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REVENUE SHARING PROGRAM FOR TRANSPORTATION



DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
Washington, D.C. 20590

JUNE 30, 1971

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RAPID TRANSIT PLANNING

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THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

President Nixon's revenue sharing program for transportation marks the beginning of a new era in transportation progress -- a new era of community participation in transportation decisions.

For the past four years, the Department of Transportation has been trying to promote a balanced national transportation system. One of the most important things learned is that people do care about their transportation systems. They are eager to be involved. They demand responsive solutions. And the fact is that transportation needs are so diverse -- and they change so rapidly -- that the Federal government cannot always respond the way it should.

Revenue sharing will give states and local governments the flexibility they need to deal directly with local problems. The best example of this need is the highway/mass transit area in which there is such great interest.

Revenue sharing will eliminate, except for the interstate highway system, our matching grant programs. Existing matching grant programs have too often distorted the local decision-making process, with transportation needs becoming secondary to the availability of Federal funds.

Many areas simply cannot raise the matching money. Others find it nearly impossible to fight the red tape involved in the grant application process. These restraints would be removed under revenue sharing. Urban areas, for example, would be able to say: "This is what we need, this is where we're going to spend money, and this is the kind of system we want."

Let me make one point. Everyone knows the financial problems facing our cities and states. When I was Governor of Massachusetts, almost every city and town in our state was suffering the same problem: the tax dollar simply would not go far enough to pay for the services everyone was demanding. The problem is even more acute today.

So we must find a way to channel some of the Federal tax dollar back to these urban and rural areas -- and we have to do it in a way that gives local leaders maximum flexibility in deciding how the money will be spent.

Revenue sharing for transportation does that.

A handwritten signature in black ink, appearing to read "John Volpe". The signature is fluid and cursive, with a large initial 'J' and a long, sweeping underline.

REVENUE SHARING FUNDS WILL ALLOW LOCAL CHOICE OF TRANSPORTATION MODES & SOLUTIONS



THE REVENUE SHARING PLAN

General Summary

The Basic Objectives:

Revenue sharing represents the cornerstone of the President's efforts to revitalize the American system of government. Its basic objectives include:

- substantially larger Federal assistance to States and localities;
- substantially greater freedom for the States and localities to spend the money as they see fit;
- more effective government;
- more responsive government;
- restored public confidence in government;
- fiscal relief to State and local taxpayers.

The Basic Idea:

Revenue sharing calls for broader and less conditional forms of Federal financial assistance to State and local governments. At the same time, total Federal aid to States and localities is being substantially increased.

The President's proposal calls for two major initiatives: (1) general revenue sharing, and (2) special revenue sharing.

General Revenue Sharing

These are general support grants, free of any program or project restrictions, available to every state and its general purpose local governments. Local needs and priorities will determine how these funds are ultimately allocated.

The plan has four major features:

- (1) The total amount to be shared will be a stated percentage of the nation's personal taxable income -- the base on which Federal individual income taxes are now levied.
- (2) The distribution among states will be made on the basis of each state's share of national population.

- (3) The distribution within states will be established by a prescribed formula. Every city, county, and township will participate according to its locally raised general revenues.
- (4) An incentive payment will be provided to encourage the states and localities to work out their own intra-state distribution plans.

Of course, those safeguards against discrimination provided by law for all grants of Federal funds to states will also apply to revenue-sharing funds. The revenue-sharing program will not weaken the Federal commitments to protecting equal rights.

Special Revenue Sharing

Under this program, the Federal government will determine the general purpose of the funds while allowing state and local officials considerably more latitude in deciding how to achieve these purposes. Monies will be grouped under six broad headings and the state and local governments will be permitted to spend them as they see fit provided they stay within the assigned purposes.

One such program, law enforcement assistance, already exists and another, for manpower training services, is fully developed. Four new special revenue-sharing programs -- for urban and rural community development, transportation, and education -- will be added in 1972. Resources for these new proposals will come largely from converting some of the narrower categorical grants that exist at present, but some additional new funds will also be added to special revenue sharing. The funds will be distributed in various ways, depending upon what is appropriate for each broad program area.

The Urban Community Development program will involve a special revenue-sharing program directly responsive to the Federal interest in the problems of our Nation's cities. Most importantly, it will allow local officials to design solutions to their own unique problems.

The Rural Community Development program will represent a similar special revenue-sharing program to develop our Nation's rural communities in ways that are determined by their state and local governments.

