

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

*File - Urban
Mass Transit
(your)*

Center
Transportation

December 13, 1968

MEMORANDUM FOR MR. NIMETZ

Subject: DOT draft bill

We have just received the attached draft bill and accompanying material from Alan Boyd which would establish an urban mass transportation trust fund.

In ordinary course we would circulate the bill for interested agency comments. Before we do so, do you have any thoughts on whether it should be circulated or on other aspects of its handling?

Wilf Rommel

Wilf Rommel
Assistant Director for
Legislative Reference

Attachments

*P.S. You remember you asked for a copy
when it came in. W.*



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

DEC 13 1968

Eno

Center for
Transportation

Honorable Charles J. Zwick
Director, Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Zwick:

In my letter of October 17, 1968 summarizing the Department of Transportation's program budget estimates and recommendations, I indicated that the Department was at work on a major new mass transportation program and promised that we would submit recommendations to you shortly.

I am pleased to submit herewith a draft bill, "To establish an Urban Mass Transportation Trust Fund and for other purposes", a section-by-section analysis of the bill, and a detailed justification of the proposals contained in the bill. Letters to the Speaker of the House and the Vice President will be prepared as soon as agreement has been reached on the program to go forward.

In summary, the proposed legislation would:

1. Establish an Urban Mass Transportation Trust Fund coterminous with the Highway Trust Fund;
2. Commit portions of the automotive excise tax to the Trust Fund to support a gradually increasing program: FY 1971 - \$300 million; FY 1972 - \$400 million; FY 1973 - \$500 million and FY 1974 - \$600 million;
3. Amend the Urban Mass Transportation Act to (a) permit advance acquisition of right-of-way, and (b) permit acquisition of excess land for development by or through the local transit agency for the purpose of recouping transit capital costs;
4. Amend the relocation provisions of the Act to bring them up to the standards enacted in 1968 for the Federal-Aid Highway Program;
5. Modify the loan and grant provisions of the Act to make them more flexible; and

6. Increase capital grant funds not subject to the 12-1/2 percent limitation on the allocation to any State.

The Department does not consider the creation of an Urban Mass Transportation Trust Fund and the earmarking of auto excise taxes as absolutely essential to the substantive objectives of the program. Our basic purpose here is to secure adequate funding over a sufficient period to allow State and local governments to prepare plans and make commitments that are prerequisite to meeting their urban transportation development objectives.

Obviously a straightforward and logical approach would be four-year contract authority supported by general fund revenues. We have rejected this approach and recommend instead a trust fund and earmarked revenues because the Congress has been consistently unwilling to guarantee financing without the creation of a mechanism that will guarantee the collection of needed revenues and limit program obligations to the revenues available.

A variant of the contract authority -- general fund approach would be similar to that operative in the public housing program. Commitments made during a stipulated period would be met by Federal annual contributions extending over 40-50 years to service principal and interest on local bonds, whether tax exempt or taxable. This scheme would control expenditures, but it would not assure revenues. Moreover, administrative expenses would be higher and surveillance problems greater than under the proposed plan. The only advantage of this variant would be reduced current outlays during the early years of the program.

As to sources of revenue, arguments can be made for and against any source that might be tapped to support the Trust Fund. At least the auto excise tax has the advantages of being in existence already (although it would have to be extended and increased in later years) and of not diverting funds already committed to the Highway Trust Fund as "user charges". Moreover, the case can be made that improvements in mass transportation substantially benefit auto users by reducing highway congestion. Other possibilities considered were:

a. Gasoline tax -- substantially less than one cent (yield is approximately \$750 million for each cent of tax) would raise the required revenues, but would encroach upon a revenue source that State and local governments view as their own for financing highway construction. In addition, as you know, the gasoline tax is watched vigilantly by highway interests; in recent years even efforts to

increase the gas tax to complete the Interstate System without delay have failed totally.

b. Other new or existing taxes -- sufficient revenues could be earmarked from almost any existing or new tax but it would be difficult to establish even the semblance of a user or beneficiary relationship. This applies, for example, to a tax on electric power. Most consumers of power, as such, would be totally uninterested in transit and no apparent relationship exists between electric power consumption and public transit expenditures.

It is possible that transferring the burden of the TOPICS and Fringe Parking Programs to the Mass Transportation Trust Fund would weaken the opposition to commitment of the auto excise tax as support for urban mass transportation programs. Heretofore, highway interests have looked upon these programs as an encroachment upon sources available to finance highway construction. But this is highly conjectural. It is also possible that acceptance of the trust fund idea for mass transit financing, especially if a trust fund should also be established to finance airports and air navigation facilities, would create support for a flexible multi-purpose Urban Transportation Trust Fund (similar to transportation block grants). Since this is also conjectural and is to be considered in the study the Department is undertaking in connection with the 1970 Highway Needs Report, we have not proposed it here.

The staff of the Department is available to discuss the proposal with members of your staff. I look forward to receiving your concurrence in the submission of draft legislation to the Congress.

Sincerely,

signed Alan S. Boyd

Alan S. Boyd

Enclosures

12-9-68

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Center for
Transportation

A BILL

To establish an urban mass transportation trust fund and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress finds that the rapid urbanization and the continued dispersal of population and activities within urban areas has made the ability of all citizens to move quickly and cheaply an urgent national goal; that new directions in the Federal assistance programs for urban mass transportation are imperative if efficient, safe and convenient transportation compatible with soundly planned urban areas is to be achieved; and that success will require substantially greater and assured Federal financial participation to permit confident and continuing local planning, and greater flexibility in program administration to conserve scarce resources and to take account of widely varying local conditions. It is the purpose of this Act to create a partnership which permits the local community, through Federal financial assistance, to exercise the initiative necessary to satisfy its mass transportation requirements.

TITLE I - URBAN MASS TRANSPORTATION
AMENDMENTS OF 1969

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Sec. 101. Section 3 of the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.), as amended, is amended to read as follows:

"(a) The Secretary is authorized, in accordance with the provisions of this Act and on such terms and conditions as he may prescribe, to make grants or loans (directly, through the purchase of securities or equipment trust certificates, or otherwise) to assist States and local public bodies and agencies thereof in financing the acquisition, construction, reconstruction, and improvement of facilities and equipment for use, by operation or lease or otherwise, in mass transportation service in urban areas and in coordinating such service with highway and other transportation in such areas. Eligible facilities and equipment may include land (but not public highways), buses and other rolling stock, and other real and personal property needed for an efficient and coordinated mass transportation system. No grant or loan shall be provided under this section unless the Secretary determines that the applicant has or will have (1) the legal, financial, and technical capacity to carry out the proposed project, and (2) satisfactory continuing control, through operation or lease or otherwise, over the use of the facilities and equipment. The

Secretary may make loans for real property acquisition pursuant to subsection (d) upon a determination, which shall be in lieu of the preceding determinations, that the real property is reasonably required in connection with a mass transportation system and that it will be used for that purpose within a reasonable period. No grant or loan funds shall be used for payment of ordinary governmental or nonproject operating expenses.

"(b) No loan shall be made under this section for any project for which a grant is made under this section. However, loans may be made for projects as to which grants are made for relocation payments in accordance with section 7, and project grants may be made notwithstanding the fact that the real property involved in the project has been or will be acquired as a result of a loan under subsection (d). Loans under this section shall be subject to the restrictions and limitations set forth in paragraphs (1), (2), and (3) of section 202(b) of the Housing Amendments of 1955, except that the Secretary may provide for the waiver or forgiveness of the payment of interest on up to 100 percent of any loan made for real property acquisition under subsection (d) when, in his judgment, waiver or forgiveness will further the objectives of this Act and is in the public interest. Notwithstanding the provisions of section 203 of the Housing Amendments of 1955, loans may be made under this section only out of the urban mass transportation trust fund established in Title II of this Act.

"(c) No financial assistance shall be provided under this Act to any State or local public body or agency thereof for the purpose, directly or indirectly, of acquiring any interest in, or purchasing any facilities or other property of, a private mass transportation company, or for the purpose of constructing, improving, or reconstructing any facilities or other property acquired (after the date of enactment of this Act) from any such company, or for the purpose of providing by contract or otherwise for the operation of mass transportation facilities or equipment in competition with, or supplementary to, the service provided by an existing mass transportation company, unless (1) the Secretary finds that such assistance is essential to a program, proposed or under active preparation, for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, (2) the Secretary finds that such program, to the maximum extent feasible, provides for the participation of private mass transportation companies, (3) just and adequate compensation will be paid to such companies for acquisition of their franchises or property to the extent required by applicable State or local laws, and (4) the Secretary of Labor certifies that such assistance complies with section 13(c) of this Act.

"(d)(1) The Secretary is authorized to make loans under this section to States or local public bodies and agencies thereof to pay the entire cost of acquisition of real property for use as rights-of-way, station sites, and related purposes, on urban mass transportation systems, including the net cost of property management and relocation payments made pursuant to section 7. Repayment of amounts loaned shall be credited to the urban mass transportation trust fund. If a grant is made under subsection (a) for a project involving real property acquired through a loan under this subsection, the grant proceeds may be applied against the loan. Each loan agreement under this subsection shall provide for actual construction of urban mass transportation facilities on acquired rights-of-way within a period not exceeding ten years following the fiscal year in which the agreement is made. Each agreement shall provide that in the event acquired real property is not to be used for right-of-way purposes, an appraisal of current value will be made at the time of that determination, which shall not be later than ten years following the fiscal year in which the agreement is made. Two-thirds of the increase in value, if any, over the original cost of the real property will be paid to the Secretary for credit to the urban mass transportation trust fund.

"(2) The Secretary is authorized to make loans under this section to States or local public bodies and agencies thereof to pay the entire cost of acquisition of property adjacent to and in reasonable proximity to existing or proposed rights-of-way,

station sites, or other facilities, on urban mass transportation systems, including the net cost of property management and relocation payments made pursuant to section 7, where the use of the property for development or redevelopment to a higher use is anticipated, and its acquisition will enhance the ability of the urban mass transportation system to serve the planned development of the urban area. Repayments of amounts loaned shall be credited to the urban mass transportation trust fund. If a grant is made under subsection (a) for a project related to any real property which has been acquired through a loan under this subsection, the grant proceeds may be applied against the loan. However, the cost of real property which has been acquired through a loan under this subsection may not be included as an item in a project for which a grant is made.

"(A) When real property acquired pursuant to this subsection is leased or sold, the lessee or purchaser shall be obliged to operate or develop the property to the uses and in the manner specified in the loan agreement, as originally executed or subsequently modified; and the State or local public body or agency thereof shall pay to the Secretary, under terms and conditions prescribed by him, two-thirds of the increase in value of the real property. The increase in value shall be computed as follows:

"(i) where the real property is sold before the date of institution of new mass transportation

service on the right-of-way adjacent to the property, the difference between that sale price, which must be approved by the Secretary after appraisal, and the cost of the property when acquired by the State or local public body or agency thereof; or

"(ii) where the real property has not been sold before the date of institution of new mass transportation service on the right-of-way adjacent to the property, the difference between the appraised value of the property at a time not later than three years after institution of new mass transportation service and the cost of the property when acquired by the State or local public body or agency thereof.

The appraisal shall take into account the effect on the value of the real property of the anticipated mass transportation service and of the land use and zoning specified in the loan agreement, and such other factors as the Secretary may prescribe.

"(B) Amounts repaid shall be credited to the urban mass transportation trust fund, and shall be used by the Secretary to reduce the Federal share of the net project cost of any grant under this Act which is made, or may be made, for a project on the urban mass transportation system for which the loan under this subsection has been made. The State or local share of the increase in value of the real property shall be

applied first to reduce the State or local share of the net project cost of any grant under this Act which is made, or may be made, for a project on the urban mass transportation system for which the loan under this subsection has been made. Any part of the State or local share of the increase in value of the real property remaining after application to the net project costs shall be held in reserve by the State or local public body or agency thereof until such time as the Secretary determines that such public body or agency will not in the foreseeable future be the recipient of a capital grant under this Act. In the absence of this determination, and in the event a capital grant under this Act is made, the amount held in reserve will be applied to reduce the local share of the net project cost.

