

**STATEMENT OF NORMAN Y. MINETA  
SECRETARY OF TRANSPORTATION**

**BEFORE THE**

**COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS  
UNITED STATES SENATE**

**REAUTHORIZATION OF SURFACE TRANSPORTATION PROGRAMS**

**JUNE 10, 2003**

Chairman Shelby, Senator Sarbanes, and Members of the Committee: Thank you for the opportunity to appear before you today to discuss the Administration's proposal to reauthorize our surface transportation programs -- the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003, or "SAFETEA."

Nothing has as great an impact on our economic development, growth patterns, and quality of life as transportation. This is equally true at the national, State, and local levels. A safe and efficient transportation system is critical to keeping people and goods moving and cities and communities prosperous. Reauthorization will supply the funds and the framework for investments needed to maintain and grow our vital transportation infrastructure. In addition to improving the quality of our lives and enhancing the productivity of our economy, our proposed legislation seeks to place a central focus on transportation safety.

Under SAFETEA, States would receive more resources to address their own, unique transportation safety issues; would be strongly encouraged to increase their overall safety belt usage rates; and would be rewarded for performance with increased funds and greater flexibility to spend those funds on either infrastructure safety or behavioral safety programs. With the increased funding, States would be encouraged and assisted in their efforts to formulate comprehensive safety plans.

Our Nation's transportation system obviously faces significant challenges in other areas as well. Our proposal will create a safer, simpler, and smarter Federal surface transportation program by addressing transportation problems of national significance, while giving State and local transportation decisionmakers more flexibility to solve transportation problems in their communities.

SAFETEA calls for a record Federal investment in surface transportation, spending over \$201 billion on highway and safety programs, and nearly \$46 billion on public transportation programs, from fiscal year 2004 through fiscal year 2009.

## **Building on the Legacies of ISTEA and TEA-21**

Thanks in large part to the hard work of many of you and your predecessors, SAFETEA builds on the tremendous successes of the prior two surface transportation reauthorization acts. Both the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), with which I am proud to have played a role, and the Transportation Equity Act of the 21<sup>st</sup> Century (TEA-21), provided an excellent framework to tackle the surface transportation challenges that lie ahead.

ISTEA set forth a new vision for the implementation of the Nation's surface transportation programs. Among other things, ISTEA gave State and local officials unprecedented flexibility to advance their own goals for transportation capital investment. Instead of directing outcomes from Washington, DC, the Department shifted more of its focus to giving State and local partners the necessary tools to solve their unique problems while still pursuing important national goals. SAFETEA not only maintains this fundamental ISTEA principle, it goes further by giving States and localities even more discretion in key program areas.

TEA-21's financial reforms have proven equally significant. By providing certainty, predictability, and of course, increased funding, TEA-21 paved the way for State and local transportation officials to undertake strategic transportation improvements on a record scale.

TEA-21 achieved this by reforming the treatment of the Highway Trust Fund to ensure that, for the first time, spending from the Highway Trust Fund for infrastructure improvements would be linked to tax revenue. The financial mechanisms of TEA-21 — firewalls, Revenue Aligned Budget Authority (RABA), and minimum guarantees — provided greater equity among States in Federal funding and record levels of transportation investment. SAFETEA maintains the core TEA-21 financial structure, while moderating the wide swings in program levels that resulted from the RABA mechanism. In addition, we are proposing that RABA apply to public transportation programs, as well as highway programs.

## **Funding for Public Transportation Programs**

SAFETEA is the largest proposed Federal commitment in the history of public transportation, representing a 28 percent increase over the funding levels of TEA-21. SAFETEA continues to fund transit programs through both General Fund appropriations and funds available from the Mass Transit Account of the Highway Trust 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. Under current accounting practice, the Federal Transit Administration's (FTA) split-funded accounts are drawn-down (or outlayed immediately) and placed in the

General Fund. This results in the premature depletion of the Mass Transit Account, and would bankrupt the account by 2007 if not corrected.

SAFETEA 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 draw-down rate of the Mass Transit Account, thus avoiding the depletion of that account.

