you will find a new line item in the FTA budget—State-administered programs. Like the urbanized area programs, we are proposing to allocate the non-urbanized area share of the bus program by formula instead of unpredictable discretionary grants. We believe the increased stability and predictability of funding that this change produces will make it easier for States to plan for public transportation investments and to leverage Federal dollars. The uncertainty of continued funding for a program has turned away many private funding partners and human service agencies who seek some level of certainty of funding from year to year.

In addition, we are proposing to allocate by formula to States all of the funds for transit programs that should be closely coordinated with human service programs in a State. Our proposal will continue the Elderly and Persons with Disabilities Program that is currently administered as a formula program to States, and it will create a similar formula allocation of funds for the President’s New Freedom Initiative. In addition, it will make the Job Access and Reverse Commute (JARC) Program a State-level formula program. Currently, JARC is administered as a national competitive discretionary grant program, and, typically, many projects are earmarked in appropriations conference committee reports. The Job Access Program has proven its effectiveness, and should now be made more widely available.

We believe it just makes common sense:

- To give States predictable levels of funding for all three of these programs.
- To give States the tools to leverage their human services transportation funds with their public transportation funds.
- To let each State work with its urban and rural communities to establish funding priorities. The key role of the State in selecting projects would remain as it is today, but State decisions would be based on local community priorities.

#### *Non-Urbanized (Rural) Formula Program*

Over the last year and a half, you have heard me say a number of times that I hoped to increase funding for rural public transportation. The Fiscal Year 2004 Budget makes good on that promise. This budget proposes a nearly 20 percent increase, or \$55 million, in funding for the rural formula program. This is over and above the rural share of bus money and RTAP funds that have historically gone to rural areas. It is a *real* increase in the funds available to rural areas in the formula program. It is needed, and it will be well-utilized, particularly if Congress accepts important program changes reflected in the President’s Fiscal Year 2004 Budget.

In addition, as we have proposed in the Urbanized Area Program, we are proposing the creation of a performance incentive program for rural areas. The program will be voluntary, but we believe that it will not only generate a new focus on transit customers and their needs, but also spur the development of a more rigorous transit database for rural areas.

And, finally, like the urbanized areas, States can now count on predictable levels of formula funding for rural areas from what used to be the Bus Discretionary Program. We believe this will help every community by allowing them to make common sense decisions about longer-term transit investments, and not skew those decisions because of the uncertainty of funding.

#### *Other State-Administered Programs*

Similarly, we have proposed programs for persons with disabilities and for low-income individuals that will provide predictable formula funds to be administered by States, as the Elderly and Disabled Program is now. Specifically, we propose to provide \$145 million for new transportation services to help persons with disabilities access opportunities and services in their communities—a critical component in achieving the President’s goal of fully integrating persons with disabilities into American life.

With this additional program, along with the formularization of the JARC Program, we will not only keep our commitment to, but also will improve services for the elderly, low-income individuals, and persons with disabilities. The absence of predictable funding has frustrated many States that want to leverage other transportation resources provided at the State level through such health and human service programs as Medicaid. In one Northeastern State, for example, the State

Department of Transportation knew it had a solution to helping thousands of welfare recipients who could work, if they could just *get to* work. The State could make its program funds go twice as far if they could get a Job Access grant from FTA, matching it with State Temporary Assistance to Needy Family (TANF) funds for transportation services. But could they assure their State Human Services colleagues that the Job Access funds were really coming? In fiscal year 2002, JARC projects were earmarked in law, and this particular State project was not among them. As a result, the State Department of Human Services obligated its funds to other services.

Even with predictable funding for these important services, we know that finding solutions that work is not always easy. So to help ensure that communities can make informed decisions about priorities and needs, we are also increasing the funds available for planning, administration, and technical assistance. We want the coordinated health, human service, and transportation planning that has been so successful in the Job Access Program to become a common practice in every community. So, we are also proposing that communities establish community-wide funding priorities and a coordinated plan for services to the elderly, persons with disabilities, and low-income populations. These plans will give each community more control over its transit planning—and also make it easier to avoid the creation of costly, duplicate transportation systems. And, as long as the funds are used to serve the intended populations, we intend to ensure that the flexibility to leverage the funding for all of these programs exists. The bottom line is that we want to promote common sense solutions—solutions that will save money, and will result in more and better service to more riders.

