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Devolution of the Federal Role in Urban Transportation

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Introduction

During the last few years, the federal role in urban transportation has been changing. The Administration is proceeding on a path to reduce the involvement of the federal government in urban transportation decision-making. This change is a departure from the trend over the previous two decades which was characterized by increasing federal responsibility and participation in the process and results of decisions related to urban transportation. The consequences of this change for other participants in urban transportation decision-making are already apparent and are likely to become more pronounced in the foreseeable future.

The new federal role is based upon two premises. First, the state and local governments and the private sector are closer to the problems and issues in urban transportation and, therefore, are in a better position to make local transportation decisions. Second, transportation decisions should be guided by the marketplace rather than governmental regulations and requirements. Moreover, the Administration believes that institutions for urban transportation decision-making have matured to the point that the federal government no longer need be involved to the degree it was while these institutions were in their infancy.

A number of steps have already been taken to bring about the shift in the federal role. These steps involved changes to policies, legislation, regulations and programs. Others will likely follow. This paper reviews the actions that have been taken and looks ahead to the dominant trends that are emerging for the coming decade.

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Guiding Principles

To guide the change in the federal role, the Administration has formulated a number of policy principles. These principles are intended to be applied to all modes of transportation in an equitable and consistent manner. They are designed to shape decisions on legislation, regulations, programs and projects.

First, federal transportation expenditures, wherever possible, would be financed through charges levied directly on the user or direct beneficiary of a transportation service or facility. This user charge policy would apply to all modes, but especially to freight modes, where users are typically profit-making, commercial companies. This policy is based on both equity and efficiency. In regard to equity, those receiving the benefits from transportation services should pay for them. Only in situations where there are significant external benefits should the costs be shared by non-users. From an efficiency viewpoint, the marketplace operates best when prices reflect full costs. Subsidies to one mode artificially reduce the price of that service. This in turn diverts traffic to that mode eventually resulting in uneconomic investment to accommodate the traffic increase. Further, users who pay full costs have an incentive to insist on the efficient provision of services.

Second, transportation functions which are not national should be returned to the states and local governments. Federal involvement in transportation has been steadily increasing over the last two decades. It created many new programs, regulations and requirements to address transportation issues which are largely local. The federal role did not adequately reflect the wide range in conditions, capability, need and objectives that existed in the nation. Federal criteria were not well suited to the circumstances in any particular area and they interfered with each area's ability to address its own problems. Moreover, some of the consequences of federal involvement were counterproductive and unintended. The Federalism policy seeks to return to state and local governments these non-national transportation functions. The federal government would retain those functions which are national such as maintenance of interstate commerce.

Third, the provision of transportation services by the private sector should be increased by returning transportation functions to private operators and by reducing federal regulations. Over the past decade, the role of the private sector has been usurped and eroded by federal programs, regulations, and policies. This private enterprise policy seeks to reverse this trend by modifying federal programs and regulations which

interfere with private sector managerial and entrepreneurial incentives. Wherever feasible, transportation services should be left to private enterprise, functioning in a competitive market. Government subsidies to profit-making providers would be eliminated unless there is a compelling reason to keep them. Federal transportation enterprises should operate more like private enterprises and recover capital and operating costs through user charges. It is recognized, however, that there is a federal role in some matters with which the marketplace does not deal effectively, such as accounting for external environmental costs and safety.

Fourth, federal regulations should be modified or eliminated where their costs exceed the benefits, where they restrict competition or where they are not needed to accomplish national goals. This regulatory reform policy complements the goals of both Federalism and private enterprise policies to return transportation functions to the state and local governments and to place greater reliance on private market forces. Existing regulations are being reviewed and modified or eliminated to remove those which are out-of-date, unnecessarily burdensome or duplicative, or not cost-effective. New regulations will be subjected to the same tests before they are implemented.

Fifth, federal transportation investments should be subjected to rigorous analysis to ensure that their benefits exceed costs. In absence of the market allocation mechanism in the private sector, the public sector must base its decisions on this investment policy. The benefit-cost analysis must include a full range of alternatives. All important benefits and costs must be counted. Only the most cost-effective alternatives should be undertaken and only if the benefits exceed the costs. Although many transportation decisions are made at the state and local levels, the federal government can foster the use of this investment policy by combining categorical grant programs into block grant programs. This would broaden the competition for funds and increase the likelihood that such benefit-cost analyses would be undertaken and the best projects implemented.

