

# Federal Financing for Transportation After 1972

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The topic, "Federal Financing for Transportation After 1972," demands first of all some comment on the "1972 National Highway Needs Report," and the proposals transmitted to Congress by the secretary of transportation, with that report. Before I delve into that subject, I would like to present to you a brief quotation from another recent statement by the secretary of transportation. This is from Secretary Volpe's speech on March 22, 1972, at Wichita State University.

## ENVIRONMENTAL IMPACT STOPS LARGE PROJECTS

"This administration," Secretary Volpe said, "is deeply committed to environmental protection. And in transportation we have made the hard decisions necessary to back up our beliefs."

### *Kennedy Airport Extension Stopped*

"We have determined not to provide federal financial aid for extension of Kennedy International Airport into Jamaica Bay—an area considered an ecological treasure.

### *Airport and Interstate Jobs Stopped*

"In my hometown, Boston, a \$15 million airport expansion project has been halted. We deleted 11.7 miles of interstate expressway in New Hampshire that was slated to run right under the nose of the Old Man of the Mountain."

### *New Orleans Riverfront Expressway Stopped*

"Environmental impact caused us to withdraw support from the Riverfront Expressway in New Orleans, which would have endangered the historic French Quarter."

### *Everglades Jetport Stopped*

"In Florida, we halted construction of the Miami-Dade County Jetport on the northern fringes of the Everglades National Park."

### *Projects Stopped Dismaying*

Secretary Volpe went on to say that these are just a few of the hard decisions which the Department of Transportation has made. We applaud the Department of Transportation's (DOT) courage in making the hard decisions which it believes to be right. Nevertheless, it is very dismaying to hear departmental officials continually list among their accomplishments a program of progress consisting of a long list of projects that DOT has stopped.

Let me make it perfectly clear, I have not quoted the secretary out of context. You will find very little in his Wichita speech, or other speeches, about specific projects that have been completed. On the other hand, you will find quite a lot about specific projects that have been stopped.

### DOT FIGHTS SOME OPPOSITION

In complete fairness, I should add that the Department of Transportation is frequently on the other side of the fence. DOT is advocating the construction of a road or an airport which other agencies, both public and private, are opposing. Generally speaking, it seems to me, that this is the proper role of DOT. It is intended to be primarily a "go" agency—a mover and a builder of things. Other agencies of government, such as the National Environmental Protection Agency, are, by their nature, "stop" agencies. They serve as the counterweight against the "go" agencies.

### ENVIRONMENTALISTS OPPOSE MONTANA ROAD

Let me call your attention to an article which appeared in the *New York Times* on March 27, 1972. This article relates to the construction of a road which is to provide access to the Big Sky Golf and Ski Resort in Montana. Chet Huntley, the former NBC newscaster, conceived the project and put together the financing. The highway into the Big Sky area was proposed by the governor of Montana as a federal-aid project eligible for additional federal financing as an economic growth center highway.

### *DOT Not State Should Make Environmental Studies— Environmentalists*

The project has been approved by the Federal Highway Administration and an environmental impact statement has been filed by the Montana State Highway Department. The opponents of this highway are trying to have this project stopped. They argue that DOT—

*not* the Montana Highway Department—should have the responsibility of filing the environmental impact statement!

*Slight Chance of Impact Study on all Federal Aid Projects*

This objection seems ridiculous, inasmuch as the Montana Highway Department is the owner of the highway. However, a legal precedent is cited involving a state power authority. This agency submitted an application for a power line license, together with an environmental impact statement. In that case, the court held that the Federal Power Commission was required to submit an impact statement. There seems to be some chance—hopefully only a very small one—that the courts might require a federal impact statement for every federal-aid project.

OBSTACLES FOR CONSTRUCTION INCREASE

These items are mentioned as an introduction to my comments on future federal-aid financing for transportation. They help to underline the point that there is many a slip between a congressional authorization or appropriation and the actual construction of a project. The obstacle course which every project must run is becoming considerably more difficult.