#### **State and Metropolitan Planning**

Good planning is critical to every transit program. That is why the President's Budget proposes a 22 percent increase in planning funds for State and Metropolitan Planning Programs in this budget. Not only do we increase funding for basic planning activities, but we are also creating, in conjunction with the Federal Highway Administration, a new Planning Capacity Building Program to provide funds for improving State and local planning methods and technical capacity. Over the last several years, there have been a number of advances in transportation planning—new modeling techniques, technology-based forecasting, and a variety of new planning tools. We want to help all communities take advantage of these important advances.

#### **Conclusion**

Mr. Chairman, in summary, the President's Fiscal Year 2004 Budget proposal lays the groundwork for a reauthorization plan that will build upon the success of ISTEA and TEA-21. There are, of course, many details and additional proposals that are not directly related to the budget, and we look forward to a full discussion of those proposals with you and Members of this Committee when the Administration releases its legislative package. In the meantime, I would be pleased to answer any questions the Committee may have with regard to the Fiscal Year 2004 Budget.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR SHELBY  
FROM JENNIFER L. DORN**

**Performance Incentives**

**Q.1.** The President's Budget includes a recommendation for a new performance incentive program. How will the program work? Would you distribute these awards on a percentage basis or on overall ridership gains?

**A.1.** The performance incentive funds in the Urbanized Area Formula Program (Section 5307) will be apportioned using an administrative formula based on the percentage increase in ridership and accounting for the size of the community. The formula may also take into consideration the efficiency of service provision in the urbanized area. In order to qualify for the incentive, transit systems must ensure that levels of ridership among elderly individuals, individuals with disabilities, or low-income persons are not negatively affected. Because not all systems currently collect data on ridership by these specific populations, a portion of the incentive funds will be made available for enhanced data collection in the initial years of the authorization period.

Because rural transit systems tend to focus their services largely on these "transit dependent" populations and have less administrative capacity, the incentive funds for the Nonurbanized Area Formula Program (Section 5311) will be distributed based on increases in overall ridership. The incentive formula may take into consideration efficiency of service in the nonurbanized areas in the State, as well. The entire amount available for incentives in fiscal year 2004, and a portion of the funds in the next 2 years of the authorization period, will be made available to the States to establish data collection systems, since rural ridership data is not currently reported to the National Transit Database.

The FTA plans to consult broadly and seek public comment on options and plans to implement the performance incentive program prior to implementation.

**New Starts**

**Q.2.** You have testified on numerous occasions that the New Starts Program is oversubscribed. Why not attack the problem of oversubscription by only funding those projects that get a "highly recommended" rating or tighten the requirements for awarding an FFGA?

**A.2.** While I have indicated that there are more projects in the New Starts "pipeline" than ever before, I would not characterize the New Starts Program as "oversubscribed."

Projects that receive a "recommended" rating in the FTA's rigorous New Starts evaluation process have shown themselves to be meritorious. A "highly recommended" rating merely distinguishes certain projects as exceeding the standard for a "recommended" rating. Rather than simply funding only "highly recommended" projects, we believe it is more appropriate to continue to refine the New Starts evaluation process to more fully capture and measure the transportation and economic benefits of proposed projects. In doing so, the FTA and Congress will be able to distinguish among projects and choose the most meritorious.

**Q.3.** What additional measures in your budget or upcoming reauthorization proposal would inject more private capital participation and more public-private partnerships in developing new rail or bus rapid transit projects?

**A.3.** The FTA continues to encourage project sponsors to request a Federal New Starts funding share that is as low as possible and is seeking legislation in this year's budget and reauthorization to limit the Federal New Starts share to no more than 50 percent beginning in fiscal year 2004. This limit and fiscal year 2004 effective date was first proposed in April 2001, as part of the President's Fiscal Year 2002 Budget proposal. We believe this requirement will provide an incentive for project sponsors to seek greater private sector participation in their New Starts projects. Additional information concerning reauthorization proposals to encourage additional private capital participation and public-private partnerships will be available when the Administration's reauthorization proposal is officially released.

**Q.4.** The Fiscal Year 2004 Budget again proposes to reduce the maximum Federal share for New Starts projects to 50 percent. Doesn't the existing rating process already sufficiently reward local funding participation? Why statutorily disadvantage transit projects when compared with highway projects, which can still get 80 percent from the Federal Government? What will the impact be in southern and western States where local project sponsors may not have the fiscal capacity to match the higher level?

