Statement of
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Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today in support of the President's Fiscal Year (FY) 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 FY 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 FY 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, plan, and 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 multi-year funding programs. In particular, when compared to the recently enacted FY 2003 budget, the President's proposed FY 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; and

- 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 formula and multi-year 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 FY 2004 Budget

Predictable funding is but one of the important goals of the programmatic changes proposed in the President's FY 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 multi-year 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 "down payment" 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 FY 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 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 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 FY 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 FY 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 non-fixed 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 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 set-backs 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; and
- 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've heard me say a number of times that I hoped to increase funding for rural public transportation. The FY 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 the important program changes reflected in the President's FY 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 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 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 FY 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 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 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, 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 FY 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 FY 2004 budget.