In addition, funds from the Mass Transit Account would be guaranteed by budgetary firewalls. Beginning in FY 2006, authorizations for public transportation funding from the Mass Transit Account of the Highway Trust Fund will be adjusted (increased or decreased) whenever the mass transit firewall amount is adjusted to reflect actual receipts or more recent estimates of Mass Transit Account revenue. That is to say, the budget authority will be aligned with the revenue. The adjustment would be applied proportionately to all Federal transit programs receiving funding from the Mass Transit Account. Adjusting public transportation program funding levels each year to reflect the latest information on receipts into the Mass Transit Account is critical to ensuring that all of the dollars actually collected will be spent on transit programs.

We are well aware that funding issues are and will continue to be a matter of debate. As that debate progresses, it should not be permitted to cloud a meaningful and necessary discussion of the many programmatic reforms contained in SAFETEA, especially reforms of public transportation programs.

### **Commonsense Transit Solutions**

SAFETEA promotes commonsense transit solutions by reducing the number of different program “silos” and formularizing all programs except New Starts. This will give States and localities the flexibility they need to fund local priorities. We want States to maximize mobility and create a seamless community transportation network, not try to match projects to specific pots of money.

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.

In light of these important benefits, SAFETEA proposes a shift to dependable formula and capital funding and a larger New Starts program by restructuring FTA programs into three major categories:

- Urbanized Area Public Transportation Formula Grants Program.

- Major Capital Investment Program.
- State Administered Formula Grant Programs, which include Other than Urbanized (rural) Areas; Special Needs of Elderly Individuals and Individuals with Disabilities; Job Access and Reverse Commute; and the New Freedom Initiative.

**Urbanized Area Public Transportation Formula Grants Program.** Under SAFETEA, 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, improving their ability to make longer-term investment plans and to acquire financing for these plans, if necessary.

We also propose to move the Fixed Guideway Modernization Program from the Capital Investment Grant Account to this formula program. 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.

Communities should have 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. In one 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 decision-makers 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 would submit just a single application for bus or rail ongoing capital needs and preventive maintenance.

**Major Capital Investment Program.** Under SAFETEA, the Major Capital Investments Program would be limited to the New Starts program, but would expand that program to provide capital assistance for new non-fixed guideway corridor systems and extensions that meet the New Starts criteria, as well as new fixed guideway systems and extensions. Under the 6-year SAFETEA authorization, \$9.5 billion would be made available for the New Starts Program, an increase of 55 percent over the TEA-21 funding level of \$6.1 billion. This increase is necessary to ensure that there is adequate funding to meet existing Full Funding Grant Agreements (FFGA) and other meritorious projects in the pipeline. Approximately 20 percent of the funds for this program would be available from the Mass Transit Account of the Highway Trust Fund with the remaining 80 percent appropriated from the General Fund.

Projects seeking \$25 million or less in New Starts funding would no longer be exempt from the evaluation and rating 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 set-backs when they determine that they do, in fact, require more than \$25 million in funding from New Starts. Moreover, small projects that proceed without adequate attention to ridership and financial projections may find themselves in financial difficulty. In addition, elimination of this exemption will deter project sponsors from dividing corridor transportation systems into artificially small segments in order to avoid the New Starts evaluation process. 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 New Starts process. We would utilize the same evaluation criteria established by Congress for projects seeking more than \$75 million in funding from New Starts, but reduce the number of New Starts hurdles and simplify the evaluation process for these projects.

FTA has, for a number of years, encouraged project sponsors to lower their Federal share requests in order to be competitive with other projects in the New Starts pipeline. Over the last 10 years, the overall New Starts share for projects with FFGAs has averaged approximately 50 percent. SAFETEA would statutorily set the maximum Section 5309 share for a New Starts project at 50 percent. However, thirty percent of the project cost could be from other Federal funds that are eligible to be expended for transportation. This requirement would encourage New Starts sponsors to develop projects with the highest feasible local share and allow us to fund a greater number of meritorious projects in the future. In addition, it gives communities an even greater stake in ensuring that the return on investment in these projects is as high as possible.