**A.4.** We do not believe that reducing the maximum Federal share for New Starts projects to 50 percent will have a significant effect on the ability of transit projects to compete effectively with highway projects. The overall Federal New Starts share for the 21 projects that have been awarded a full funding grant agreement under TEA-21 is 56 percent. Furthermore, projects would be able to continue to utilize other Federal funds, including highway funds that are "flexed" to transit, to cover up to 80 percent of the total project cost. In fact, between 1998 and 2002, \$7.1 billion was transferred from highway programs to transit projects, an average of \$1.4 billion per year.

Twenty New Starts projects located in southern or western States were rated in the Fiscal Year 2004 Annual New Starts Report. Of these, 13 have proposed a Federal New Starts share of 50 percent or less; 5 have proposed a Federal New Starts share between 51 percent and 60 percent; and 2 have proposed a Federal New Starts share over 60 percent. The FTA will continue to work with these project sponsors to identify ways to reduce project costs, "flex" other Federal funds to the project, and/or secure additional State or local funds, as necessary, to lower the Federal New Starts share.

#### **New Freedom Initiative**

**Q.5.** Why is it necessary to create a new program in the "New Freedom Initiative" for persons with disabilities when the Elderly and Disability Program already serves that population?

**A.5.** The New Freedom Initiative Program is intended to provide new transportation services for individuals with disabilities to meet

a wide variety of the unmet transportation needs not being addressed by current services, including those provided under the Section 5310 Program. Unemployment among persons with disabilities is nearly 70 percent, and this population is three times more likely than individuals without disabilities to need public transportation services. The New Freedom Initiative will provide transportation solutions and transportation alternatives that go beyond the Americans with Disabilities Act, including access to employment and employment related services, as well as health and community services.

### **Bus Discretionary Program**

**Q.6.** Aren't you proposing to reduce the amount of funding available for bus needs by taking half of the Bus Discretionary Program funding and moving it over to the New Starts Program?

**A.6.** We propose to eliminate the Bus Discretionary Program. These funds that had been available only to selected communities through Congressional earmarks will be used to increase predictable formula funding and funding for the New Starts Program. At the same time, we propose to expand eligibility under the New Starts Program to include major nonfixed guideway corridor-based transit improvements. This would provide support for Bus Rapid Transit or other major new bus systems that do not require a fixed guideway. Communities could then consider the entire range of appropriate transportation solutions, including corridor-based bus systems, and become eligible for New Starts project funding.

**Q.7.** By "formularizing" these funds, aren't you implying that there are no longer extraordinary needs requiring Congressional action, such as responding to September 11, replacing over-age buses, encouraging purchase of clean fuel buses, and targeting investment to severe nonattainment areas?

**A.7.** The FTA believes that including the bus capital resource in the formula programs is the best way to integrate capital funding with the planning process and to promote sound decisionmaking at the local level. The replacement of over-age buses, the purchase of clean fuel buses, and the provision of adequate maintenance facilities are routine capital needs that every transit operator must address on an ongoing basis. Incorporation of the bus capital funds into the formula programs will allow every transit operator systematically plan for and meet these major capital investment needs, without having to rely on the uncertainties of Congressional earmarks. With the certainty of predictable formula funds as collateral, transit providers can not only plan their major investments, but acquire financing to support them, as well.

An analysis of the Bus Allocations in recent years does not support the assumption that they address extraordinary needs. Almost half of the bus capital program has been used to purchase buses, and 85 percent of those were replacement buses; these are not extraordinary expenses or ones that cannot be planned for. Only 11 percent of the program funding was used for bus maintenance facilities. The remaining 41 percent went to miscellaneous other projects, including park and ride lots, terminals and waiting facilities, bus shelters, transfer facilities, and intermodal centers. These

projects did not always represent the highest capital priorities identified by the transit operator in the area; in fact, some operators were unaware that funds had been appropriated for the purpose identified.

For areas with under 200,000 population, there are statutory provisions that permit funds to be transferred among programs to address one-time needs. For example, a State can reallocate funds among the small urbanized areas within the Governor's apportionment. The funds can also be transferred between the Governor's apportionment and the State's Nonurbanized Area Program apportionment. Major capital needs can also be addressed by transfers from STP or CMAQ funds to transit use.

### **Bus Standardization**

**Q.8.** Given the need to make every dollar of Federal assistance do more in the current fiscal climate, would it make sense to encourage greater use of standardized, performance specifications in rolling stock purchases?