"(3) Loans for the purposes described in subsections (d)(1) and (d)(2) may be made independently, or concurrently, or concurrently with a loan or grant made under subsection (a)."

Sec. 102. (a) Subsection 4(a) of the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.), as amended, is amended by inserting the following immediately before the word "no" in the first sentence thereof:

"and except for loans pursuant to subsection 3(d),".

(b) Section 4 of the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.), as amended, is amended by adding the following new subsections:

"(c) To finance grants and loans and administrative costs under this Act there is hereby authorized to be obligated not to exceed \$300,000,000 for the fiscal year ending June 30, 1971; \$400,000,000 for the fiscal year ending June 30, 1972; \$500,000,000 for the fiscal year ending June 30, 1973; and \$600,000,000 for the fiscal year ending June 30, 1974. Amounts authorized to be obligated under this subsection shall be available for obligation during the fiscal year for which they were first authorized and shall remain available until obligated. There shall also be available for obligation during any fiscal year such net additions to the urban mass transportation trust fund as have been paid to the Secretary as the proceeds of increased property value pursuant to loans made under subsection (d)(2) of section 3.

"(d) There are hereby authorized to be appropriated, out of the urban mass transportation trust fund, such amounts as may be necessary to liquidate obligations incurred as authorized by subsection (c)."

Sec. 103. Section 7 of the Urban Mass Transportation Act of 1954 (49 U.S.C. 1601 et seq.), as amended, is amended to read as follows:

"(a) The Secretary shall not make any grant or loan under section 3 of this Act for any project which will cause the displacement of any person, business, or farm operation unless he receives satisfactory assurances from the State or local public body or agency that--

"(1) fair and reasonable relocation and other payments shall be afforded to displaced persons in accordance with subsections (d), (e), and (f);

"(2) relocation assistance programs offering the services described in subsection (g) shall be afforded to displaced persons; and

"(3) within a reasonable period of time prior to displacement there will be available, to the extent that can reasonably be accomplished, in areas not generally less desirable in regard to public utilities and public and commercial facilities and at rents or prices within the financial means of the families and individuals displaced, decent, safe, and sanitary dwellings, as defined by the Secretary, equal in number to the number of and available to such displaced families and individuals and reasonably accessible to their places of employment.

"(b) In order to prevent unnecessary expenses and duplication of functions, a State or local public body or agency thereof may make relocation payments or provide relocation assistance or otherwise carry out the functions required under this chapter by utilizing the facilities, personnel, and services of any other Federal, State, or local governmental agency having an established organization for conducting relocation assistance programs.

"(c)(1) The Secretary shall approve, and include in any agreement for a grant or loan made under section 3, the cost of providing the payments and services described in subsection (a), except that notwithstanding any other law, the Federal share of the first \$25,000 of such payments to any person, on account of any real property acquisition or displacement occurring prior to July 1, 1972, shall be increased to 100 per centum of such cost.

"(2) Any agreement for a grant or loan made for a project under section 3 before the date of enactment of this chapter with respect to property which has not been acquired as of the date of enactment of this chapter under any such program shall be amended to include the cost of providing the payments and services described in subsection (a) with respect to such property.

"(d)(1) Payments for Actual Expenses.--Upon application approved by the State or local public body or agency thereof, a person displaced by any project for which a grant or loan under section 3 has been made may elect to receive actual reasonable expenses in moving

himself, his family, his business, or his farm operation, including personal property.

"(2) Optional Payments--Dwellings.--Any displaced person who moves from a dwelling who elects to accept the payments authorized by this subsection in lieu of the payments authorized by subsection (d)(1) may receive--

"(i) a moving expense allowance, determined according to a schedule established by the Secretary, not to exceed \$200; and

"(ii) a dislocation allowance of \$100.

"(3) Optional Payments--Businesses and Farm Operations.--Any displaced person who moves or discontinues his business or farm operation who elects to accept the payment authorized by this section in lieu of the payment authorized by subsection (d)(1), may receive a fixed relocation payment in an amount equal to the average annual net earnings of the business or farm operation, or \$5,000 whichever is the lesser. In the case of a business, no payment shall be made under this subsection unless the State or local public body or agency thereof is satisfied that the business (1) cannot be relocated without a substantial loss of its existing patronage, and (2) is not part of a commercial enterprise having at least one other establishment, not being acquired by the State or by the United States, which is engaged in the same or similar business. For purposes of this subsection, the term 'average annual

net earnings' means one-half of any net earnings of the business or farm operation, before Federal, State, and local income taxes, during the two taxable years immediately preceding the taxable year in which such business or farm operation moves from the real property acquired for such project, and includes any compensation paid by the business or farm operation to the owner, his spouse, or his dependents during such two-year period.

"(e)(1) In addition to amounts otherwise authorized by this Act, the State or local public body or agency thereof shall make a payment to the owner of real property acquired for a project which is improved by a single-, two-, or three-family dwelling actually owned and occupied by the owner for not less than one year prior to the initiation of negotiations for the acquisition of such property. Such payment, not to exceed \$5,000, shall be the amount, if any, which, when added to the acquisition payment, equals the average price required for a comparable dwelling determined, in accordance with standards established by the Secretary, to be a decent, safe, and sanitary dwelling adequate to accommodate the displaced owner, reasonably accessible to public services and places of employment and available on the private market. Such payment shall be made only to a displaced owner who purchases and occupies a dwelling within one year subsequent to the date on which he is required to move from the dwelling acquired for the project. No such payment shall be required or included as a project cost if

the owner-occupant receives a payment required by the State law of eminent domain which is determined by the Secretary to have substantially the same purpose and effect as this section and to be part of the cost of the project for which Federal financial assistance is available.

"(2) In addition to amounts otherwise authorized by this Act, the State or local public body or agency thereof shall make a payment to any individual or family displaced from any dwelling not eligible to receive a payment under subsection (e)(1) which dwelling was actually and lawfully occupied by such individual or family for not less than 90 days prior to the initiation of negotiations for acquisition of such property. Such payment, not to exceed \$1,500, shall be the amount which is necessary to enable such person to lease or rent for a period not to exceed two years, or to make the down payment on the purchase of, a decent, safe, and sanitary dwelling of standards adequate to accommodate such individual or family in areas not generally less desirable in regard to public utilities and public and commercial facilities.

"(f)(1) In addition to amounts otherwise authorized by this Act, the State or local public body or agency thereof shall reimburse the owner of real property acquired for a project for reasonable and necessary expenses incurred for (i) recording fees, transfer taxes, and similar expenses incidental to conveying such property; (ii) penalty costs for prepayment of any mortgage entered into in good

faith encumbering such real property if such mortgage is on record or has been filed for record under applicable State law on the date of final approval of the location of such project; and (iii) the pro rata portion of real property taxes paid which are allocable to a period subsequent to the date of vesting of title in the State or local public body or agency, or the effective date of the possession of such real property by the State or local public body or agency thereof, which is earlier.

"(2) No payment received under this section shall be considered as income for the purposes of the Internal Revenue Code of 1954, or for the purpose of determining the eligibility or the extent of eligibility of any person for assistance under the Social Security Act or any other Federal law.

"(g)(1) Each State or local public body or agency thereof shall provide a relocation advisory assistance program which shall include such measures, facilities, or services as may be necessary or appropriate in order--

"(i) to determine the needs, if any, of displaced families, individuals, business concerns, and farm operators for relocation assistance;

"(ii) to assure that, within a reasonable period of time, prior to displacement there will be available, to the extent that can reasonably be accomplished, in areas not generally less desirable in regard to public utilities

and public and commercial facilities and at rents or prices within the financial means of the families and individuals displaced, housing meeting the standards established by the Secretary for decent, safe, and sanitary dwellings, equal in number to the number of, and available to, such displaced families and individuals and reasonably accessible to their places of employment;

"(iii) to assist owners of displaced businesses and displaced farm operators in obtaining and becoming established in suitable locations; and

"(iv) to supply information concerning the Federal Housing Administration home acquisition program under section 221(d)(2) of the National Housing Act, the small business disaster loan program under section 7(b)(3) of the Small Business Act, and other State or Federal programs offering assistance to displaced persons.

"(2) Nothing in this chapter shall be construed to prohibit any person from exercising any right or remedy available to him under State law with respect to any action of a State or local public body or agency thereof in carrying out this chapter.

"(h) Notwithstanding any other provision of law, on and after the effective date of this section, any Federal agency which acquires real property for use in connection with a project for which a grant or loan under section 3 has been made shall, in accordance with

regulations issued by the Secretary, provide the payments and services described in subsections (a), (d), (e), (f), and (g). When real property is acquired by a State or local public body or agency for such a Federal project for purposes of this Act, the acquisition shall be deemed an acquisition by the Federal agency having authority over such project.

"(i)(1) To carry into effect the provisions of this section, the Secretary is authorized to make such rules and regulations as he may determine to be necessary to assure--

"(i) that the payments authorized by this section shall be fair and reasonable and as uniform as practicable;

"(ii) that a displaced person who makes proper application for a payment authorized for such person by this section shall be paid promptly after a move or, in hardship cases, be paid in advance; and

"(iii) that any person aggrieved by a determination as to eligibility for a payment authorized by this section, or the amount of a payment, may have his application reviewed by the head of the State or local public body or agency thereof making such determination.

"(2) The Secretary may make such other rules and regulations consistent with the provisions of this section as he deems necessary or appropriate to carry out this section.

"(j) As used in this section--

"(1) The term 'person' means--

"(A) any individual, partnership, corporation, or association which is the owner of a business;

"(B) any owner, part owner, tenant, or sharecropper who operates a farm;

"(C) an individual who is the head of a family; or

"(D) an individual not a member of a family.

"(2) The term 'family' means two or more individuals living together in the same dwelling unit who are related to each other by blood, marriage, adoption, or legal guardianship.

"(3) The term 'displaced person' means any person who moves from real property on or after the effective date of this chapter as a result of the acquisition or reasonable expectation of acquisition of such real property, which is subsequently acquired, in whole or in part, for a project for which a loan or grant under section 3 is made, or as the result of the acquisition for such a project of other real property on which such person conducts a business or farm operation.

"(4) The term 'business' means any lawful activity conducted primarily--

"(A) for the purchase and resale, manufacture, processing, or marketing of products, commodities, or any other personal property;

"(B) for the sale of services to the public; or

"(C) by a nonprofit organization.

"(5) The term 'farm operation' means any activity conducted solely or primarily for the production of one or more agricultural products or commodities for sale and home use, and customarily producing such products or commodities in sufficient quantity to be capable of contributing materially to the operator's support.

"(6) The term 'Federal agency' means any department, agency, or instrumentality in the executive branch of the Government and any corporation wholly owned by the Government."

Sec. 104. Section 15 of the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.), as amended, is amended to read as follows:

"Except for grants for relocation payments in accordance with section 7, grants made before July 1, 1970, under section 3 for projects in any one State shall not exceed in the aggregate 12 1/2 per centum of the aggregate amount of grant funds authorized to be appropriated under subsection 4(b), and grants and loans made on or after July 1, 1970, under section 3 for projects in any one State shall not exceed in the aggregate 12 1/2 per centum of the aggregate amount of loan and grant funds authorized to be obligated under subsection 4(c). However, the Secretary may, without regard to these limitations, enter into contracts or agreements for grants and loans

under section 3 aggregating not to exceed \$50,000,000 (subject to the total authorizations provided in subsections 4(b) and 4(c)) with local public bodies and agencies in States where more than two-thirds of the maximum grants and loans permitted in the respective State under this section has been obligated."

Sec. 105. Nothing herein shall affect the authority of the Secretary of Housing and Urban Development to make grants, under the authority of sections 6(a), 9, and 11 of the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.), as amended, and Reorganization Plan No. 2 of 1968, for projects or activities primarily concerned with the relationship of urban transportation systems to the comprehensively planned development of urban areas, or the role of transportation planning in overall urban planning, out of funds appropriated to him for that purpose.