Surface Transportation Assistance Act of 1982

The Administration recognized that the federal government has a role in rehabilitating the transportation infrastructure of the nation. The performance of the transportation system is closely related to the economic health of the nation. After more than a year in formulation, the Administration

Table 1. Surface Transportation Assistance Act of 1982

	Authorization Levels by Fiscal Year ($ Millions)			
	1983	1984	1985	1986
Highway Programs				
Interstate—Construction	4,000.0	4,000.0	4,000.0	4,000.0
Interstate—Rehabilitation	1,950.0	2,400.0	2,800.0	3,150.0
Interstate Highway Substitutions	257.0	700.0	700.0	725.0
Primary System	1,883.4	2,147.2	2,351.8	2,505.1
Secondary System	650.0	650.0	650.0	650.0
Urban System	800.0	800.0	800.0	800.0
Bridge Replacement & Rehabilitation	1,600.0	1,650.0	1,750.0	2,050.0
Safety Construction	390.0	390.0	390.0	390.0
Other Highway Programs	1,183.6	1,120.0	1,154.0	1,106.0
Subtotal—Highway	12,714.0	13,857.2	14,595.8	15,376.1
Urban Transit Programs				
Discretionary Capital Grants	779.0	1,250.0	1,100.0	1,100.0
Block Grants	—	2,750.0	2,950.0	3,050.0
Interstate Transit Substitutions	365.0	380.0	390.0	400.0
R&D, Admin., & Misc.	86.3	91.0	100.0	100.0
Subtotal—Urban Transit	1,230.3	4,471.0	4,540.0	4,650.0
Total—Highway & Urban Transit	13,944.3	18,328.2	19,135.8	20,026.1

proposed legislation in November 1982 to address the transportation infrastructure problem, as well as other matters. With some modification, the legislation was passed and signed into law on January 6, 1983 as the Surface Transportation Act of 1982 (STAA).

The STAA increased the user charge on motor fuels by five cents a gallon (in addition to the existing four cents) effective April 1, 1983. Other taxes were changed including a substantial increase in truck user fees which were changed from a fixed rate to a graduated rate by weight. The STAA increased authorizations for highway and transit programs by more than five billion dollars annually for the four-year period from 1983 to 1986 (See Table 1).

Of the revenues raised by the user charges, the equivalent of a four-cent increase was used to increase highway program authorizations. The additional highway funds were for accelerating completion of the Interstate Highway System (to be completed by 1991), an increased Interstate 4R (resurfacing, restoration, rehabilitation, and reconstruction) program, a substantially expanded bridge replacement and rehabilitation program, and greater funding for projects on the Primary and Secondary systems.

The Act restructured federal urban transit programs. No new authorizations were made for Section 5 formula grants. Instead, a new Formula Grant program was created which allowed expenditures on capital, operating and planning items. Substantial discretion was given to state and local governments in selecting projects to be funded with minimal federal interference. There were, however, limitations on the use of these funds for operating assistance. The Act provided for a distribution of funds to areas of different sizes by population: more than one million, between one million and 200,000, between 200,000 and 50,000, and under 50,000. Within these population groups, the funds were to be apportioned by several formulas using such factors as population density, vehicle miles and route miles.

The revenue from one cent of the increase in highway user charges was to be placed into the Mass Transit Account of the Highway Trust Fund. The funds could be used for capital purposes only. They were allocated by formula in fiscal year 1983, but were to be discretionary in later years. The definition of capital was changed to include associated capital maintenance items. The Act also provided that a substantial number of federal requirements be self-certified by the applicants and that other requirements be consolidated to reduce paperwork.

Highway and Transit Program Levels

The Surface Transportation Assistance Act of 1982 provided increased authorizations for highway and urban transit programs. These funds, however, cannot be spent until they are appropriated. Table 2 shows the actual obligation levels for fiscal years 1982 and 1983, and the proposed levels for fiscal years 1984 and 1985. It should be noted that 1983 was a transition year in that the STAA was not signed into law until the second quarter of the fiscal year.

The total level of obligations for highways is estimated to be slightly below the authorization levels for the 1984–1985 period. It is also estimated that there will be some shifting of funds between program categories. Since state and local governments have some flexibility to move funds among highway programs, the actual obligation levels will not be known until those decisions are made. The total level of obligations, however, must be within the ceiling set in the budget.

Obligation levels for urban transit are estimated to be lower than those levels authorized in the STAA for fiscal years 1984 and 1985. This is the result of the Administration's proposal to phase out operating assistance over a five-year period ending in 1988 so that there would be no federal operating assistance in 1989. The Administration believes that transit fare and service decisions are properly a local responsibility and so, too, are the subsidy requirements resulting from these decisions.