**A.8.** FTA's overall objective with respect to the acquisition of new vehicles is to allow the grantee to determine the most cost-effective solution to meet its minimum requirements. FTA has been supportive of industry efforts to reduce vehicle unit costs through the development of standardized bus commercial terms and technical specifications. For rail vehicles, this type of standardization has primarily occurred at the subsystems and component level, such as communications protocols, event recorders, passenger information, network hardware and software. In addition, the FTA encourages the use of multiple grantee rolling stock procurements, which can reduce the cost per vehicle for participating grantees.

We believe it would be impractical to impose standards on all transit systems or manufacturers, due to the significant physical differences among transit systems (such as the width of tunnels or the existence of hills), significant differences in operational requirements between the larger urban systems and the smaller urban and rural operators, and differing local/State laws and regulations regarding procurements. In addition, we are concerned that the existence of Federal specifications could dampen innovation in the transit industry in important areas like crash-worthiness, brake reliability, or fuel efficiency. Furthermore, the cost of establishing, maintaining, and enforcing Federal standards could outweigh any cost-savings that such standards might achieve.

### **Private Sector Involvement**

**Q.9.** What in the Fiscal Year 2004 Budget provides an improved opportunity to utilize the private sector in the provision of transit service?

**A.9.** There were no specific provisions in FTA's Fiscal Year 2004 Budget proposal intended to improve private sector opportunities in the provision of transit service; such provisions will be part of our reauthorization proposal.

### **Small Transit Intensive Cities**

**Q.10.** The September 2000 study by FTA on small transit intensive cities required by Section 3033 of TEA-21 stated that "sufficient

issues exist to suggest that changes to the existing Urbanized Area Formula Grants Program should be considered to address the needs of transit agencies which provide greater-than-average levels of transit in areas under 200,000 population. Will the Administration's reauthorization proposal contain any proposals to deal with this issue?

**A.10.** The FTA has not recommended any changes to the formula by which urbanized area funds are allocated.

### **Labor Protection**

**Q.11.** Please provide an update on the status of your efforts with the Department of Labor to work cooperatively to ensure Section 5333(b) is not a barrier to efficient and effective service provision.

**A.11.** The FTA continues to work closely with the U.S. Department of Labor (DOL) to ensure that the labor protections mandated by 49 U.S.C. § 5333(b) are not a barrier to our grantees' delivery of efficient and effective public transportation services.

Since 1996, when DOL's current guidelines took effect, we have seen a steady improvement in the administration of the Section 5333(b) requirements. Moreover, FTA has trained DOL personnel in the use of FTA's electronic award and grants system, "TEAM Web," which is now the primary mechanism for FTA grantees to submit grant applications to DOL. The use of "TEAM Web" has enabled DOL to expedite its certifications of grant applications. As specified in DOL's guidelines, FTA provides technical advice and assistance to DOL with respect to the validity of any objections to certification terms submitted by representatives of either transit labor or transit management. This technical assistance is also contributing to the more efficient delivery of Federal grant funds.

- In fiscal year 2002, DOL certified a total of 1,319 grant applications or amendments.
- All but one of the 1,319 were certified within the 60 days contemplated by DOL's guidelines.
- The average certification time was 16 days, including those certified following referral and without referral.
- The average certification time for projects referred was 19 days from the date of referral.
- The one certification that exceeded the 60-day requirement took 63 days to permit conclusion of negotiations by the applicant and affected unions.

A small number of applications (61) submitted to DOL did not provide adequate information, thus DOL put them in an "incomplete" status until the grantees provided the necessary information.

### **RESPONSE TO WRITTEN QUESTION OF SENATOR CHAFEE FROM JENNIFER L. DORN**

**Q.1.** How will the changes to the Urbanized Area Formula Program affect transit funding in the State of Rhode Island, in particular funding for new and existing bus programs?

**A.1.** The State of Rhode Island would receive \$8,945,016 in Urbanized Area Formula resources in fiscal year 2004 under the Administration's proposal. This is a \$101,663, or 1 percent increase over

the fiscal year 2003 enacted level. Funding for Nonurbanized Areas in Rhode Island would increase from \$320,432 in fiscal year 2003 to \$466,716 in fiscal year 2004, a 46 percent increase. We believe these increases in predictable formula funds will make an important difference in the ability of both urban and rural operators to maintain existing services and plan for new bus services in the State of Rhode Island.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED  
FROM JENNIFER L. DORN**

**Resources/Budget**

**Q.1.** While there may be some potential for FTA to do more with less by streamlining its procedures and the like, how do you conform your proposed budget with the fact that the U.S. DOT reports that it will cost \$19.5 billion to maintain current conditions and improve transit performance and State officials believe the same amount would be required simply to maintain conditions?