TITLE II - URBAN MASS TRANSPORTATION
REVENUE ACT OF 1969

CREATION OF TRUST FUND

Sec. 201. There is hereby established in the Treasury of the United States a trust fund to be known as the urban mass transportation trust fund (hereinafter in this Act called the "trust fund"). The trust fund shall consist of such amounts as may be appropriated or credited to the trust fund as provided by this Act.

TRANSFER TO TRUST FUND

Sec. 202. (a) Excise Tax on Automobiles.--There is hereby appropriated to the trust fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the tax received in the Treasury before July 1, 1974, and which are attributable to liability for tax incurred before July 1, 1974, under section 4061(a)(2) of the Internal Revenue Code of 1954 (tax on automobiles, etc.)--

- (1) 30 percent of such tax received after June 30, 1970, and before January 1, 1971;
- (2) 50 percent of such tax received after December 31, 1970, and before July 1, 1971;
- (3) 66 2/3 percent of such tax received after June 30, 1971, and before July 1, 1972;
- (4) 83 1/3 percent of such tax received after June 30, 1972, and before July 1, 1973;
- (5) 100 percent of such tax received after June 30, 1973.

The amounts appropriated by this section shall be transferred at least monthly from the general fund of the Treasury to the trust fund on the basis of estimates by the Secretary of the Treasury of the amounts, referred to in the preceding sentence, received in the Treasury. Proper adjustment shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(b) Additional Appropriations to the Trust Fund.--There are hereby authorized to be appropriated from the general fund of the Treasury to the trust fund, as repayable advances, such additional sums as may be required to make the expenditures referred to in section 204.

MANAGEMENT OF TRUST FUND

Sec. 203. (a) In General.--It shall be the duty of the Secretary of the Treasury to hold the trust fund, and (after consultation with the Secretary of Transportation) to report to the Congress not later than the first day of March of each year on the financial condition and the results of the operations of the trust fund during the preceding fiscal year and on its expected condition and operations during the current and next ensuing fiscal year, up to and including the fiscal year ending June 30, 1975. Such report shall be printed as a House document of the session of the Congress to which the report is made.

(b) Investment.--It shall be the duty of the Secretary of the Treasury to invest such portion of the trust fund as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the trust fund. Such special obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield during the month preceding the date of such issue, on marketable interest-bearing obligations of the United States of comparable maturities then forming a part of the Public Debt rounded to the nearest one-eighth of one percent. Such special obligations shall be issued only if the Secretary of the Treasury determines that the purchase of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest. Advances to the trust fund pursuant to section 202(b) shall not be invested.

(c) Sale of Obligations.--Any obligation acquired by the trust fund (except special obligations issued exclusively to the trust fund) may be sold by the Secretary of the Treasury at the market price, and such special obligations may be redeemed at par plus accrued interest.

(d) Interest and Certain Proceeds.--The interest on, and the proceeds from the sale or redemption of, any obligations held in the trust fund shall be credited to and form a part of the trust fund.

EXPENDITURES FROM THE TRUST FUND

Sec. 204. (a) Urban Mass Transportation Programs.--Amounts in the trust fund shall be available, as provided by appropriation Acts, for making expenditures to meet obligations of the United States which are incurred after June 30, 1970, for fiscal years 1971, 1972, 1973, and 1974 under the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.), as amended (including general administrative expenses).

(b) Repayment of Advances from General Fund.--Advances made pursuant to section 202(b) shall be repaid with interest to the general fund of the Treasury when the Secretary of the Treasury determines that moneys are available in the trust fund for such purposes. Interest shall be at rates computed in the same manner as provided in section 203(b) for special obligations and compounded semiannually.

LIMITATION ON EXPENDITURES

Sec. 205. The Secretary of the Treasury shall from time to time, after consultation with the Secretary of Transportation, estimate the amounts which will be available in the trust fund (excluding repayable advances) to defray the expenditures required to be made from the fund. The Secretary of the Treasury shall advise the Secretary of Transportation whenever, after all other expenditures required to be made from the trust fund have been defrayed, the amounts available in the trust fund (excluding repayable advances) will be insufficient to defray expenditures required to meet obligations incurred under section 204(a). Whenever he is advised of any insufficiency, the Secretary of Transportation shall, for the fiscal year affected, determine the percentage which the amount remaining available is of the amount authorized to be obligated for that fiscal year under section 204(a) and shall, by prorating using that percentage, determine the amount which can be obligated in lieu of the amount which would be obligated but for the provisions of this subsection. Whenever the Secretary of the Treasury determines that, after all other expenditures required to be made from such fund have been defrayed, there will be available in the trust fund (excluding repayable advances) amounts sufficient to defray the obligations previously withheld under section 204(a) for any fiscal year, he shall so advise the Secretary of Transportation who may then obligate such amounts.

INTERNAL REVENUE AMENDMENTS

Sec. 206. (a) Subparagraph (A) of section 4061(a)(2) of the Internal Revenue Code of 1954 (relating to tax on passenger automobiles, etc.) is amended to read as follows:

"(A) Articles enumerated in subparagraph (B) are taxable at whichever of the following rates is applicable:

If the article is sold--	The tax rate is--
Before January 1, 1970.....	7 percent
During 1970.....	5 percent
After December 31, 1970, but before July 1, 1974...	3 percent

The tax imposed by this subsection shall not apply with respect to articles enumerated in subparagraph (B) which are sold by the manufacturer, producer, or importer after June 30, 1974."

(b) Section 6412(a)(1) of the Internal Revenue Code of 1954 (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out "January 1, 1972, or January 1, 1973," and inserting in lieu thereof "or July 1, 1974,".

EFFECTIVE DATE

Sec. 207. This title shall take effect on the date of enactment.

12-9-68

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SECTION-BY-SECTION ANALYSIS OF A BILL

To establish an urban mass transportation trust fund and for other purposes.

Sec. 1. This section declares it to be the purpose of the Congress in enacting the bill that, in order to realize important national goals, Federal assistance for urban mass transportation must be raised to substantially higher levels of participation, with assured funding and greater program flexibility. This is necessary to achieve efficient, safe and convenient transportation compatible with soundly planned urban areas. The purpose of the bill is to create a partnership in which local communities may exercise the initiatives to satisfy their mass transportation needs, with Federal financial assistance.

TITLE I - URBAN MASS TRANSPORTATION
AMENDMENTS OF 1969

This title contains the substantive revisions to the Urban Mass Transportation Act which are intended to provide expanded and improved program authority.

Sec. 101. -- Amends section 3 of the Act which is the basic authority for the program of grants and loans for the acquisition, construction, reconstruction and improvement of mass transportation facilities and equipment.

3(a) -- This subsection presently specifies the purposes for which the grants and loans under the program may be used, defines the eligible sponsors, and prescribes certain capabilities that the proposed sponsor must display. Only one change to this subsection is being made.

It permits the Secretary to make loans for real property acquisition under new subsection 3(d) upon a finding that the loan is reasonably required in connection with an urban mass transportation system and will be used for that purpose within a reasonable time. He need not make the more detailed findings required by this section for grants and loans for other purposes.

3(b) -- This subsection presently imposes restrictions on the making of loans and prescribes certain conditions on loans which are made. As a general proposition, this subsection prevents making both loans and grants for the same project except where the grant is made for relocation payments. The amendment adds another exception, i.e., a grant may be made for projects where the real property involved has been acquired for right-of-way or development purposes through a loan pursuant to the authority added by the new subsection 3(d).

The section is also amended to provide that loans are to be made only from the trust fund established by section 201 of this bill. Under the Act as originally passed, it was intended that Treasury borrowing, pursuant to section 203 of the Housing Amendments of 1955, would be employed for this purpose; however, to date under this scheme, no Treasury borrowing has occurred, and loans have been made only from specifically appropriated funds.

Finally, the section is amended to authorize forgiveness of interest for up to ten years in the case of loans for real property

acquisition. Otherwise the requirements concerning maturity date, rate of interest and the like, which are those of section 202(b)(1), (2), and (3) of the Housing Amendments of 1955, continue to be applicable.

3(c) -- This subsection, relating to safeguards for operators of private mass transportation companies, is unchanged by the bill.

3(d)(1) -- This subsection is new and provides the authority and mechanics for loans, out of the urban mass transportation trust fund, to enable mass transportation systems to acquire rights-of-way in advance of construction. Loans for this purpose may include the costs to the locality of relocation payments and property management and will require a Secretarial finding that the proposed acquisition is reasonably required for a mass transportation system and that it will in fact be used for mass transportation facilities within a reasonable period. Repayment of the loans (which can be interest free for up to ten years) will be credited directly to the urban mass transportation trust fund, for expenditure on grants or other loans.

If a grant is subsequently approved for a project involving any real property acquired through a loan under this subsection, it may be applied against the outstanding debt due to the Federal Government, and may include the real property costs as a project cost. In such a case, the terms for loan repayment would be established so that they would not prevent sufficient cash from being available to the sponsor to meet expenses under the project.

The loan agreement would provide for construction not later than ten years after acquisition; but it is possible that proposed rights-of-way might ultimately not be used for that purpose. If and when such a determination is made, the Secretary would direct that an appraisal be made to determine how much, if any, the property has increased in value since acquisition. The Federal and local agencies would share in any profit on a two-to-one ratio, the ratio for sharing project costs. The Federal Government would not share in losses in value of the property, however. Any amounts due the Federal Government would be credited to the urban mass transportation trust fund when paid.

3(d)(2) -- This subsection, also new, provides the authority and mechanics for another type of real property acquisition loan. These loans would help mass transportation systems to acquire land adjacent to rights-of-way for development or redevelopment for uses which would contribute to the operational success of the system and to overall comprehensive planning objectives. The loans would also permit increased land values to be realized by the public for use in reducing both Federal and local shares of the net cost of related project grants. Again, loans could include relocation and property management costs.

The property sought to be acquired would have to be adjacent to and in proximity to existing or proposed mass transportation rights-of-way. In practice, it is contemplated that loans under

this subsection would be made only where there is a high probability that the property will experience significant increases in value by undergoing development or redevelopment to a higher use which would probably not occur but for mass transportation development. The manner of repayment of the loan would be similar to loans under subsection 3(d)(1). However, unlike that subsection, no project underlying all or part of a grant could be approved where the purpose is to use grant funds to liquidate a loan for this type of acquisition.

The increase in value of the property would be shared by the Federal Government and the local agency in the familiar two-to-one ratio, but the Federal Government would not share in any losses, should they occur. If the property is sold before initiation of adjacent new mass transportation service, the increased value would be the difference between the price at which the local agency acquired the property and the price at which sold, provided the Secretary is satisfied that the sale price reflects a value consistent with an appraisal which he will obtain. If the property is still held by the local agency at the time new mass transportation service is initiated (that is if the agency plans to sell for later development or develop the property itself), the local agency must obtain an appraisal, under regulations of the Secretary, not more than three years after service is initiated. The appraisal will be conducted so as to give full effect to the increase in value which

has resulted from the advent of mass transportation, as well as the land use and zoning specified in the loan agreement. The difference between the acquisition cost to the local agency and the appraised value would determine the increase in value, or profit.

Because any increase in land values may be attributed in whole or in part to the new transportation service, the proceeds must be used to reduce the net project costs of any grants which may be made for the urban mass transportation system involved.

The Federal share would be applied to reduce the Federal share of net project costs, and the local agency's share would be applied to reduce its share of net project costs. If the entire local share of land profits were not exhausted by application to existing grant projects, the remainder would be held in reserve for a reasonable period for application against net project costs of potential further grant projects under the Act.

3(d)(3) -- This new subsection makes it clear that the acquisition loans under subsection 3(d)(2) may be made for use independently (i.e., where right-of-way is already owned), or for use concurrently with a loan for advance right-of-way acquisition under subsection 3(d)(1), or for concurrent use with project loans or grants under subsection 3(a).

Sec. 102. -- The section would: (a) amend section 4(a) of the Act, which now requires certain Secretarial findings before section 3 assistance can be provided, to reflect the less stringent criteria

of new section 3(d) in the case of land acquisition loans; and (b) add a new subsection (c) to section 4 providing authorizations for loans and administrative costs, as well as grants under the Act for fiscal years 1971-1974 and establishing contract authority.