*New Airports Near Large Cities—Nearly Impossible Now*

The statement has been made by competent airport authorities that there is very little chance of building a new major airport in this country under the present ground rules. If the proposed airport is close enough to a major city to be economically feasible, it will surely fail to meet the environmental requirements. This is particularly true with respect to noise levels. The situation with respect to urban expressways is almost as bad.

HOW TO ORGANIZE AN ADEQUATE NATIONAL TRANSPORTATION PROGRAM?

Therefore, what would you do if you were the secretary of transportation? Your policy and planning people advise you that the transportation requirements of the United States need to be doubled within the next 20-year period of time. How would you set out to organize an adequate national transportation program that had at least a fighting chance of success? I believe that you will agree that it would be a very frustrating experience.

### *Operating Subsidies for Railroads, Buses and Rail Transit Considered*

The very large capital investment requirements for our total transportation system are well known. In addition, this administration has had to consider the wisdom of providing operating subsidies to prevent the collapse of railroad passenger service and, in many cities, local bus and rail transit lines.

#### *Permanent Subsidies for Railroad Passenger Service?*

In the case of railroad passenger service, federal operating subsidies were combined with a national reorganization, known as AMTRAK. It was hoped that improved service would result in increased patronage. AMTRAK has run out of money and is currently seeking a congressional authorization of \$170 million just to remain operational for another year. It would appear that a permanent subsidy may be necessary to keep railroad passenger service alive.

#### *Urban Transportation Industry Annual Deficit—\$400 Million*

Meanwhile, the urban transportation industry has likewise been recording serious operating deficits. The industry, as a whole, broke even in 1965—with profits on some lines balancing the deficits from other lines. Since then, however, the situation has worsened steadily. The industry's annual deficit now approximates \$400 million. The bus company serving Norfolk—Virginia's largest city—has just notified the city council that it will go out of business sometime this year unless financial aid is forthcoming. Numerous other cities apparently will be without public transportation soon unless somebody provides operating subsidies.

#### *Federal Money for Buses but not Mass Transit Operating Subsidies*

A bill to provide federal funds for this purpose has been passed by the Senate by an overwhelming vote. House approval appears likely sometime shortly after the current Easter recess. The administration, thus far, has opposed operating subsidies for mass transit. This position is based on the principal that subsidies cannot be justified as a federal expenditure unless they will lead to some *permanent* improvement in transit service.

## SPECIAL TRANSPORTATION REVENUE SHARING

### *Decision Making Shifted to State and Local Governments*

The administration has not looked with favor on the mass transit subsidy bill. However, such subsidies could be made under the administration's special transportation revenue sharing plan. The central

idea of special transportation revenue sharing is to shift the entire decision-making responsibility to state and local governments.

*Congress not Showing Much Interest in Revenue Sharing*

This would result in a total elimination of the federal-aid highway program, the federal-aid airport program, and the urban mass transportation program as we know them today. Federal-aid funds could be spent for any transportation-related purpose, subject, of course, to federal controls with respect to the environment, civil rights, and so forth. Special transportation revenue sharing was submitted to Congress about a year ago. To date, it has attracted very little interest on Capitol Hill.

NEW PLAN HAS SOME FEATURES OF SPECIAL  
TRANSPORTATION REVENUE SHARING

The administration has now come back with another proposal. This plan includes some, but not all, of the features of special transportation revenue sharing. Secretary Volpe has testified that special transportation revenue sharing would be very desirable eventually. As he said, it is not dead, but only dormant at this time.

*Interstate Money Would be Reduced*

Meanwhile, the newest plan is worthy of some discussion. First, the interstate program would be reduced from the current authorization rate of \$4 billion per year to \$3.25 billion in fiscal years 1974 and 1975 and to \$3 billion thereafter.

*Single Urban Fund for Highway and  
Urban Mass Transportation Programs*

Second, the highway and urban mass transportation programs in urbanized areas of more than 50,000 population would be combined into a single urban fund. Beginning with fiscal year 1975, the highway trust fund would support both the urban mass transportation program and the highway program. The single urban fund would start at \$1.85 billion, increasing to \$2.25 billion by the fiscal year 1976.