**A.1.** The Conditions and Performance Report makes long-term projections of investment needs and reports a single “average annual” investment requirement *from all sources* for the entire 20-year period. The 2002 Report estimates that the average capital investment needed to maintain transit conditions and performance is \$14.8 billion annually. Due to a variety of factors, including the fact that the amount of transit infrastructure to be maintained will grow as new investments are made, the estimated investment needs in the near-term are, as one would expect, measurably lower than the projected investment needs in the out-years. The model projects that, in 2004, \$12.1 billion in capital expenditures would maintain current conditions and performance.

Between 1990 and 2000, total transit capital investment spending from all sources doubled, from \$4.5 billion to \$9.1 billion. The considerably faster pace of growth in local spending drove down the Federal share of capital investment substantially over the decade, from 58.1 percent in 1990 to 47.2 percent in 2000. FTA’s Proposed Budget for Fiscal Year 2004 requests Federal capital investment funding of approximately \$7 billion. This level of Federal funding, combined with projected State and local funds, is projected to be sufficient to not only maintain conditions and performance, but to begin to improve transit conditions and performance, as well.

**Q.2.** The President’s Budget assumes an inflation factor of 2 percent. Does your budget keep pace with that? Does it keep pace with the demands of your projected ridership increase of 1.5 percent?

**A.2.** The Fiscal Year 2004 Budget for FTA sustains the record \$7.2 billion funding level authorized for fiscal year 2003 by TEA–21. We believe that the program streamlining and consolidation we are proposing will make Federal funding go further to help meet the growing demand. In addition, over the 6-year life of the next authorization, the President’s Budget proposes a 26 percent increase in FTA funding over the TEA–21 guaranteed level of \$36.3 billion for that authorization period. For rural areas, our program restructuring and proposed 20 percent increase in funding from fiscal year 2003 to fiscal year 2004 is designed to focus more resources on areas with unmet transit needs.

The estimated average annual capital cost for the 20-year period from 2001 to 2021 to maintain transit conditions and performance is \$14.84 billion per year (expressed in year 2000 dollars). This figure represents the investment required from all sources—Federal, State, and local governments. This estimated funding level would allow transit to keep the conditions and service quality at current levels, while growing ridership at the modest 1.6 percent per year average rate included in the Metropolitan Planning Organizations' long-range plans.

**Q.3.** During your testimony and response to questions you mentioned that over the life of the Administration's TEA-21 reauthorization proposal that transit resources would increase 26 percent. Is that for transit alone or all transportation activities?

**A.3.** The President's Fiscal Year 2004 Budget proposes transit funding over the next authorization period (fiscal year 2004 through fiscal year 2009) of \$45.8 billion. This is a 26 percent increase over the TEA-21 guaranteed level of \$36.3 billion.

#### **Transit Security and Terrorism**

**Q.4.** It is my understanding that prior to the transfer of the Transportation Security Administration from the Department of Transportation to the Department of Homeland Security that the FTA and the TSA were supposed to sign a Memorandum of Understanding on transit security. Has the memorandum been finalized? If not, what is delaying this agreement?

**A.4.** Before the transfer of TSA to the Department of Homeland Security, FTA and the other modal administrations worked with TSA to draft Memorandum of Understanding (MOU) that were intended to more formally define the working relationships between TSA and other DOT modal administrations. The Department of Transportation is committed to maintaining a close partnership with TSA on transit matters, and believes that consistent collaboration and cooperation will avoid both overlaps and gaps in our security efforts. Given the practical working relationship that has emerged, it is no longer clear that a Memorandum of Understanding is necessary.

#### **Fuel Cell and Hydrogen Powered Buses**

**Q.5.** Is there anything in the FTA's budget request for a hydrogen fuel cell bus program?

**A.5.** The FTA would anticipate funding research related to hydrogen fuel cell buses under the National Research and Technology Program. Among the important undertakings in this area, the FTA is working with the Department of Energy to ensure that the research and infrastructure necessary for fueling and maintaining fuel-cell-powered buses will help support and augment the research and infrastructure necessary for fuel-cell-powered automobiles and light trucks.