The amounts authorized for appropriation, \$300, \$400, \$500, and \$600 million, respectively, are equivalent to the amounts, based on Treasury Department estimates, which the dedicated portions of the automobile excise will produce for the urban mass transportation trust fund created by Title II of this bill. The authorized levels of \$300, \$400, \$500, and \$600 million would be available for obligation in their full amounts during the fiscal year for which first authorized and would remain available until expended. The Secretary would be authorized to obligate these amounts through loans or grant agreements. These obligations would be liquidated by subsequent appropriations.

Sec. 103. -- Section 7 of the Act, from the inception of the urban mass transportation program, has made an adequate relocation program a condition for receipt of capital grants. The Federal Government has been authorized to make relocation payments of up to \$200 to families and up to \$3,000 in the case of business concerns and nonprofit organizations.

In the Federal-aid Highway Act of 1968, the Congress enacted significantly expanded and liberalized relocation benefits for persons displaced by Federal-aid highway construction. Inclusion

of an amended relocation section in this bill which closely parallels the provisions of the highway act reflect the view that the concepts are equally valid for urban mass transportation and should be adopted, pending general Federal relocation legislation.

Sec. 104. -- Amends section 15 of the Act, which restricts the aggregate of grant projects (other than relocation grants) in any one State to 12 1/2 percent of the total amount authorized for this purpose. The original legislation anticipated that some States would experience serious inhibitions with this limit and, so, a discretionary pool of \$12.5 million was established to be available for use in States which had previously received more than two-thirds of the maximum grants. Notwithstanding this fund, a number of our most populous States will soon be at a point where they can receive no further assistance. Rather than alter the 12 1/2 percent ceiling at this time, section 104 would increase the discretionary fund to \$50 million. The section as revised would also extend the basic 12 1/2 percent ceiling to the grants and loans made from the trust fund for fiscal 1971-1974.

Sec. 105. Section 1 of Reorganization Plan No. 2 of 1968 transferred to the Secretary the program authority under the Act. But that section reserved to the Secretary of HUD authority to make grants for or undertake such projects or activities under sections 6(a), 9, and 11 of the Act (relating to research, development, and demonstrations; technical studies grants; and grants for research

and training in urban transportation problems) as "primarily concern the relationship of urban transportation systems to the comprehensively planned development of urban areas, or the role of transportation planning in overall urban planning." It was contemplated that such grants would be made out of appropriations to HUD. Section 105 preserves that understanding and insures that the urban transportation trust fund would be available only for grants in furtherance of the functions of the Secretary of Transportation under the Act.

TITLE II - URBAN MASS TRANSPORTATION
 REVENUE ACT OF 1969

This title of the bill creates an urban mass transportation trust fund, out of revenues provided by a certain portion of the automobile excise, for all loan, grant and administrative costs of the urban mass transportation program for fiscal years 1971-1974. It shares many features of the highway trust fund.

Sec. 201 -- Establishes the trust fund.

Sec. 202(a) -- This subsection provides for the transfer to the trust fund of specified amounts of the revenues attributable to the automobile excise (section 4061(a)(2) of the 1954 Internal Revenue Code). The amounts to be transferred are equivalent to amounts which would be transferred if the excise were 1 1/2, 2, 2 1/2, and 3 percent, respectively, during fiscal years 1971, 1972, 1973, and 1974, according to Treasury Department estimates. The trust fund revenues will be equal to the amounts authorized for program purposes in Title I of this bill.

Because the trust fund and related program authorizations are on a fiscal year basis while section 4061(a)(2) taxes accrue on a calendar basis, and are collected quarterly, the operative language used is such as will produce \$300, \$400, \$500, and \$600 million. Although it is not expressed in terms of 1 1/2, 2, 2 1/2, and 3 points on the automobile excise, the amounts are equivalent to those percentages. (These trust fund receipts necessitate a change in the presently effective rates of section 4061(a)(2), which is accomplished in section 206 below.)

Sec. 202(b) -- In order to provide that the trust fund may be fully operative at the earliest time, although receipts may lag, this subsection authorizes the Treasury to make advances to the trust fund, to be repaid when receipts catch up with expenditures.

Sec. 203 -- Prescribes how the trust fund is to be managed.

(a) -- requires annual reports to the Congress by the Secretary of Transportation on the condition of the trust fund.

(b) -- specifies that the trust fund corpus, beyond that needed for current purposes, must be invested and specified how it may be invested.

(c) -- authorizes the sale and manner of sale of obligations which the trust fund may acquire.

(d) -- requires that interest earned by the trust fund shall be added to form a part of the trust fund.

Sec. 204(a) -- Makes the trust fund the source for financing all loans, grants, and administrative costs of the urban mass transportation programs authorized for fiscal years 1971-1974.

Sec. 204(b) -- Provides that the trust fund will be used to repay general fund advances under section 202(b), if any, when the Secretary of the Treasury deems appropriate.

Sec. 205 -- Is modeled after section 209(g) of the Highway Revenue Act of 1956, the so-called "Byrd amendment" to the legislation governing the highway trust fund. Its purpose is to provide that a continuing review of the trust fund will be maintained and that expenditures required to defray obligations will not out-strip trust fund receipts. Under this section, the Secretary of the Treasury advises from time to time as to the amounts which will be available in the trust fund. If they are insufficient to meet current obligations, the Secretary of Transportation must reduce obligations on a prorated basis.

Sec. 206 -- This section makes the amendments to the Internal Revenue Code which are required to extend the auto excise for the needs of the trust fund. That excise, now at 7 percent, is scheduled to drop to 5 percent during calendar 1970, 3 percent during 1971, 1 percent during 1972, and to go out of existence on December 31, 1972.

The tax would be extended through June 30, 1974, to coincide with the trust fund. It would, just as now planned, drop to 5 percent

during calendar 1970, and to 3 percent on January 1, 1971. However, it would be held at that level until it expires, thereby providing that during the entire life of the trust fund the excise on automobiles would be 3 percent. Since trust fund earmarking of the excise is at levels equivalent to an excise of 1 1/2, 2, 2 1/2, and 3 percent, in all but fiscal 1974, the excise would flow into the general fund after the trust fund needs have been met. Subsection 206(b) contains the necessary conforming amendments for floor stock refunds.

Sec. 207 -- Provides that Title II of the bill is effective on enactment.

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1969

URBAN MASS TRANSPORTATION

LEGISLATIVE PROPOSAL

DEPARTMENT OF TRANSPORTATION

December 1968

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I. INTRODUCTION

This paper provides an explanation and justification for the Department's 1969 legislative proposal for Urban Mass Transportation.



The legislative proposal provides:

1. Contract authority for four years at the following levels:

FY 1971	\$300 million
1972	400 million
1973	500 million
1974	600 million

2. Establishment of an Urban Mass Transportation Trust Fund, with revenues from the automobile excise tax earmarked in amounts equivalent to:

FY 1971	1-1/2 percentage points of the tax
1972	2 percentage points of the tax
1973	2-1/2 percentage points of the tax
1974	3 percentage points of the tax

3. New authority to make loans for advance acquisition of right-of-way and for acquisition in excess of actual right-of-way needs.

4. Liberalization of relocation payments and increase in the pool of funds not subject to the State limitation on capital grants.

5. Retention unchanged of existing authorities for technical studies, managerial training, university research and training, and research, development and demonstrations.

The explanatory and justification material in this paper is arranged as follows:

Chapter II discusses the nature of the urban transportation problem and the estimates of needed investment in new mass transportation

facilities. The need for and results to be expected from an expanded research, development and demonstration program are discussed. Background is provided on State and local financing problems.

Chapter III discusses the reason for trust fund financing and the earmarking of revenues from the automobile excise tax.

Chapter IV discusses the reasons for advance and excess acquisition of right-of-way, the increases in the State limitation, and provision for liberalized relocation payments.

II. MASS TRANSPORTATION PROGRAM NEEDS

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The Urban Transportation Problem

According to the U. S. Bureau of the Census, approximately four out of every ten Americans lived in urban areas as we entered the twentieth century. By 1960 that proportion had grown to seven out of ten, and by the year 2000 it is estimated that approximately 90 percent of all Americans will be living in urban areas. It has also been estimated that the Nation's entire projected population growth of 150 million in the next 40 years will occur in and around our cities; this means that our urban population will be about double today's number by the early part of the 21st century.

As the Nation's urban population has grown, there has been a corresponding growth in the demand for services, transportation being one of the most significant. For example, in 1965 almost 75 million privately owned automobiles were registered in the United States. If urban population projections materialize and if current rates of auto ownership continue there will be almost 75 million additional passenger cars in use in urban areas alone by the year 2000. As the demand for transportation has increased, it has been met, for the most part by increased auto ownership and a new highway construction. The urban mass transportation industry has experienced declining patronage and net revenues since the end of World War II.

Since World War II, mass transportation has been in a cycle of increasing costs, decreasing quality, and decreasing numbers of passengers (although the decrease in passengers in the larger cities has begun to level off in the last few years). This situation has both resulted from and contributed to the increased use of private automobile transportation.

Some of the reasons for the decline in mass transportation include:

- The general attractiveness to the public of the private automobile as a mode of transportation, and the increasing affluence which has allowed growing numbers of consumers to purchase automobiles;
- The dispersion of the urban population's homes -- and to an increasing extent its jobs -- into low density suburbs, where mass transportation has had less of a relative advantage and, in its conventional form, is more difficult to provide than in the higher density cities;
- The relatively large amounts of Federal funds which have been available to support highway expenditures in urban areas (\$2.2 billion in FY 1970), most of it at a 90% Federal share, compared to the very small amounts which only recently have been made available for mass transportation (\$175 million in FY 1970) at a two-thirds Federal share -- a disproportion that has affected seriously the decisions made by planners, local government and local voters in the choice between highway and mass transit solutions to the urban transportation problem;
- The fact that mass transportation costs must be paid by the user every time he rides a mass transportation vehicle, whereas the automobile user does not "feel" all his costs directly when he uses his car;

