

Mass Transit

My dear Mr. Chairman:

In view of the intrinsic importance of urban and metropolitan transportation problems, and because a study of these problems has been initiated by the Department of Commerce and the Housing and Home Finance Agency at the request of the President, the Bureau of the Budget would appreciate an opportunity to comment on S. 345, a bill "To authorize the Administrator of the Housing and Home Finance Agency to assist State and local governments and their public instrumentalities in planning and providing for necessary community facilities to preserve and improve essential mass transportation services in urban and metropolitan areas, and for other purposes."

This bill would authorize the Administrator of the Housing and Home Finance Agency to (a) undertake research on urban mass transportation problems, (b) give technical advice to States and local governments undertaking mass transportation planning, (c) make mass transportation planning and demonstration grants on a fifty-fifty matching basis to States, counties, municipalities, and their instrumentalities (with authorization for appropriation of \$75 million, of which up to \$50 million would be for demonstrations), and (d) make 50-year, low-interest loans to States, counties, municipalities, other public bodies, and to the instrumentalities of one or more States to finance acquisition, construction, or improvement of mass transit facilities and equipment to be operated or leased to others for operation in urban and metropolitan areas, and for coordinating mass transit operations (with a revolving fund of \$250 million, not more than \$100 million of which would be available before July 1, 1962).

The Bureau of the Budget believes that a substantially enlarged program of Federal aid for comprehensive urban and metropolitan planning on an integrated and continuing basis is essential to assure (a) consistent and efficient utilization of Federal funds now being provided urban areas through various Federal-aid programs, and (b) development and redevelopment of urban communities on the basis of careful consideration of all relevant factors and in accordance with the wishes of the localities involved.

A central element of such planning is a transportation plan, including all transportation media, both public and private. As you know, housing legislation proposed by this administration includes an increase to \$100 million in the authorization of appropriations to the Housing and Home Finance Administration for comprehensive planning grants to the States and local communities, and places increased emphasis on transportation planning. The proportion of planning costs met by Federal grants would be increased by the proposed housing legislation to two-thirds, as compared to the fifty-fifty matching provisions of S. 345. This change is consistent with the administration's housing legislation which also provides the necessary additional authorization to finance the transportation planning proposed by S. 345. The Bureau of the Budget believes the increased Federal share is appropriate in view of the growing complexity of urban problems and the increased concentration of population living in urban and metropolitan communities.

Under S. 345 Federal grants would also be provided for "demonstrations" in the mass transportation field. Illustrations of eligible demonstrations

in the bill include tests of variations in the frequency, speed, and fares of public transportation services, and in the availability of transfers. These demonstrations would provide information urgently needed to make sound decisions in the process of planning new or improved transportation systems. The Bureau of the Budget considers such demonstrations to be an integral part of comprehensive transportation planning. On the basis of the limited information available, however, it is believed that not more than \$10 million should be authorized initially to provide a test of the effectiveness of such a demonstration program. Also included in the bill as illustrations of demonstrations are experiments relating to the location of parking facilities, feeder services and technological developments which would appear to involve rather substantial investment in permanent capital. The Bureau of the Budget believes that such projects are more properly considered in connection with a possible program of Federal assistance in financing long-term capital improvements, which is discussed below.

The Bureau of the Budget believes that Federal financial assistance is necessary if urban and metropolitan areas are to provide capital equipment and facilities adequate for modern mass transportation systems. In view of the close relationship between transportation and community development, however, it would appear essential to require (a) comprehensive plans for community development, including area-wide plans for a total transportation system, and (b) an organization with adequate financing, administrative, developmental, and operating powers, authorized to carry out comprehensive plans in the entire urban or metropolitan area, as prerequisites

for Federal aid. Under the provisions of S. 345, recognition is given to the desirability of meeting these conditions, but its so-called "workable program" would become a necessary prerequisite for loan eligibility only after three years, and then only to the extent of a showing that "substantial progress" is being made toward its development.

Finally, information presently available is not sufficient to permit a recommendation on the precise Federal share of such costs or on the form, e.g., loans or grants, which Federal assistance should take.

For these reasons, it is recommended that S. 345 be amended by substituting for present sections 5(a) through 5(m) a declaratory statement along the following lines:

"The Congress finds that Federal financial assistance is necessary to enable urban and metropolitan areas to develop effective mass transportation systems, and that such systems can be developed only in communities with sound and comprehensive area-wide transportation plans and with organization and authority adequate to carry out such plans. The Housing and Home Finance Administrator is accordingly directed to submit to the Congress no later than January 31, 1962, recommendations as to appropriate form and magnitude of such Federal ~~xxx~~ financial assistance, the proper extent of local cost sharing, and the conditions and requirements to be met by local communities to assure the most effective use of such assistance."

This will alert the States and local communities as to the general nature of the conditions that must be met in order to receive Federal financial assistance. It will also permit completion of the joint study of urban transportation problems being undertaken by the Department of Commerce and the Housing and Home Finance Agency, which should provide a firmer basis for decisions on the relative shares of cost to be met from Federal and local contributions, whether Federal assistance should be in the form of loans or grants, and the aggregate amount of Federal participation.

It is believed that S. 345 correctly assigns the entire responsibility for this program, including any program of Federal financial assistance that may be demonstrated to be appropriate and necessary, to the Housing and Home Finance Agency.