#### **Rural**

**Q.6.** Why do 40 percent of rural areas lack transit? Why don't these States flex their Federal highway dollars to meet this demand for transit?

**A.6.** Many small cities and rural counties now have viable transit systems that provide essential mobility for riders who are primarily elderly, persons with disabilities, and low-income individuals. These systems also provide essential access to medical and social services, and to jobs. The remaining areas that do not yet have transit service include some of the most difficult areas in which to provide service. Low population density, far-flung regional facilities, rugged terrain, and difficulty in securing local matching funds are some of the difficulties that these rural transit markets face. In addition, in the heavily auto-dependent rural culture, local political leaders may not always be aware of the need for transit and the benefits to the community.

States have also used flexible funds to pay for rural transit. Since flexible funds became available in fiscal year 1992, a total of 30 States have transferred \$229.1 million to the Nonurbanized Formula Program. And flex funds accounted for 10.5 percent of FTA obligations under the Nonurbanized Formula Program during the period 1992–2002. In fiscal year 2002, 21 States transferred a record high \$42.2 million for rural transit. Flex fund transfers continued to increase at the same time that the guaranteed funding level for rural transit under TEA–21 increased. These increases in funding have resulted in making transit service more effective and more widely available in rural areas. This success has, in turn, demonstrated the benefits of rural transit and laid the foundation for introduction of service in many of the remaining markets.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR CARPER  
FROM JENNIFER L. DORN**

**Budget Level**

**Q.1.** The flat budget request submitted by the FTA for 2004 defers the necessary investment needed to meet the system preservation requirements identified in the DOT’s own “Conditions and Performance Report.” Won’t deferring these expenses simply add to the cost of maintaining and improving our transit services in the years to come? As someone with experience in dealing with Amtrak and their needs, I know the outcome of deferring Federal support for capital investments and I certainly hope that we would not follow a similar path.

**A.1.** The Conditions and Performance Report makes long-term projections of investment needs and reports a single “average annual” investment requirement *from all sources* for the entire 20-year period. The 2002 Report estimates that the average capital investment needed to maintain transit conditions and performance is \$14.8 billion annually. Due to a variety of factors, including the fact that the amount of transit infrastructure to be maintained will grow as new investments are made, the estimated investment needs in the near-term are, as one would expect, measurably lower than the projected investment needs in the out-years. The model projects that, in 2004, \$12.1 billion in capital expenditures would maintain current conditions and performance.

Between 1990 and 2000, total transit capital investment spending from all sources doubled, from \$4.5 billion to \$9.1 billion. The considerably faster pace of growth in local spending drove down the

Federal share of capital investment substantially over the decade, from 58.1 percent in 1990 to 47.2 percent in 2000. FTA's proposed budget for fiscal year 2004 requests Federal capital investment funding of approximately \$7 billion. This level of Federal funding, combined with projected State and local funds, is projected to be sufficient to not only maintain conditions and performance, but to begin to improve transit conditions and performance, as well.

**Q.2.** Where needs significantly exceed available funding as in our current transit program, the ability to shift money from one need to another is no substitute for additional resources into the program. While I am supportive of State flexibility, I think it needs to be accompanied by adequate resources. Could eliminating specific program funding categories and pitting competing programs against one another without adding more resources lead to lower funding for important, but perhaps less popular or glamorous, programs? How would we prevent this?

**A.2.** There seems to be some confusion about whether the FTA is proposing to "consolidate" or "combine" programs for older adults, persons with disabilities, and low-income persons. We are not proposing a program consolidation; FTA proposes to maintain separate programs for the Job Access and Reverse Commute, New Freedom Initiative, and Elderly and Disabled grants. Funding for each of these programs will be allocated to every State by formula that includes a minimum allocation for each program. States will allocate these funds to urban and rural transit providers throughout the States. The funding for each program must be used for its intended purpose.

We believe that State administration of these grant programs will foster greater collaboration and greater coordination with other transportation-related programs administered at the State level, including transportation services funded through Medicaid and the Temporary Assistance for Needy Families Program, and result in increased transportation services at lower cost.