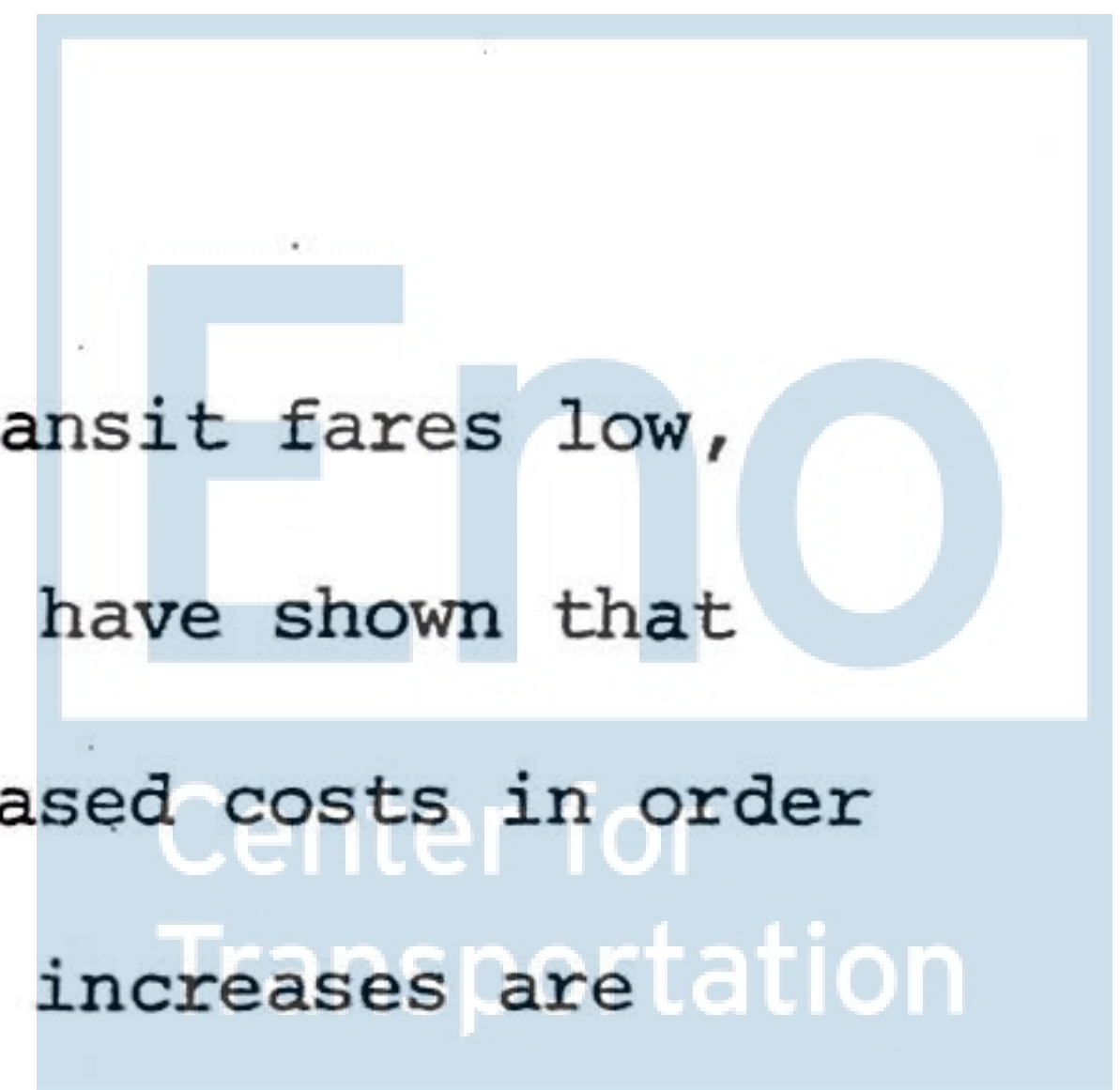
- The regulatory and political pressure to keep mass transit fares low, which has necessitated a decrease in quality (studies have shown that mass transit users are generally willing to pay increased costs in order to receive increased quality of service), though fare increases are accepted most readily when service improvements are made first;
- Limited advances in transit technology and management.

Some of the adverse effects of the decline in mass transit include:

- Growing difficulties for the great numbers of people who cannot afford private automobile transportation or who cannot use it readily (e.g., the aged, the young, and the handicapped);
- Increased public costs for streets and highways to handle the accompanying growth in automobile traffic, and an estimate by the States of a doubling of that cost in the 1970's if present trends continue;
- Continuing, frustrating and expensive congestion;
- Further impetus to auto-oriented land development, which in turn, reinforces the decline in transit.

Mass Transportation Capital Requirements

The urban transportation studies that have been carried out in the large urban areas in the past five years have generally concluded that mass transit will continue to maintain a relatively constant ridership in absolute terms, while continuing to decrease relative to automobile transportation. These studies assume large capital investment for mass transit in order to retain this position and avoid even greater investments in other facilities.



These studies, and work that has been done in cities which have or are considering rail systems, permit an estimate of capital requirements for mass transit over the next 10 years.

A report prepared for HUD in 1966 by Paul H. Gerhardt developed an estimate of \$8.6 billion as the capital requirements for current, planned and likely fixed rail systems for the 1966-75 period based on discussions with planning bodies and transit companies.

The same report estimated \$1.3 billion as the capital requirement for bus systems. This is a reasonable estimate since the entire rolling stock of all bus systems could and should be replaced for about this amount over a 10-year period.

In evaluating these estimates, it should be noted that they were made in 1966; current estimates would probably be higher. For example, the price of San Francisco's BART system has already escalated more than 33% over estimates made when financing was arranged. Moreover, these estimates are generally based on keeping ridership constant, rather than increasing it. Other estimates have ranged up to \$18 billion for the 10-year period.

Unless the Federal Government is prepared to foreclose any support for the capital costs of fixed-rail systems, an estimate of about \$15 billion in total capital requirements for urban mass transportation systems over the next ten years would be reasonable for policy-making purposes.

The following estimates of the backlog in requests for mass transit assistance reflect the immediacy of these capital requirements. This backlog is computed on the basis of 2/3-1/3 Federal-local matching shares, since other capital sources are deducted before arriving at the net project cost.

	Federal share (in millions)
Estimated backlog	<u>\$250.0</u>
New Applications Expected in FY 1970	<u>467.8</u>
Total requests	<u><u>\$717.8</u></u>

Requests for capital assistance can be expected to total \$3-4 billion during the next five years and \$7-10 billion over the next decade.

Research, Development and Demonstrations

In addition to providing assistance for capital improvements, the proposed program provides funding for undertaking a concerted research, development and demonstration program. Such a program -- already underway -- offers the only hope for finding immediate solutions to such problems as cutting costs and improving service as well as continuing the task of developing new systems for improved public transportation and proving their technical and market feasibility.

A substantial portion of an enlarged urban mass transportation program would be committed to research, development and demonstrations. What significant practical improvements are likely to be realized by the time of expiration of the proposed trust fund if an accelerated and expanded program is authorized? In all research there is a long time-lag between initiation of research and development and availability of end-product. Advances that can be achieved by 1974 are, therefore, almost entirely evolutionary improvements in bus-type mass transit over urban streets and highways. Some innovative changes, however, such as dual-mode transit can be moved toward final testing during this period.

By 1974, through an augmented research and development program, means could be available to arrest the decline in mass transit traffic (1) by improving service for those who ride transit by choice and (2) by providing new service and increased mobility for many of those for whom available transportation is seriously inadequate -- the poor, the aged, the handicapped and the socially or economically isolated.

The elements making up these improvements include advanced bus designs that would permit, for example, easier boarding and dismounting through lower bus floors and wider and better doors. Increased comfort, convenience and security for riders through improved interior design and maintenance procedures should also be achieved.

Bus service could also be improved by expediting the flow of buses over streets and highways by means of new traffic control systems that give preference to buses. Devices for giving buses preferential access to freeways and improved techniques for routing and scheduling bus service could be developed, tested and implemented experimentally. In addition, dual-mode bus systems, at least partially automated on the line-haul segment, could be brought under development and testing.

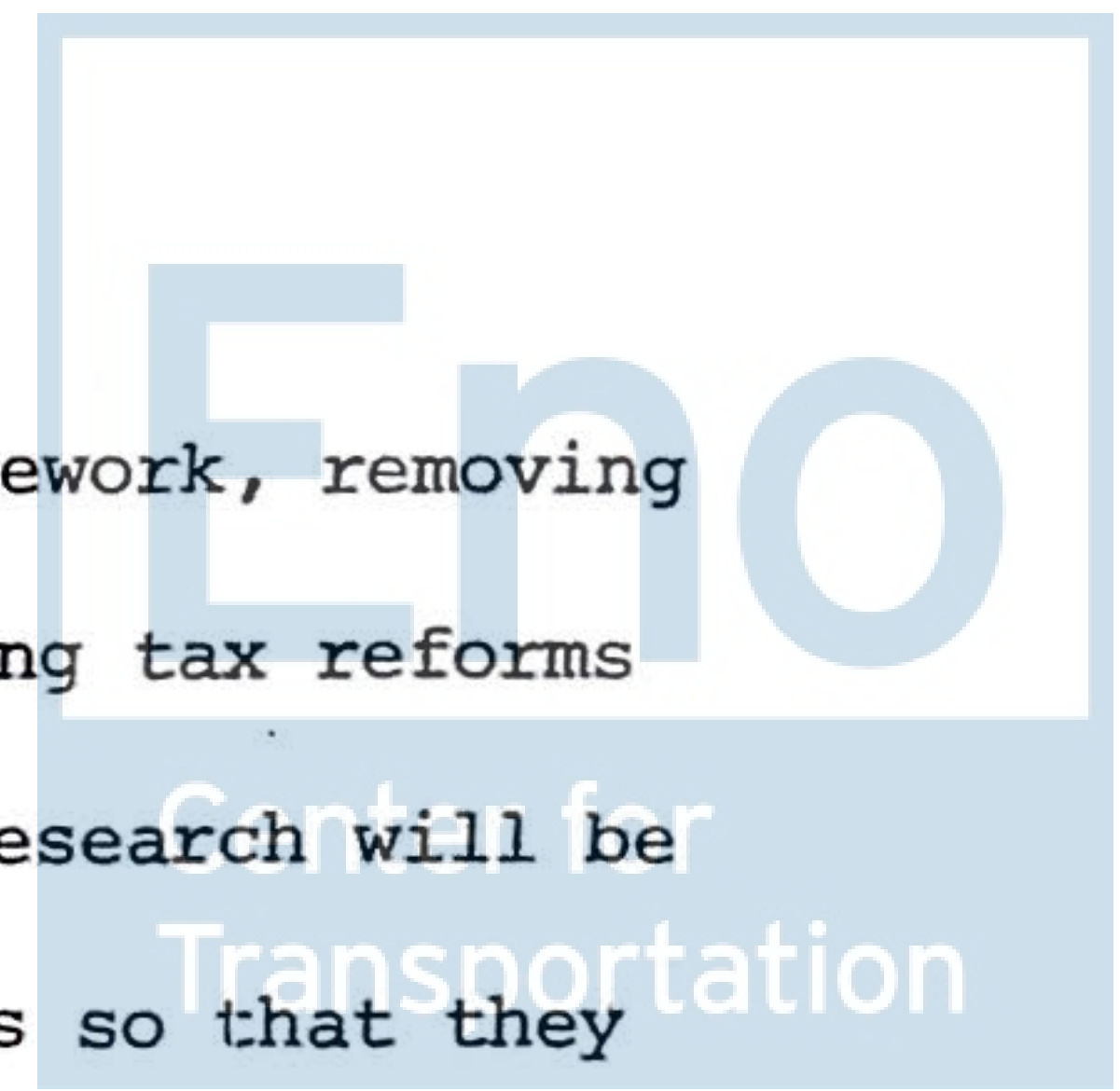
Unconventional bus service concepts involving neither fixed routes nor fixed schedules could be fully developed, tested and implemented by 1974. These involve both advanced computer-aided techniques for 'real-time' response to variable and dispersed demand and institutional techniques for satisfying special demands that are relatively consistent over time.

Advances in bus propulsion systems would improve the operating performance of buses not only in terms of cost but also in terms of reduced noise and air pollution. These improvements in propulsion, coupled with increased bus usage, would aid in at least dampening the current rate of increase in air and noise pollution in our cities.

Perhaps the most significant advances will be those that will lead to better integration and coordination of all forms of urban transportation. Better understanding of the functions of terminals, particularly in central core areas and major activity centers, will lead to the development of improved terminal designs. Improved designs and techniques for interchange of passengers, both within a single mode and among modes, at points other than terminals should also be accomplished. New bus shelters, both attractive and economical, will improve passenger comfort and security during waiting periods.

Several systems for moving large volumes of people relatively short distances within terminals and major activity centers are in prospect. These may well include moving sidewalks and capsule systems.

Central to most improvements in the integration and coordination of urban transportation systems, however, is the development of new and improved methods of planning and operating urban transportation systems and their components. Much can be done to improve



urban transportation through updating of regulatory framework, removing economic constraints and providing incentives, instituting tax reforms and reforming political and educational institutions. Research will be directed to exploring and identifying these possibilities so that they can be considered by decision makers at all levels of government.

Longer range advances, particularly major innovations in technology, cannot be safely predicted. Research and development could be initiated during this period on various concepts sufficiently defined to warrant priority efforts. One or more small-vehicle, dual-mode concepts along with related communication and control systems could be selected for development. By 1974 some of these concepts should be sufficiently advanced to permit choices for full scale development and introduction.

Available Resources

Transit industry finances have been caught between rising costs and the declining numbers of passengers, so that despite increases in fares, net revenues have dropped precipitously, as the following table indicates:

	<u>1935</u>	<u>1945</u> (Millions)	<u>1955</u>	<u>1965</u>
Revenue passengers carried	9,782	18,982	9,189	6,798
Operating revenue	\$681	\$1,380	\$1,426	\$1,444
Net revenue (pre-tax)	\$146	\$313	\$149	\$70

Caught in this cost-revenue squeeze, the industry has cut depreciation allowances too low to permit even adequate replacement, let alone modernization. Expansion obviously requires new funds.