*Urban Mass Transportation Would Have to  
Compete for Highway Trust Fund Money*

This part of the proposal has raised some objections from some of the urban mass transportation people. They would be able, at long last, to tap the highway trust fund. However, they would have to give up the urban mass transportation program, which is currently funded at \$1 billion a year. Therefore, instead of having some assured

funding, they would have to compete with the highway agencies for every federal dollar.

*Single Urban Fund Divided Into Three Parts*

The single urban fund would be divided into three parts. Forty percent of the money would go directly to the urbanized areas. Forty percent would be administered by state governments, but expended only in the urbanized areas. The remaining 20 percent would be allocated at the discretion of the secretary of transportation. The discretionary fund would be, essentially, rail transit money.

*"Select" and "Supplemental" Systems for "Primary" and "Secondary"*

For the rural areas and urban places of less than 50,000 population, the administration proposes a restructuring of the federal-aid primary and secondary systems. In order to help everyone understand that these are, indeed, different from the existing systems, the administration proposes new names. They would call them the "select" and "supplemental" systems instead of "primary" and "secondary."

*New Federal Aid System Would be Smaller Than Present*

The new "select" system would be about 22 percent greater in mileage than the present federal-aid primary system. The new "supplemental" system would have about one half of the mileage of the present secondary system. Taken together, the result would be a federal-aid system considerably smaller than the present system, with the shortening accomplished mainly by reducing the mileage of local and secondary roads. This reorganized federal-aid rural system would be funded at a level of \$800 million per year.

*Plan Would Include "Rural General Transportation Fund"*

Finally, the plan would include a "Rural General Transportation Fund," authorized initially at \$200 million a year. This money would help to take care of the highway needs on roads not included in the reorganized system. This money could also be used for mass transit projects in cities and towns of less than 50,000 population.

*70-30 Matching Basis Except for Interstate*

All of this money, except the interstate funds, would be made available on a 70-30 matching basis. All of the funding would be limited to capital improvements only. "Buy the buses, but do not pay the bus driver," is another way of expressing it. There are several fundamental objections to the administration's plan, not all of them expressed by the same people.

### *Rail Rapid Transit May Be a Big Loser*

As I have already suggested, the urban mass transportation industry would have to pay a high price for the privilege of tapping the highway trust fund. The big loser in terms of total dollars, some believe, would be rail rapid transit. The arithmetic looks like this:

For the fiscal year 1973, the urban mass transportation program is budgeted at \$1 billion. According to one reliable report, about \$600 million of that total will be divided up among five or six large metropolitan areas for rail transit construction. Under the proposed new arrangement, the secretary of transportation would have \$370 million in his discretionary fund, practically all of which would be applied to rail transit funding. The metropolitan areas would also have their share of the single urban fund but, even so, the amount of federal aid available for rail transit construction in the big cities would probably be diminished.

### *Majority of Highway People Discontented With Plan*

The majority of highway officials and people in the highway industry are also quite discontented with this plan. Opening up the highway trust fund for nonhighway purposes is seen as a bottomless proposal, leading to a widespread dissipation of highway dollars. It appears quite evident that far less money would be available for farm-to-market and other secondary roads.

### *Some Encourage Decentralization of Populations*

Some of the members of the House Public Works Committee have expressed grave concern over the concentration of effort being proposed for the large urban centers. They suggest that it ought to be the national policy to encourage decentralization of population rather than encourage urban development. This can come about only by providing job opportunities in the smaller communities. Obviously, one way to encourage economic growth in the smaller communities is to provide these areas with adequate transportation.

### *Highways Are Main Lifeline of Medium and Small Cities*

AMTRAK, in its effort to make rail passenger service economically viable, has discontinued passenger service in many small and medium size cities. The airlines, despite the tremendous growth of the industry, have generally not been eager to provide service to small communities. Profitable airlines can afford to operate a certain amount of feeder operations at a loss, since the tributaries being revenue passengers into the main hubs where they transfer onto profit-making

routes. However, whenever an airline is suffering a recession, it will cut out unprofitable service.

The fact is that large numbers of small and medium size cities are without passenger service, either by rail or by air. Highways are their economic lifelines and will continue to be so for the foreseeable future.