**Q.3.** Why is the Administration allocating additional resources in its 2004 request to the highway program, yet only maintaining the current transit program funding levels (which is in essence, a decrease including inflation) when we see equally high demand for both programs? Shouldn't we grow both programs? Or perhaps subject the highway programs to a 50 percent non-Federal match to spread Federal highway funding to more beneficiaries in the face of such high demand? If that makes sense for transit, why not highways?

**A.3.** In the face of enormous and costly national challenges—fighting terrorism, protecting our homeland, and promoting economic growth—the Fiscal Year 2004 Budget signals the high priority the President places on our national transportation system. Our Fiscal Year 2004 Budget sustains the record \$7.2 billion in Federal investment in public transportation provided in fiscal year 2003, and draws upon both the Mass Transit Account of the Highway Trust Fund and the General Fund. Highway funding, in contrast, is drawn solely from the Highway Trust Fund, which can support additional spending in fiscal year 2004.

With respect to the Federal matching share, the New Starts Program is a discretionary grant program, and as such FTA is required by law to consider the level of local funding when rating New Starts projects. In contrast, the Federal-Aid Highway Program is a formula program. No Federal decisionmaking criteria are required or applied to the distribution of these funds. This is similar to FTA's formula grant programs that have a statutory match of 80 percent Federal and 20 percent local funds.

#### **Flatlining of Certain Programs**

**Q.4.** FTA freezes funding for programs such as the Elderly and Persons with Disabilities and Job Access and Reverse Commute Programs that are generally regarded as highly successful. In my State and across the Nation, the Job Access and Reverse Commute Program has been an essential part of welfare reform. Without transportation, a job, health care, and child care, welfare recipients face tremendous barriers to entering the workforce. Why does FTA not put more resources into programs with a record of success?

**A.4.** The level of funding requested in the President's Budget for fiscal year 2004 remains at the fiscal year 2003 funding level for the Elderly and Persons with Disabilities Program; however, the President's proposed budget would provide \$25 million more than Congress appropriated in fiscal year 2003 for the Job Access and Reverse Commute (JARC) Program. In addition, the President has proposed a new program, the New Freedom Initiative, to be funded at \$145 million that will provide additional transportation services to persons with disabilities. Furthermore, the budget proposal includes a number of provisions that will enhance services to populations served by these programs. FTA is proposing to distribute funds for all of these programs by formula in order to provide an equitable and predictable stream of funds to each State for these purposes. States will suballocate funds for all three of these programs based on coordinated community planning and project proposals to ensure a collaborative approach to meeting the needs of the populations served by these programs.

We have also proposed to allow other Federal funds, such as Medicaid and Temporary Assistance to Needy Families, to be used to match FTA funds under each of these programs, just as the JARC Program currently permits. We believe that this will foster partnerships at the State and local level to plan, to fund, and to operate services that meet the transportation needs of the elderly, persons with disabilities, and low-income individuals. In addition, up to 15 percent of each State's annual apportionment can be used for planning, technical assistance, and administrative costs to further enhance collaboration and coordination among all relevant stakeholders.

Finally, we are proposing a funding increase of 20 percent for the Nonurbanized Area Program. While services under this program are for the general public in nonurbanized areas, 32 percent of the riders in rural areas are older adults, low-income, or persons with disabilities.

### **Transportation Spending Creates Jobs**

**Q.5.** It is my understanding that an investment of \$23,810 in transportation creates one job, in addition to the infrastructure improvements that the project is creating. Using the Administration's own inflation estimate, the cost of simply increasing the transit program at the rate of inflation is \$144 million. That \$144 million would create 4,788 jobs. Why does the Administration not support at least keeping this program constant with the rate of inflation and in the process creating nearly 5,000 jobs?

**A.5.** The current level of Federal investment in public transportation is \$7.2 billion, which represents a 56 percent increase over 1998 funding levels. Between 1998 and 2003 the inflation rate has been less than 1.9 percent per year, as reflected by the Implicit Price Deflator of the U.S. Gross Domestic Product. Over the past 6 years, public transportation funding has increased at a much faster pace than inflation.

The President has proposed to maintain this record level of funding for public transportation in fiscal year 2004. Given the vast and costly challenges we face as a Nation—particularly the fight against terrorism and protection of our homeland—we believe that the Fiscal Year 2004 Budget signals the high priority President Bush and Secretary Mineta place on our national transportation system.