Finally, the Administration has proposed to expand New Starts eligibility to permit the funding of cost-effective, non-fixed guideway corridor transit systems. FTA has always funded meritorious public transit projects, but the current statute restricts New Starts funds to projects that utilize a fixed guideway. Fixed guideway projects are critical to public transportation and they will continue to be eligible for funding, but worthy projects that propose lower-cost non-fixed guideway solutions also deserve consideration. With today's technology – particularly bus rapid transit – a fixed guideway is often not the most cost-effective method of providing new or expanded corridor systems. The current rules encourage communities to choose a more expensive fixed guideway system in order to qualify for a New Starts grant.

Moreover, some small and medium-sized communities that would benefit enormously from the creation of new transit options simply cannot generate enough riders or travel-time savings to justify a more expensive fixed guideway system. We will work closely with Congress 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.

**State-Administered Formula Grant Programs.** SAFETEA also seeks to promote common sense transit solutions by giving States and communities the opportunity to determine how they can best serve populations that rely heavily on public transportation, including many rural residents, older adults, persons with disabilities, and low-income riders.

Currently, an estimated 40 percent of rural counties have no public transportation, and in many other rural areas, only limited service can be provided. Yet, rural residents rely heavily on public transit when it is available. Therefore, like the urbanized area program, 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. Almost \$2.3 billion will be provided over the life of SAFETEA for the non-urbanized formula program, an 87 percent increase over the TEA-21 level.

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, but were not able to 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 there was no assurance that the Job Access funds were really coming? In FY 2002, Job Access and Reverse Commute (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.

To address these problems, SAFETEA proposes 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. We believe that, if States and communities are to effectively meet public transportation needs, we must provide dependable resources and eliminate the barriers to effective coordination. 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 funding for the President's New Freedom Initiative.

The New Freedom Initiative will provide new transportation services for persons with disabilities that go beyond the requirements of the Americans with Disabilities Act. In addition, SAFETEA will make the JARC program a state-level formula program. Currently, JARC is administered as a national competitive discretionary grant program, and, typically, many projects are designated in appropriations conference committee reports. The JARC program has proven its effectiveness; it should be made more widely available and provided through a stable, predictable funding mechanism.

Even with predictable funding for these important services, we know that finding solutions that work is not always easy. 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 have been so successful in the Job Access program to become a common practice in every community. As a result, we are asking communities to 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 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.

We look forward to more success stories like that of the Virginia's Northern Shenandoah Valley Public Mobility Project, which formed a coalition of 15 human service and non-profit organizations to coordinate transportation services for their clients. These clients include individuals with mental or physical disabilities, elderly individuals, and individuals participating in back-to-work programs. Through a coordinated transportation service delivery plan, the number of monthly trips increased by 58 percent, and the costs dropped by almost 18 percent per trip. The bottom line is that we want to let communities implement common sense solutions that will promote independence and economic opportunity – solutions that will save money, and result in more and better service to more riders.

### **Performance Incentives.**

Consistent with the President's call for customer-focused, outcome-oriented government, SAFETEA includes a new ridership-based performance incentive program to encourage A+ plus performance in transit. The program will be relatively small for the first year - \$35 million in urbanized areas and approximately \$3 million in rural areas. Over the course of SAFETEA, however, the program will provide nearly \$1.3 billion in incentive awards to top performing transit systems.

The many benefits of public transportation cannot be measured in terms of miles of track, number of buses, or the capacity of rail cars. If the buses and trolleys and rail cars are empty, we will not have achieved increased mobility, reduced air pollution, or improved our economy. The benefits of transit depend on riders. Participation in this program would be voluntary.

Providers that receive urbanized area or rural formula funds and prove their success by increasing ridership will be eligible for incentive grants. This program will encourage States and urban areas to institute the data collection necessary to measure performance, but more importantly, focus their attention on the issues that matter most to riders and potential riders.

To ensure that services are not shifted away from transit-dependent populations that are somewhat more costly to serve, urbanized areas that experience a significant decline in public transportation patronage by individuals with disabilities, the elderly, or low-income persons would not be eligible for a performance incentive award.