The STAA provides a cap on the use of Section 9 Formula Grant program funds for operating assistance. It is a graduated cap by size of urban area based on the premise that smaller areas are more dependent on federal operating assistance than larger ones. The areas of one million and above in population are limited to 80 percent of the level of federal funds spent on operating assistance in fiscal year 1982. Areas between 200,000 and one million in population are limited to 90 percent; those that are smaller are limited to 95 percent. This would result in approximately $875 million being spent on operating assistance.

The 1985 budget, however, proposes a limit of $545 million on operating assistance compared to the authorized level of $875 million. It would accomplish this by lowering the cap on urban areas of one million and above in population to 50 percent of the level permitted by the STAA, to 75 percent for areas of 200,000 to one million in population, and to 100 percent for smaller areas. This phase-out is designed to allow state and

local governments to make adjustments in financing and operations in an orderly manner to account for the loss of federal assistance.

Evaluating Major Transit Projects

The restructuring of the transit program contained in the STAA was designed to provide funds for routine capital needs through the Section 9 Formula Grant program. It was, however, recognized that there would be extraordinary needs for capital funds for major rehabilitation projects, new systems and extensions to existing systems. These were to be funded through the Section 3 Discretionary Grant program which received the revenue from the one cent increase in the user charge on motor fuels.

The potential demand for federal funds for new starts—i.e., new systems and extensions—is huge and far exceeds realistic estimates of the future availability of these funds. At least 35 cities are currently considering the development of new or expanded fixed guideway systems, and most are looking to UMTA's Section 3 program as the potential source of much of the needed capital funding. Moreover, most of the roughly $1.1 billion annually in the Section 3 program is likely to fund major urban rail and bus rehabilitation projects. Consequently, only $400–500 million are expected to be available for new start projects.

In the Joint Conference report accompanying the STAA, Congress provided guidance in selecting new start projects for funding. It stated that preference should be given to projects which maximize the cost-effectiveness of the federal contribution or non-federal contribution. UMTA is developing a process for rating new start projects which uses these criteria. It will use measures such as new riders attracted to transit, travel time savings, and amount of local matching funds. In addition, an applicant will have to demonstrate that there is a stable, local financial commitment for as long as it takes to construct and operate the system.

UMTA will provide funding and technical assistance through all phases of the project process including system planning, alternatives analysis and development of the draft environmental impact statement (EIS), preliminary engineering, final design and construction. It will review the local technical work for completeness and accuracy. Between each phase, there will be a major federal decision point at which time UMTA will decide whether there is sufficient support to continue planning and project de-

velopment activities. Where local analyses are not adequate, additional work may be requested.

New Regulations on Urban Transportation Planning

Reducing and eliminating federal regulations has been one of the high priority concerns of this Administration. Executive Order 12291, issued in February 1981, established procedures for reviewing existing regulations and evaluating proposed new ones. The Administration had postponed the implementation of all regulations that would have taken effect during their first 60 days to permit a review of them. As a result, the revised FHWA/UMTA Urban Transportation Planning regulations, published in January 1981, were postponed and eventually withdrawn.

The regulations were subjected to an extensive review and comment period. During this time, interim final regulations were issued which included only minimal changes to the original 1975 regulations. Finally, in June 1983, revised regulations on Urban Transportation Planning were issued. These regulations reflected the dominant comments to reduce federal requirements and provide greater flexibility to state and local agencies in performing urban transportation planning.

The joint FHWA/UMTA Urban Transportation Planning regulations were rewritten to remove items that were not actually required. They retained, however, the key aspects of the urban transportation planning process. A planning process was still required to produce a transportation plan, a transportation improvement program (TIP), including an annual (or biennial) element and a unified planning work program (UPWP), the latter only for areas of 200,000 or more in population. The planning process was to be self-certified by the states and metropolitan planning organizations (MPOs) that it conformed to all federal requirements when submitting the TIP. These certifications were to be checked through periodic audits by the federal government.

The revised regulations drew a distinction between federal requirements and good planning practice. They stated the products which were required but left the details of the process to the state and local agencies. Consequently, the regulations no longer contained either the elements of the process or factors to be considered in conducting the process.

The urban transportation planning process was still the mutual respon-

sibility of the MPO, state, and public transit operators. But, the nature of the MPO was to be the determination of the governor and local governments without any federal prescription. Governors were also given the option of administering UMTA's planning funds for urban areas with populations under 200,000.