Apparent capital needs clearly could not be financed from revenues unless revenues were substantially increased. This could only be achieved in the present circumstances by increasing fares and experience shows that while revenues may be increased, traffic declines.



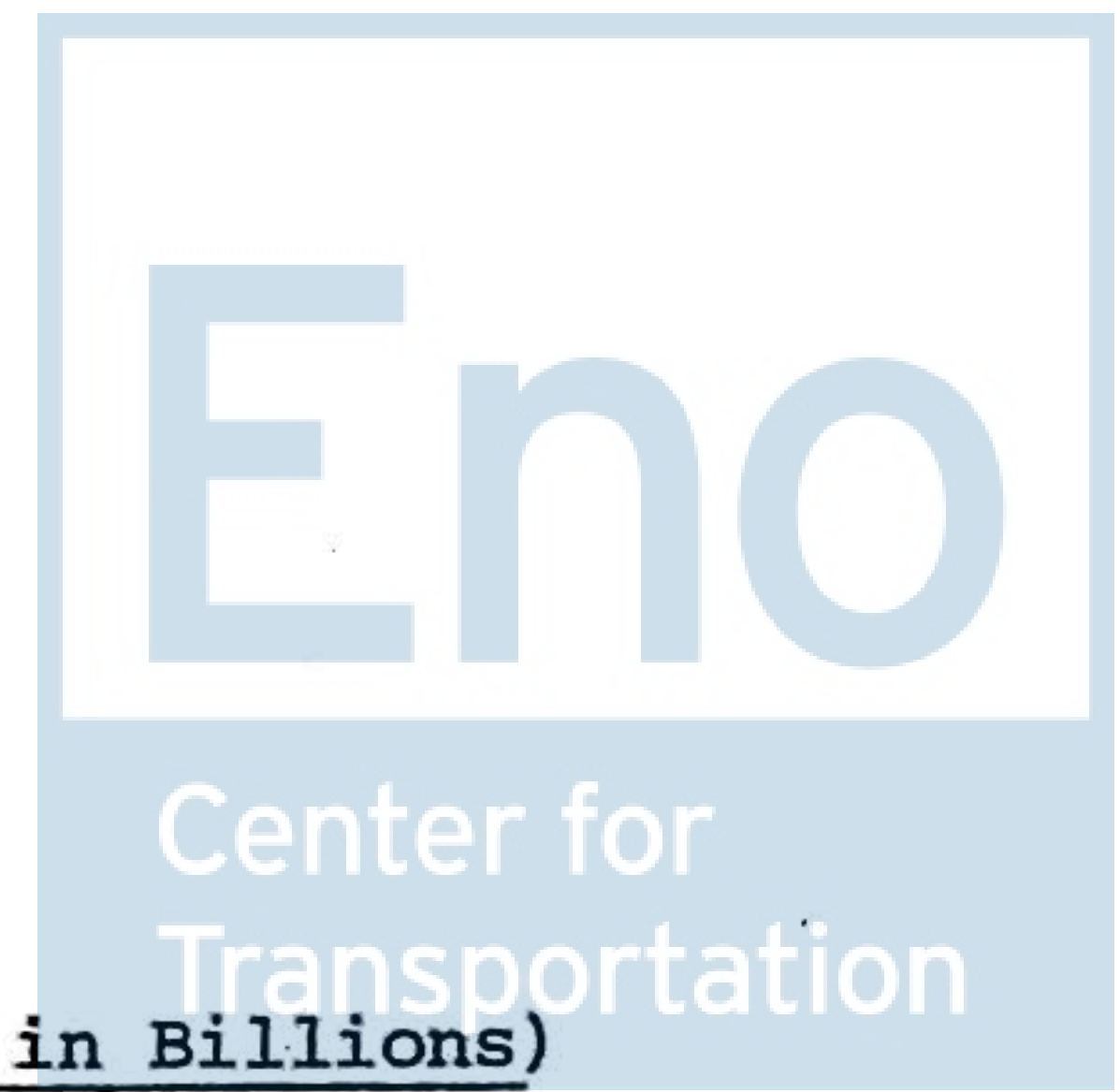
Moreover, political, legal, administrative and social considerations weigh against any significant increase in fares. Politically, an increase in transit fares is always a difficult and lengthy process. In some cases by the time a fare increase has run the gamut of State or local regulatory processes, costs have moved forward to the point of requiring immediate action to secure further fare adjustments. Last, but by no means least, is the fact that many transit riders (50-80% in most large cities) are poor or near-poor (family income under \$4,000), and an increase in transit fares works an undue hardship on them. A 50% increase in fares, for example, would average about 10¢/trip, or about \$50/year more for commuting (i.e., two trips a day, 5 days a week, for 50 weeks). This would represent 1.7% of a poverty-line income of \$3,000.

Although the accrual of depreciation and amortization reserves will provide some fare-box contribution to financing capital requirements over the next decade, State and local governments will still be faced with the necessity of choosing what kind of urban mass transportation facilities they need in order to fulfill their development objectives and of providing substantial financial assistance for the development of those facilities. But these decisions will be made in a context of rapidly growing demands on State and local resources from a number of **sources**.

State and Local Financial Problems

One of the most obtrusive trends in public finance in post-war years has been the persistent growth of State and local taxes, borrowings and expenditures. This has occurred because of rapid population increases, particularly in urban areas, the long deferral of needed public investment in new and improved facilities at the State and local level, the growing demand for better and more numerous public facilities and services, and the rapidly increasing cost of providing for those needs. As a result, State and local governments are experiencing fiscal problems never before encountered, and the rigidity of their revenue system is adding to the difficulty of the problem. The data in the following table attempts to highlight and give perspective to these fiscal developments during the period 1955-1966.

Summary Data on State and Local Finance



(Dollars in Billions)

	<u>FY 1955</u>	<u>FY 1960</u>	<u>FY 1966</u>
1. State and local expenditures	\$ 40.4	\$ 61.0	\$ 94.9
2. State and local revenues	\$ 34.5	\$ 53.3	\$ 84.4
3. State and local tax revenues	\$ 23.5	\$ 36.1	\$ 56.7
4. Total public debt	\$318.6	\$356.3	\$427.0
5. State and local public debt	\$ 44.3	\$ 70.0	\$107.1
6. State and local public debt as percent of total (5+4)	14%	20%	25%
7. State and local outlay for capital purposes:			
(a) Total amount	\$ 10.7	\$ 15.1	\$ 20.8 (1965)
(b) Amount financed by Federal aid	\$.8	\$ 3.4	\$ 5.0 (1965)
(c) Percent of Federal aid used for highways	70%	87%	79% (1965)
8. Gross national product	\$398.0	\$503.7	\$743.3
9. Federal debt as a percent of GNP	69%	57%	43%
10. State and local debt as a percent of GNP	11%	14%	14.5%
11. Per capita debt outstanding			
		(in dollars)	
(a) Federal	1,660	1,591	1,633
(b) State and local	268	389	547

The data show that State and local expenditures and revenues have increased by a factor of nearly 2-1/2 times within about a ten year period, but the absolute gap between revenues and expenditures has increased. Consequently, State and local debt outstanding has also increased by 2-1/2 times to over \$100 billion. Total Federal debt outstanding has increased by only about 1.2 times within the same time, so that State and local debt has become a much larger share of total public debt. This situation has developed even though Federal aid for State and local capital outlays has increased six-fold to over \$5 billion a year. While Federal aid accounts for one-fourth of State and local capital outlays, almost four-fifths of the Federal funds were devoted to highways.

In fact State and local governments have been hard pressed to meet the growing demands for public services. Forecast growth of urban population clearly indicates that these demands will continue to increase and that State and local governments will continue to be hard pressed to provide necessary services for the foreseeable future. A 1966 report to the Subcommittee on Economic Progress of the Joint Economic Committee of the U. S. Congress states that capital outlays by State and local public agencies between 1966 and 1975 would require nearly \$328 billion. If current financing practices continue, it is doubtful that State and local governments can provide the urban facilities that will be demanded by the huge future urban population.

Several revenue sources now tapped by State and local governments could be drawn upon more heavily. These include (a) various kinds of taxes, (b) borrowing, and (c) grants-in-aid. A number of serious difficulties must be considered, however, in determining the feasibility and desirability of pressing harder on any of these sources.

a. Taxes

While State-local budgets have been rising at an annual rate of 8 percent, the natural growth in the State-local tax base has been less than 4 percent. As a result it has already been necessary to seek new tax sources in order to keep revenue yields abreast of steadily rising budget requirements. The search has been relatively unsuccessful, with greater and greater dependence on borrowing the outcome.

According to the Advisory Commission on Intergovernmental Relations there is, on the average, unused tax capacity at the State and local levels, but national and State aggregates conceal wide variations in both revenue capabilities and expenditure requirements with critical deficiencies in many localities. A recent study by the National League of Cities projects an aggregate revenue gap for municipal governments alone of \$262 billion over the next 10 years.

b. Borrowing

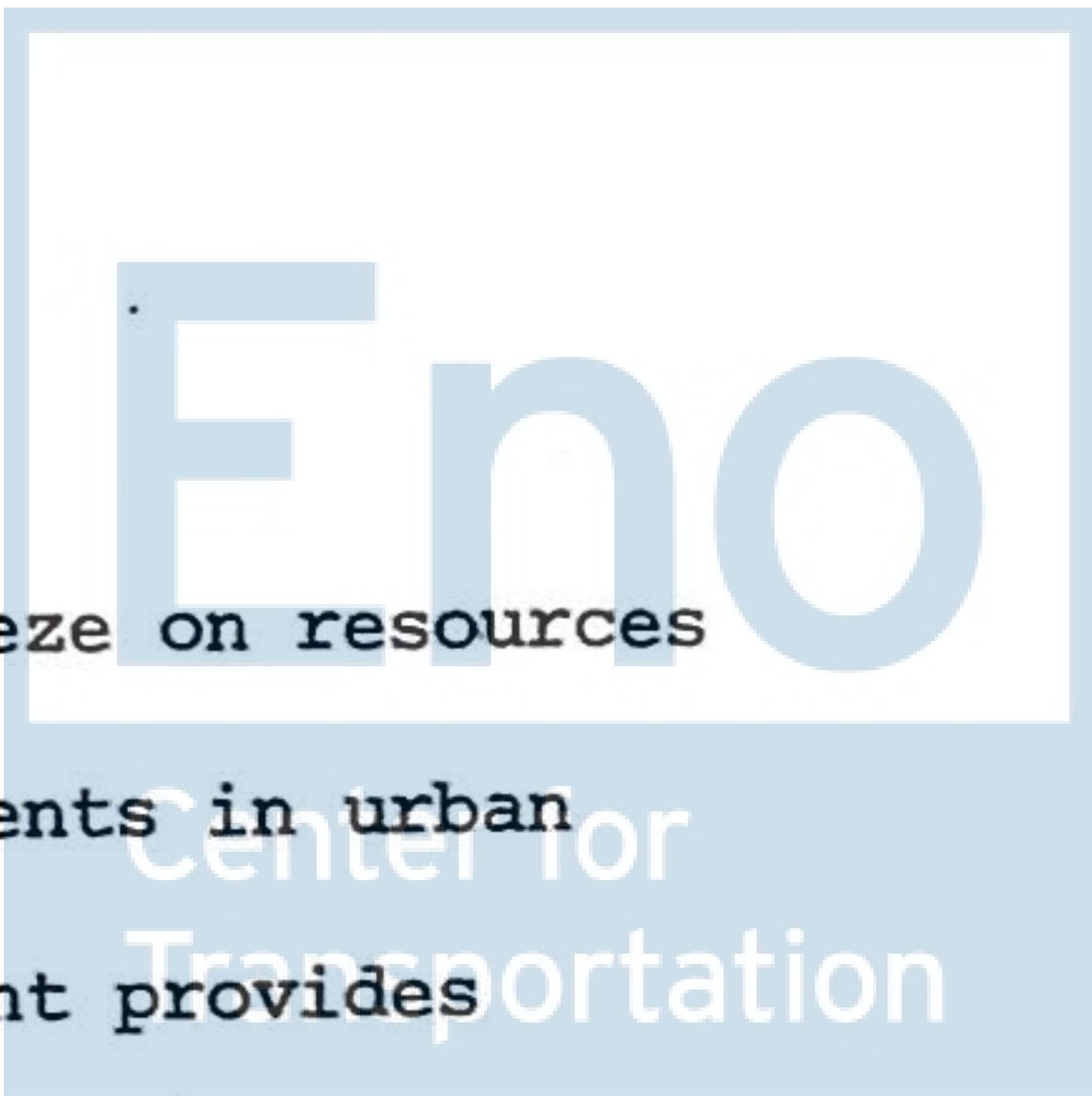
The power of State and local governing bodies to borrow money is often severely limited by law or even constitutional provisions. Only 9 States accord their legislatures unlimited borrowing authority. In most other States the amount that may be borrowed is limited by the State constitution, or by a requirement of electoral referendum approval, or by both. Most

local governments are also restricted quite severely. The growing pressure for capital improvements has driven many States and most local jurisdictions to look for ways of circumventing constitutional and statutory restraints on borrowing. Revenue bonds, special financing authorities, public corporations, lease - purchase agreements, and reimbursement obligations have stretched borrowing power, but among the consequences are higher interest costs and administrative complexities which further increase the cost of capital improvements.

c. Grants-in-aid

Slowly but steadily, the jurisdictions with superior fiscal capabilities -- first the States and then the Federal Government -- have assumed a responsibility for financing the Nation's domestic programs. This notwithstanding the remarkable absolute increase in State and local government expenditures shown in the previous table.