## NEW ARBA CONSTITUTION—NO NEGLECT OF NONHIGHWAY MODES

About two years ago, the American Road Builders' Association rewrote its constitution to clarify its purpose as an advocate of highways, airports and urban public transportation. We remain essentially a highway organization, because the highway program is much larger than the airport and urban public transportation programs combined. However, our efforts do not neglect the nonhighway modes.

### *Total Transportation Needs Too Big for Highway Trust Fund*

We think that this point is very important. We believe that *more money* is needed for the *total program*. The transportation construction industry supports this position. We do not support the adage of, "Robbing Peter to pay Paul." Total transportation needs in this country are far too great to be financed at the present level of funding and totally from the highway trust fund as it is now constituted.

### *Use Separate Funding for Urban Mass Transportation*

The urban mass transportation program will prosper best if it has its own assured source of funding. In my opinion this funding should be separate and distinct from the federal-aid highway program with its highway trust fund.

### *Highway Program Can Help by Building Bus Facilities*

Of course, the highway program can lend a great deal of assistance to urban mass transportation. Too many highway officials have been over-conservative in this respect in the past. They have been reluctant to spend public money for reserved bus lanes, fringe parking and exclusive bus ways. The 1970 highway act made possible the use of federal-aid funds for bus-oriented projects. However, the stipulations that were included in the act have made it almost impossible to get such a project approved. In our recent testimony, we recommended that these stipulations be removed, and I believe that Congress will accept this suggestion.



### *Rail Transit Systems Require Motor Vehicle Facilities*

In the Washington area, a new rail transit system is currently under construction. Many residents have been both surprised and alarmed to learn that large volumes of street traffic, both bus and private automobiles, are anticipated in the vicinity of the rail transit stations. They are also surprised that parking facilities will be required. These good people somehow had the mistaken impression that the advent of the subway would put total transportation neatly underground and that highway congestion would immediately vanish.

### *Transit Systems Will Generate Highway Requirements*

The fact is that the transit system will generate substantial highway requirements. The Virginia Highway Department estimates that it will spend \$35 million alone—not including federal aid—for transit oriented improvements throughout its portion of the Washington subway system. Obviously, the programs fit together, whether we are talking about rail transit or bus transit. This, however, does not imply that consolidated funding is necessary or desirable.

## CONCLUSION

### *All Federal Aid, Except Interstate, 70-30 After July 1, 1973*

As we all know, the interstate highway program is financed on a 90-10 basis. Other federal-aid programs vary in financing from 75-25, to 70-30, to  $\frac{2}{3}$ - $\frac{1}{3}$ , to a 50-50 ratio; after July 1, 1973, all federal-aid highway projects, with the exception of the interstate system, will be financed on a 70 percent federal 30 percent local matching ratio.

### *Suggested That Urban Mass Transit, Airport Program Also Go 70-30*

It seems to me that we would be wise to change the urban mass transit ratio, currently  $\frac{2}{3}$ - $\frac{1}{3}$  and the federal-aid airport program ratio, currently 50-50 to the same 70-30 matching ratio at that time. This would mean that highway, airport and public transportation needs would then be financed on the same basis. This would then let local governments determine their transportation priorities strictly on the basis of need and not where they can get the most federal dollars.

### *At 70-30—46 Percent More Construction*

Reducing the local share of only 30 percent will result in 46 percent more construction for the same amount of local dollars. Such a plan makes good sense and hopefully will relieve some of the burdens now facing local governments in providing their matching shares for federal-aid projects.

*Push for More Funds for Total Transportation Development*

There are several essential points that must be driven home to local elected officials, state legislators, governors, members of Congress and the executive branch of the federal government:

We are not allocating enough public funds for total transportation development. In the long run, failure to do so will result in a total breakdown of our transportation system, with severe economic consequences. To some extent, it may be possible to scrimp on capital investment programs over the short run. Cutbacks and slowdowns in the program are costly and even disastrous to some segments of the transportation construction industry.

When the slowdown becomes a matter of long-term public policy, however, then the whole transportation system itself is in peril. It is this permanent damage to our economic system that we must avoid. Hopefully you share these views and will strongly support adequate funding for all modes of transportation in the future in order to meet these needs.