The Department recognizes that rural transit operators have not been required to report on overall ridership, and urban transit systems are not required to report ridership by population group. During the first three fiscal years of this initiative, a portion of the funds would be available to assist States and urban areas to institute the data collection necessary to measure performance, so that they can participate in the incentive award program.

### **Simplified Program Requirements.**

SAFETEA includes a number of important changes to ease the regulatory burden on all transit grantees, but especially on small, rural, and non-profit grantees whose administrative capacity can be strained by burdensome rules and program requirements. Among the specific requirements affected are Buy America, labor certifications, and drug and alcohol testing. SAFETEA in no way undermines the intent of the current regulations, but rather is intended to ease the burden of compliance, particularly for small grantees.

**Buy America.** We propose to ease the paperwork and regulatory burden on all grantees by excluding all manufactured products except rolling stock (buses and railcars) from the Buy America requirements. This change comports with the current Buy America rules under the Federal-aid highway program. SAFETEA will further help smaller grantees by eliminating the requirement for pre-award and post-delivery audits of Buy America compliance for private non-profit operators and grantees serving urbanized areas of less than one million people. These grantees will still be required purchase rolling stock under Buy America rules.

**Labor Certifications for Rural Operators and Non-Profit Operators.** We propose to enact into law the Department of Labor's (DOL) current practice of using a Special Warranty to ensure fair and equitable arrangements protecting the interests of employees of rural operators. Further, in order to provide consistent requirements for non-profits regardless of which source of program funds they receive, SAFETEA proposes to extend the Special Warranty provision to recipients of Job Access, Elderly and Disabled and New Freedom Initiative funds. The proposal also includes, however, a provision to give the Secretary of Transportation the authority to, on a case-by-case basis, waive the requirement for a Special Warranty for a private non-profit operator.

**Drug and Alcohol Testing Program.** SAFETEA would give the Secretary of Transportation the authority to exempt from FTA testing requirements those public transportation providers that are adequately covered under other Federal or Departmental testing statutes or regulations, such as the U.S. Coast Guard's testing requirements applicable to ferryboat employees.

**Fewer Grant Applications.** By combining programs under accounts that reflect the type of grant recipient, we have also paved the way for the submission of a single grant application for several grants. Urbanized areas will be required, for example, to submit only one application to receive both their regular formula and fixed guideway modernization formula funds. For both urban and rural areas, the formularization of the bus program will eliminate the need to make separate grant applications for those funds. In addition, Job Access funding requests will be submitted through a single, simplified State application. These reductions in “electronic paperwork” will ease administrative workloads throughout the system.

### **Other Important Initiatives.**

**The Transportation Planning Process.** Good transportation planning is essential to understanding the mobility problems communities face, identifying appropriate solutions, and making decisions on the investment of these funds. The resulting decisions contribute directly to the efficiency of our National transportation system, the accessibility of our people to jobs and other activities, the health of our economy, and the quality of our environment.

Over the 6-year authorization of SAFETEA, funds available for State and metropolitan planning (\$822 million) will more than double the amount provided under TEA-21 (\$365 million). With 76 new urbanized areas designated as a result of the 2000 Census, additional funding will be needed to help support at least 40 new Metropolitan Planning Organizations (MPOs), as well as a number of existing MPOs whose geographic scope was significantly expanded. MPOs are responsible for preparing long-range and short-range plans for transportation improvements in their metropolitan area.

This work involves ongoing public involvement, analysis of travel trends and forecasts, the assessment of community and environmental impacts, and financial planning to ensure that programs are financially feasible. In metropolitan areas, only projects that are formally adopted by the MPO are eligible for funding under FTA and FHWA programs.

SAFETEA proposes to combine the long-range metropolitan plan and the shorter term Transportation Improvement Program into a single plan. Other changes will improve the linkage between the transportation planning and project development processes, which will ultimately enhance transit project delivery.