The Congress has recognized repeatedly that limited State and local resources make Federal aid essential if many national objectives are to be achieved equitably. The urban mass transportation assistance program was grounded on this principle and the proposed expansion of the program being made here is similarly grounded.



Proposed Federal Program Levels

The financial straits of the transit operators and the squeeze on resources of State and local governments indicate that major improvements in urban mass transportation can result only if the Federal Government provides assistance. A substantial and sustained commitment of funds would serve as a stimulus allowing State or local agencies to increase their attack on urban mass transportation problems. Such support would also serve as a catalyst for the implementation of urban development objectives dependent on improved transportation service.

The Department of Transportation therefore proposes a four-year mass transportation program at the following levels:

FY 1971	\$300,000,000
FY 1972	400,000,000
FY 1973	500,000,000
FY 1974	600,000,000

This compares to budget authority and obligations to date under the Urban Mass Transportation Act of 1964 as follows:

(in millions of dollars)		
<u>Fiscal Year</u>	<u>Budget Authority</u>	<u>Obligations</u>
1965	\$65.0	59.8
1966	135.0	115.1
1967	130.0	133.1
1968	125.0	134.1
1969	175.0	177.4 (est)
1970	200.0	205.0 (est)

The gradually increasing levels proposed here will only begin to close the gap between available funds and the level of needs. The proposed program will:

1. Meet the most immediate pressing needs, including an active research and development program;
2. Provide some assurance to localities that Federal funds will be available after the localities have gone through the long effort of planning and obtaining bonding authority for the local share of major mass transit projects. This kind of planning is not possible when the program is funded on a year-to-year basis and at fluctuating levels far below the needs;
3. Give local planners and decision-makers a real choice between transit and highways by narrowing the gap between the level of needs and the assistance available;
4. Provide sufficient time for analysis and studies of longer-term overall urban transportation needs and problems and development of a cohesive and consistent Federal program to meet these needs. Such a study is already under development, and implementation will be facilitated by simultaneous expiration of the mass transit and the highway programs.

III. URBAN MASS TRANSPORTATION TRUST FUND

Background

In 1956 the Congress created the Highway Trust Fund to ensure availability of sufficient Federal financial assistance to the States for carrying out a long range program of public investment in highways.

A review of the congressional hearings preceding enactment of the Federal-Aid Highway Act of 1956 shows, perhaps surprisingly in retrospect, that there was no particular enthusiasm for a trust fund. The famous Clay Committee set up by President Eisenhower in 1955 to develop proposals for a new highway program and its financing had recommended funding by means of revenue bonds to be marketed by a Government corporation established especially for this program. The leading alternative was to construct a system of toll roads with initial general fund financing. Telling objections were raised against both of these schemes and they were ultimately rejected. As study, investigation, and debate continued, two primary objectives began to emerge and gain support: One, to ensure sustained financial assistance to the States so that advance planning and a continuous highway development process could be achieved; the other, to ensure specific revenue to support the program, to prevent the diversion of these revenues to other purposes, and to ensure at the same time that not more than these committed revenues would be obligated for highway development thus retaining in the Congress control over both the rate and the aggregate amount of Federal investment in the Nation's highways.

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The success of the program of Federal financial assistance for highway construction, embodied in the Highway Trust Fund as a framework for a massive and long range public works activity, is unassailable. The record of sustained expansion and improvement of the national highway network is too obvious to require further documentation.

For essentially the same reasons, the Department of Transportation now proposes that an Urban Mass Transportation Trust Fund be established by the Congress. On balance, the trust fund appears to be the best method of ensuring a continuing flow of Federal funds to assist urban places wishing to revive, modernize and expand public transportation services as one element of a program of urban development and redevelopment.

It is recognized that valid objections can be raised against the trust fund idea as a method of providing Federal aid for financing local public works. Such objections were raised in the course of the debate on the 1956 Highway Act and they will be raised again in connection with this proposal. In 1956 the judgment of the Congress was that the benefits conferred by the trust fund substantially outweighed its disadvantages. The Department has reviewed the arguments and the alternatives, and it has been unable to devise any alternative method which would afford as many benefits and as few disadvantages. The basic purpose is the same -- to provide local public agencies engaged in transportation investment planning with the same confident expectation that necessary Federal support will be forthcoming as has made possible the effective planning and development operations of State highway departments.

General Study of Transportation Financing

This does not mean that attempts to develop alternative methods of financing should be abandoned. On the contrary, recognizing the complexity of the problem and the need for better solutions, the Department of Transportation is undertaking a comprehensive study of Federal transportation assistance programs and their financing.

This study is to be completed for consideration by the President prior to the submission of the 1972 report on highway needs. It will look searchingly at revenue sources and at existing schemes of Federal and State financing of transportation projects. It will consider the financing capabilities of the States and cities in the light of their present commitments. It will attempt to devise and evaluate a number of new funding plans. The case for and against user charges, especially the commitment of user charges to specific program expenditures, will be reexamined. The implications of block grants to the States and cities (at least for transportation) will be explored. The desirability and feasibility of requiring benefit cost analysis as a prerequisite to the allocation of Federal funds for all major transportation investments will be studied.

It may be noted also that establishment of an Airways and Airport Trust Fund is under active consideration. It is conceivable that by 1974 three different transportation trust funds may be in operation. Well before 1974, therefore, it would seem appropriate to have considered carefully whether these trust funds should be consolidated or perhaps abolished in favor of some as-yet undevised plan of financing that would have greater flexibility from the standpoint of both Federal and local governments.

Trust Fund to be Temporary

For these reasons, the proposed Urban Mass Transportation Trust Fund is initially limited to a term of four years. This would make its life coterminous with that of the Highway Trust Fund.

The Urban Mass Transportation Trust Fund would undergird both the loan and grant authorities of the Urban Mass Transportation Act. Somewhat greater flexibility in their use would be permitted, but the existing prohibition against Federal assistance in the form of both loans and grants for capital investments in a single transit development project would be continued. These arrangements relate directly to land acquisition proposals that are discussed in Chapter IV of this paper.

Financing

It is proposed that funds for the Urban Mass Transportation Trust Fund be derived by commitment of portions of the Federal automotive excise tax already in force. This tax, now scheduled to be reduced to 1 percent on January 1, 1972, and to go out of existence on December 31, 1972, would have to be extended through June 30, 1974 at a level of three percent, but only the amounts shown elsewhere in this paper would be transferred into the Urban Mass Transportation Trust Fund. These amounts are predicated on an estimated yield of approximately \$200 million per percentage point of the tax.

The automotive excise tax is not now and never has been identified by the Congress as a highway user tax. Recent congressional action scheduling the

reduction and eventual elimination of the tax suggests that no such assignment is contemplated.

This tax would be at least temporarily an ideal source of support for urban mass transportation improvements. Undeniably a major beneficiary of urban public transportation improvements is the highway user. The reduction of congestion on the highways that may be expected to follow from substantial improvements in public transportation will substantially reduce operating costs of highway vehicles, expedite highway travel in urban areas, and reduce air pollution and noise -- all of increasing concern to highway travelers, as to the populace at large. An additional virtue of the automotive excise tax as support for the urban mass transportation assistance program is that it respects and leaves untouched all committed highway user taxes. The contribution of public transportation, i.e., bus lines to the highway trust fund in the form of fuel and other taxes would not be diverted by the proposals set forth in this legislation.

Choice of Transportation

For many years now, Federal assistance for urban transportation improvements has been available almost exclusively for highway construction (until 1964 Federal assistance was available only for highway construction). It is past time that a long range program on a substantial and assured basis be offered to our cities by the Federal Government.

There is substantial national interest in the vitality of our cities. Rural areas, liberally assisted by the Federal treasury over many decades, are at

least as dependent on the economic and social activities of cities as cities are dependent upon the countryside. To some extent mounting problems of our cities are aggravated by the shortcomings of our urban transportation systems. City planning agencies and elected officials must be encouraged to consider broad ranges of alternatives in transportation systems, unbiased by unbalanced Federal assistance programs. Only in this way can reasonable prospects of valid solutions be held out, solutions which will provide not only improved transportation for the affluent but also make available transportation to the old, the handicapped, the very young, the poor and others who are either socially or economically isolated.

IV. OTHER PROVISIONS

Advance Acquisition of Land

Urban land is an increasingly scarce resource. The difficulties of both private real estate developers and public development agencies in securing suitable parcels for the intended uses at reasonable prices are well known and have been widely discussed in both the technical literature and the press.

The open-space program in HUD and the outdoor recreation program in Interior, authorized by the Congress in 1961 and 1965 respectively, have provided constructive assistance to local public agencies toward meeting some of their problems.

The Federal-Aid Highway Acts provide specific assistance to the States to acquire land for future highway rights-of-way. The 1968 Act authorizes special funds in the form of interest-free loans for the purchase of land anticipated to be needed not less than two nor more than seven years from the time of acquisition for the construction of federally aided highways. The purpose of this authority is not only to economize on highway costs generated by the steadily increasing price of land, especially urban land, but even more important is the recognition it gives to the unusually difficult right-of-way problems confronting transportation. Land for schools, hospitals, and other public buildings and even for playgrounds and parks, is seldom limited to a single discrete site. More commonly, if a preferred site is unavailable, a nearby

similar site can be substituted. In any event, the number of parcels to be consolidated is ordinarily small. The long, narrow bands of land required for ground transportation rights-of-way, however, constitute a special problem in land consolidation. Often literally hundreds of parcels must be acquired. Moreover, the substitution of one parcel for another is sharply limited by problems of alignment and topography unless modern operating performance standards and reasonable economy are to be sacrificed. Finally, once a general corridor is adopted and becomes known, speculators can acquire quick possession of key tracts and greatly increase public costs, or original owners can hold out by litigation or other tactics with resulting long delays in ultimate development and higher costs. Most vulnerable to such tactics are the rare vacant tracts which in urban areas offer greatest economy and least displacement if they can be taken in a timely manner and reserved for later transportation development.

The land acquisition problems of public transit moving on separated right-of-way are no less difficult than those which advance acquisition of highway right-of-way is designed to meet. Indeed, since the planning period for rapid transit is generally longer, the Federal planning requirements more exacting, and the experience of local transit development bodies ordinarily less than that of State highway departments, the need for relief is more urgent.