### **Small Transit-Intensive Cities**

**Q.6.** The FTA study on the Urbanized Area Formula Program and the Needs of Small Transit Intensive Cities that was mandated by Section 3033 of TEA-21 identified 75 communities in 30 States between 50,000 and 200,000 population that would be considered "transit-intensive." The American Public Transportation Association has proposed a \$35 million "tier" within the Section 5307 Formula Program that would distribute funds to these communities using a formula that would reward their levels of transit intensity, as indicated in the FTA study, compared with the average transit intensity of their larger counterparts. Do you consider this a reasonable and equitable solution to the significant and unique capital needs of these communities?

**A.6.** FTA does not advocate a change in the formula by which urbanized area funds are distributed. We believe current provisions of the law provide States with the flexibility to address any unique needs in these communities. For areas under 200,000 population, the law permits funds to be transferred among programs to address one-time needs. For example, a State can reallocate funds among the small urbanized areas within the Governor's apportionment. Funds can also be transferred between the Governor's apportionment and the State's nonurbanized area program apportionment. Major capital needs can also be addressed by transfers from STP or CMAQ funds to transit use.

Furthermore, changes proposed by the Administration can provide additional flexibility and resources to meet unique needs in these areas. Under the Administration's proposal, States will administer not only the Elderly and Disabled Program, but also the Job Access and Reverse Commute Program, and the New Freedom

Initiative. These funds are to be suballocated to local areas based on need and local funding priorities. Additionally, the Administration will be proposing a number of changes that will simplify the administrative and grant requirements for small urbanized and for nonurbanized areas.

**Q.7.** Administrator Dorn, you have indicated your support for program changes that would reward transit agencies that demonstrate significant ridership increases. Is the Bush Administration also considering ways in which to reward communities with high levels of current service that might not have the capacity or resources to absorb higher ridership, particularly in areas under 200,000?

**A.7.** The relatively modest proposed incentive program is intended to focus attention on the key transit outcome—increased ridership. There are a variety of ways that communities can improve ridership without investing in additional capital equipment, including improvements to routes, customer relations, route information, and reliability. While we appreciate that some communities have higher ridership levels than average, our goal is to encourage efforts to improve ridership in every community. We believe current formulas and provisions that permit the transfer of funds among programs appropriately recognize those communities that have higher than average transit use.

**Q.8.** The current FTA capital grants formula for transit agencies serving populations over 200,000 includes incentives for high levels of service, but the formula for urbanized areas under 200,000 only distributes funds according to population and population density. In the absence of Federal recognition of the funding needs of small transit intensive communities, how would you suggest these areas meet their current transit needs in the face of declining revenues, and increasing rider demand and responsibilities in areas such as handicapped accessibility and air quality?

**A.8.** The Administration does not propose a change in the funding formula for urbanized areas under 200,000. However, we will be making proposals to streamline administrative requirements for smaller areas to allow transit operators to spend less time and money on administration and more on the service provision. Our reauthorization proposal will also include provisions to enhance coordination with human service transportation programs and provide new sources of matching funds, thus increasing the resources available for services to persons with disabilities, older adults, and low-income populations.

A number of provisions under current law provide the States with the flexibility to balance the needs of the smaller urbanized areas by transferring. For example, funds can be transferred within the Governor's apportionment for cities under 200,000 population and between the Nonurbanized Formula Program and the Governor's apportionment. Furthermore, there is no limit on the amount of FTA funds that can be used for operating assistance in the small urbanized areas.

One source of funding for small urbanized areas that has not been tapped as fully as it might be is CMAQ and STP funds that can be transferred to transit programs. While \$8.5 billion was transferred to transit between fiscal years 1992 and 2002, only

\$273.1 million of that was for cities between 50,000 and 200,000 population. In contrast, the States transferred \$682.9 million for use in areas under 50,000 and \$737.7 million for cities between 200,000 and 1,000,000 population. All but three States have made some use of flexible funding to support transit programs.

**Oversight Tools**

**Q.9.** I am aware of the thorough rating system and other oversight tools the FTA uses to ensure we make sound and efficient investments in our transit system. As we look to ways to focus our dollars on the best transportation projects through reauthorizations of TEA-21, can these tools be applied to help oversee spending and projects in other modes, such as highways?

**A.9.** The FTA is proud of its New Starts project rating process and its financial and project management oversight programs to effectively manage our capital transit investments. These activities have proven to be invaluable tools in both the evaluation of potential funding candidates and in the ongoing monitoring of current capital projects. An assessment of the applicability of a similar system to the highway program would be best made by the Federal Highway Administration.