These revised regulations changed the focus of responsibility and control of the planning process from the federal government to the state and local governments. The federal government remained committed to urban transportation planning by requiring that projects be based on the planning process and by continuing to provide funding for planning activities. In fact, the STAA provided a substantial increase in federal planning funds. But, the federal government would no longer specify how the process was to be performed.

Involvement of the Private Sector

Another major concern of the Administration is to increase private sector participation in urban transportation. The Department of Transportation has been actively promoting the involvement of the private sector in various aspects of urban transportation. This involvement can take many forms—from contracting of service provision, to freer entry of private providers, to supplementing public funding of facilities and services with private funding. A number of innovative approaches have been suggested, and some tried, for financing transportation projects, totally or in part, through the private financing market.

In October 1982, the Urban Mass Transportation Administration (UMTA) issued the long-awaited Paratransit Policy. The policy discussed paratransit options as supplements to conventional transit services which could increase transportation capacity at lower cost. Further, paratransit services could be provided in markets that were not viable for conventional mass transit. Paratransit was also encouraged to serve specialized markets (e.g., elderly and handicapped) and as an alternative to the private automobile in low density areas.

The Paratransit Policy encouraged local areas to give full consideration to paratransit options. It supported the use of paratransit by private operators particularly where they were not subsidized. The policy fostered reducing regulatory barriers to private operators, timely consultation with the private sector, matching services to travel needs and integration of

paratransit and conventional transit services. It stated that UMTA would provide financial assistance for planning and capital expenses but preferred unsubsidized, privately provided paratransit services.

Major Evolving Trends

The trend towards a reduced federal role in urban transportation is likely to continue for the foreseeable future. The Administration will emphasize greater decision-making responsibility for the state and local governments and private enterprise. This devolution in the federal role is causing other governmental units to reassess their own roles and responsibilities.

Limiting the federal role is also translating into limits on federal financial assistance for urban transportation. The increased responsibility placed on state and local governments combined with constraints on increasing federal funds is straining budgets. State and local governments are becoming more concerned about the cost to provide transportation services and to maintatingthe federal role is also translating into limits on federal financial assistance for urban transportation. The increased responsibility placed on state and local governments combined with constraints on increasing federal funds is straining budgets. State and local governments are becoming more concerned about the cost to provide transportation services and to maintain the infrastructure. Consequently, pressure is growing for greater efficiency and effectiveness in the delivery of urban transportation facilities and services. The private sector is becoming more involved because, in certain instances, it can deliver services less expensively than public agencies can. Some local units of government are deciding to provide transportation services themselves when they can do so more cheaply than regional agencies. This, in turn, is placing stress on regional agencies to become more efficient.

Greater emphasis is being placed on the rehabilitation and maintenance of the transportation infrastructure. New highway construction is becoming more selective, limited primarily to some expansion of capacity in growing areas. Many urban areas are looking to rail transit as a means to increase transportation capacity. Most of these areas are still conducting an analysis of alternatives to determine if rail transit is a cost-effective approach to providing this additional capacity. A further question remains as to how these major transit projects would be funded since federal grants for new

starts are a scarce resource. Many areas that are considering rail transit systems are, therefore, intensely evaluating the opportunities for joint development and other innovative financing techniques to defray part of the cost of these systems.

Urban transportation planning studies, during the 1970s, shifted their focus from the long range, regional scale to shorter term time horizons and the corridor level and subregional scale. This trend is likely to continue during the 1980s. New techniques were developed, for the most part by the academic research community, to address the shorter term planning issues encountered at the corridor level. The diffusion of these techniques into practice has been slow. Gradually, however, they are gaining acceptance and are being increasingly used by local planning agencies. Greater effort is needed to disseminate these techniques in a form that is usable to practicing planners.

With regard to urban transportation planning practice, the full impact of the introduction of microcomputers is yet to be felt. The microcomputer offers the opportunity of providing analytical capability to many more agencies at lower cost with a faster response time over traditional techniques using large mainframe computers. This will allow smaller agencies to carry out analyses themselves without the need to obtain them from large regional agencies. Activities are accelerating to develop software for a wide range of microcomputer applications and to disseminate information on the availability and use of these programs. User networks and newsletters have been established to aid in this process.

It is still unclear what changes will occur in planning practice as a result of the reduction in federal regulation and prescription. There will be expanded opportunities to fashion planning procedures and institutions to local problems and needs. More time and effort will be available to produce information for local decisions rather than meet federal requirements. This will require that planning processes be more responsive to the needs of local decisionmakers and citizens, which may be difficult for planning agencies that have been attuned to federal demands.