The proposed legislation would authorize interest free loans to local public agencies for advance acquisition of rights-of-way. The local public

agency would be required to show (a) that a program for the development of a unified or officially coordinated urban transportation system for the area is under active preparation, and (b) that the right-of-way to be acquired can reasonably be expected to be used in the development of such a system.

There are in the research and development pipelines novel systems of urban transportation which may require exclusive rights-of-way of existing rail transportation that are facing abandonment. Many railroads are withdrawing from the passenger service or are greatly curtailing service on which suburban commuters have heretofore relied. Occasionally, there are singularly good opportunities to acquire such routes or parts of such routes for prospective modern rail rapid transit. Several such rights-of-way exist in the Metropolitan Washington area and one, the Washington and Old Dominion right-of-way, will be utilized both for highways and for rail rapid transit. This authority will also be used initially to extend or improve existing rights-of-way or to make connections between two existing rights-of-way for greatly improved service.

In the long run, however, this authority is seen as an effective means of anticipating and preventing the speculative withdrawal of land from the market when it becomes clear that a mass transit system is being planned for the community and the required corridors are identified. Obviously, advance acquisition of right-of-way would have to meet tests of reasonableness including the probable long term need of the property for transit development and the consistency of the probable transit development with overall transportation and comprehensive plans being developed for the area.

Excess Land Acquisition

More far-reaching in its potential impact on the ultimate success of the urban mass transportation assistance program is another application of the proposal contained in this bill. This proposal would also permit local public agencies to acquire land adjacent to stations, parking lots and terminals in excess of actual system needs. This excess land would not be held idle. It would be developed concurrently for uses not inconsistent with the convenience and well being of transit users frequenting transit stations and other system areas. It could be acquired either in advance of approval of a contract for the development of a mass transportation facility upon terms similar to those set forth above for advance acquisition of right-of-way or it could be in conjunction with a general project for development of mass transportation facilities under either Section 4 or Section 5 of the Act.

Development would have to be consistent with comprehensive plans prepared or in process of preparation for the area concerned and specified in the loan agreement. Such development could be undertaken by the transit agency or by the local renewal or community development agency, or by private developers pursuant to arrangements made with the transit agency. In any case, the local public agency developing and operating the transit system would have a greater voice in the determination of the rate and nature of development or redevelopment of properties adjacent to the

transit system. This would help to ensure the consistency of this development with the planning objectives to which the transit system itself was designed. A major problem of transit (as of highways) in large cities is that its installation tends to generate a rate, structure and amount (density) of development inappropriate to the capacity of the system. By rigorous control of both rate and type of development this problem could be avoided or at least mitigated. But this is not the only advantage.

Much has been said about the beneficial effects of transportation investment on the development of adjacent land. This stimulating effect has impact on employment and the construction industry, on taxable values, on the number and variety of commercial and residential facilities made available and consequently on the value of that land.

To the extent that these favorable developments and the resulting incremental values are the result of public investment, it seems clear that increases in values should help defray the public expenditures that give rise to them. Customarily, these increases in values are realized by private individuals, and typically, by a very few such individuals. The proposed legislation contemplates that these publicly generated values would be shared by the respective governments to help defray these capital costs.

Obviously through this device there is large potential for reducing the net cost of essential transit improvements to the taxpayers, both Federal and local. The funds recouped by the Federal Government through this provision would help defray the cost of Federal grants.

This proposal would be particularly efficacious during the period in which mass transportation is being modernized and expanded. It has none of the dampening effects on traffic nor regressive income effects that count against user taxes or higher fares. It would reduce interest costs on borrowed funds as well as tax commitments, by reducing both Federal and local shares of "net project cost". Undoubtedly it would improve the market for local general revenue bonds sold to finance the local share of net project costs by providing a back-up revenue source. In some jurisdictions, revision of eminent domain laws would be necessary to permit local agencies to take full advantage of this proposal, but Federal urban renewal legislation had to meet the same problem and has done so with great success. In most jurisdictions, questions of public purpose have been construed broadly in the public interest and it is reasonable to assume that what the legislators will authorize the courts will sanction -- for a transit agency as well as for a general urban redevelopment body.

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report recently released by the Washington Metropolitan Area
Transit Authority estimates that \$700 million worth of development
will be generated by the Washington metro system around 24 selected
transit stations in the Washington area. The consultant who prepared
the study further advised that total real estate values likely to be
generated in the neighborhood of all 80 stations could range around
\$1 billion. He estimated further that WMATA could purchase around
150 acres in the neighborhood of the 24 highest potential stations for
about \$30 million. The prospective return to the Authority from
ultimate development or redevelopment of this land is, therefore,
obviously very large. Profit from resale of the land alone without
redevelopment could be very substantial and could drastically reduce
the burden of system costs on both local and Federal taxpayers.

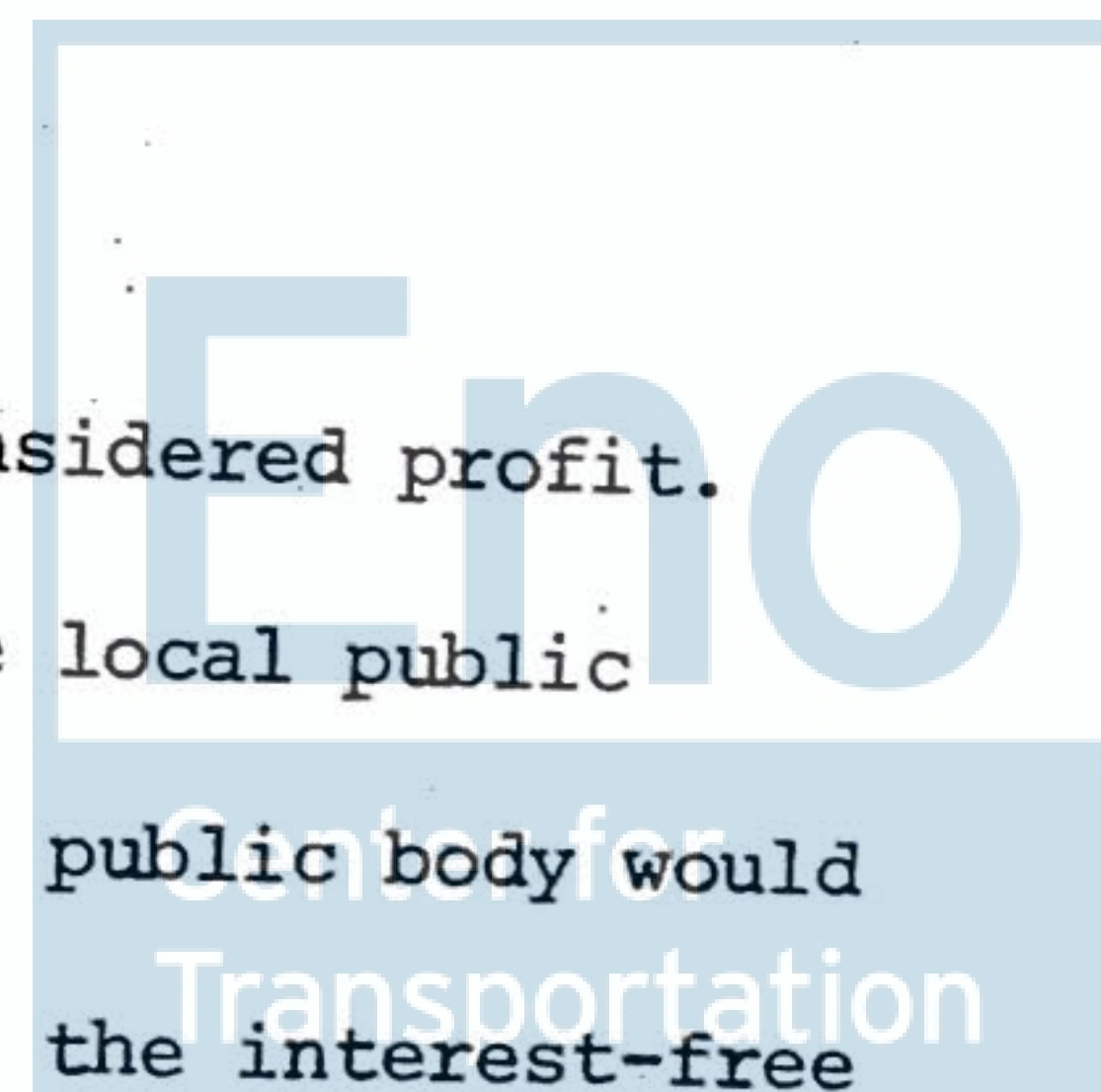
The intention of the proposed legislation is to permit acquisition of excess
land adjacent to and in reasonable proximity of essential transit property,
primarily stations. Excess land to be taken would have to exhibit
reasonable likelihood of early development or redevelopment in a higher
use. The UMTA would exercise project-by-project review and approval.

It is possible, of course, that some of the land acquired in advance
right-of-way acquisitions, or even in excess land acquisitions, might
not be developed. Where a determination is made that the land is not to be
used, a current appraisal would be required. The difference between

current appraisal and the original cost would be considered profit. Profit would be shared by the Federal Government and the local public body in the ratio of two-thirds to one-third. The local public body would not be required to sell the land but would have to repay the interest-free loan to the Federal Government, plus the Federal share of any "profit" when the determination is made.

Excess land moving forward to development would be appraised (unless a sale price had already been established) immediately following the date of the institution of new transit service and not more than three years thereafter. Appraisal would be based on the value of the land in its projected use and profit would be determined as the difference between the appraised value or sale price and original cost. Again the Government would be credited with two-thirds of the profit, the local public agency with one-third.

Profits accruing to the local public agency on land operations would first be applied to reduction of its share of the net project cost of transit development. Thereafter the local public agency would be required to use any remaining profit for additional transit improvements or for systems extensions, if they are contemplated in the area. In short, Federal policy would place emphasis on the continued improvement of local public transit services.



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The Federal Government's share of profits would be paid over to the local public agency up to the limit of the Federal Government's share of net project cost (of the project or projects in connection with which the excess land was acquired). These payments would be applied to the Federal share of project costs in lieu of payments from tax revenues in the trust fund.

State Limitation

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Section 15 of the Urban Mass Transportation Act of 1964 limits the amount of capital grants that can be made in any State to 12-1/2 percent of the aggregate amount authorized to be appropriated. A safety valve in the form of \$12.5 million of free funds allocable at the discretion of the Secretary is provided. At the present time the total authorized is \$865 million and the limitation is, therefore, \$108.1 million. By the end of this year two States, California and New York, will have reached this limit and the pool of free funds will be nearly exhausted. In terms of applications pending Illinois is also approaching the ceiling.

On the basis of continuing discussions with city officials, it appears probable that developing transit plans in six additional States, (Massachusetts, Pennsylvania, Washington, Missouri, Maryland, and the Washington, D.C. metropolitan area) will also be in trouble. Under the legislative proposal here the State limitation would become \$331.1 million. In all of the above States the Federal share of capital requirements, on the basis of preliminary estimates, would be dangerously close to or above this limit.

The proposed legislation would provide immediate relief by increasing the pool of unrestricted funds to a total of \$50 million. This flexibility is highly desirable and should be authorized whether or not the total legislative proposal is considered favorably at this session of the Congress.



Relocation Program

From its inception, the Federal mass transportation program has been required to determine as a condition of grant awards, that an adequate relocation program is being carried on for families to be displaced by any Federally-aided mass transportation project. In addition, the law authorizes payments by the Federal Government (on a 100% basis) to individuals, families, businesses and other institutions for moving expenses and other losses not otherwise compensated. Amounts are limited to \$200 for families and individuals, \$3,000 for others.

On the basis of Congressional actions at the last session, it seems possible that uniform relocation legislation applicable to all Federal grant-in-aid programs may be enacted this year. If so, the provision dealing with relocation in this proposal can be set aside. If not, serious consideration should be given to its enactment. The proposal is patterned after and follows very closely the relocation requirements of the Highway Act of 1968. This is the most advanced Federal legislation in force. The Department believes that mass transportation projects should be subject to relocation conditions no less exacting than those applicable to the Federal-aid highways.