In addition, we are proposing to create a new Planning Capacity Building Program, jointly funded by FTA and FHWA, to improve State and local planning methods and technical capacity. Over the last several years, there have been new and increased demands placed on the planning process--more emphasis on freight planning, land use linkages, security, safety, performance-based planning, and operations planning. We want to help all communities take advantage of these important advances by

highlighting best practices, sponsoring peer-to-peer exchanges, providing training, conducting special workshops, and other activities.

**Federal Lands Transportation.** On May 30, 2001, President Bush announced the National Parks Legacy Project, a series of proposals to enhance the protection of America's national parks and increase the enjoyment of those visiting the parks. Each year, there are over 900 million visits to national parks, forests, and wildlife refuges.

In support of the President's National Parks Legacy Project, a new Federal Lands Transit Program would also be established. This new transit program will provide \$150 million in funding over the life of SAFETEA. The proposal would authorize the Secretary of Transportation, in consultation with the Secretary of the Interior, to make grants, contracts or other agreements to carry out qualified planning or capital projects in, or in the vicinity of, a Federally owned or managed park, refuge, or recreational area that is open to the general public.

**Project Delivery.** The President and I believe that we can and must protect our environment while improving the efficiency of transportation project delivery, consistent with the President's Executive Order on Environmental Stewardship and Transportation Infrastructure Project Reviews. We all know that it takes far too long to move a transportation project from concept to completion, and the Administration is committed to streamlining this process. Projects that were cutting edge while in the concept stage too often end up turning into "catch-up" projects after years of delay.

The Department has made great progress in addressing those delays related to environmental review, including better coordination during the environmental review process, and other improvements that have resulted from implementing the President's Executive Order on Environmental Stewardship that was issued last fall. However, certain legislative changes are necessary.

In the environmental review area, SAFETEA provides a menu of solutions, all of which should help reduce the time it takes for a sponsor to deliver a transportation project. These include: delegating categorical exclusions to States; clarifying the role of States or project sponsors in expedited review procedures, particularly regarding the establishment of time periods for environmental reviews; limiting the filing of court appeals to no more than six months following a Federal decision; and reforming Section 4(f) of the Department of Transportation Act to include consistent and appropriate criteria.

**Technology.** While virtually every other industry in the world has gone through a technological revolution, transportation still lags behind in the area of technology deployment. SAFETEA continues to foster the research, development, and implementation of Intelligent Transportation Systems (ITS) technologies but places a much greater emphasis on using these technologies to improve the performance and operation of transportation systems in a way that directly benefits transportation customers. SAFETEA mainstreams the ITS deployment program and offers

performance incentives to States and localities that successfully implement technology to improve the overall management of their transportation systems, including their public transportation systems.

**Intermodal Facilities.** Despite their critical role in the surface transportation system, intercity buses have been largely a “forgotten mode.” SAFETEA addresses this anomaly by establishing requirements to improve intercity bus access to significant intermodal facilities. Our proposal also authorizes a \$425 million grant program to fund capital improvements related to such access.

**Fuel Tax Evasion.** Evasion of Federal fuel taxes is a serious and growing problem that requires an equally serious Federal response. This has been, I know, a major concern of Congress. SAFETEA reduces legal loopholes and dedicates more resources to a collaborative government-wide enforcement effort. If we are successful in curbing fuel tax evasion, it has the potential to increase resources for investment in the entire transportation system.

### **Conclusion**

Mr. Chairman, this legislative proposal builds upon the principles, values, and achievements of ISTEA and TEA-21, yet recognizes that there are new challenges to address. We urge Congress to reauthorize the surface transportation programs before they expire on September 30, 2003. Any delay would cause uncertainty and likely reduce infrastructure investment at the State and local levels at a time when such investment is particularly critical.

With stable formula funding, streamlined programs, performance incentives, and simplified administrative requirements, our communities will be in a better position to leverage the Federal investment in public transportation and provide Americans with common sense solutions to meet their transportation needs.

Thank you, Mr. Chairman, for giving me the opportunity to testify, and I look forward to working with Congress to pass this legislation. I would be happy to answer any questions you or other members of the Committee may have.