The New Education program will draw together a wide array of overlapping and contradictory program authorizations into a new special revenue-sharing program for elementary and secondary education. This program will provide support for educational activities in broad areas where the Federal government has developed a strong interest in strengthening school programs over the years. These include vocational education, assistance to schools

in areas affected by Federal activities, compensatory education for the disadvantaged, education of children afflicted by handicapping conditions, and general support. At the same time, the states would have full discretion as to how they would accomplish each of these major purposes.

The Transportation program will involve a special revenue-sharing fund which will be used to develop balanced transportation systems for urban and rural areas. Federal funding for the Interstate Highway System will remain a separate matter and will not be included in the special revenue sharing program. Funds for the transportation program will come primarily from conversion of existing DOT programs for other highways, beautification, urban mass transit, and airport planning and development.

Planning Management Program. To increase the capacity of state and local governments to manage their own affairs and put the flexible funds provided under revenue sharing to effective use, the President is proposing a substantial reorientation and enlargement of the existing comprehensive planning program. These funds will be available to state and local governments to upgrade and expand their managerial capability.

The Major Benefits:

(1) For the individual taxpayer:

- a stronger voice in government spending.
- a greater sense of personal participation in the decisions which affect his life.
- reduced upward pressure on property and sales taxes, which have been rising so rapidly.

(2) For the states and localities:

- major assistance in meeting their current financial crisis.
- an end to many of the rigidities and delays in Federal aid.
- an enhanced capacity to respond to local needs.

(3) For our system of government:

- a new strength, new effectiveness, and new flexibility.
- a better allocation of responsibilities and functions, with each level doing what it can do best.

(4) For all our citizens:

- a strong Federal commitment to national domestic goals.
- a new respect for local diversity and experimentation.

REVENUE SHARING FUNDS WILL ENCOURAGE LONG NEEDED DEVELOPMENT OF RURAL TRANSPORTATION

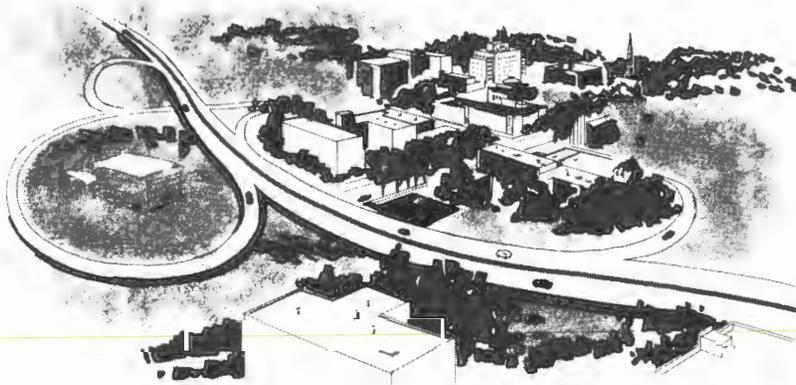
BLACK-TOP ROADS



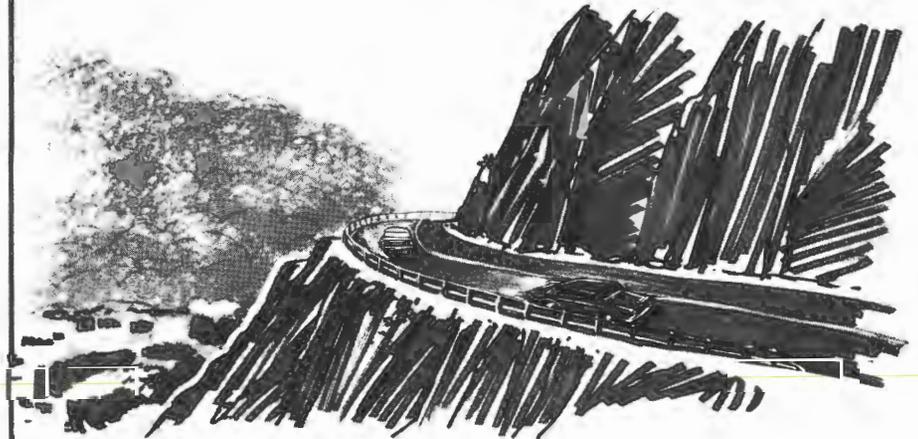
STRAIGHTEN DANGEROUS ROADS



HIGHWAY: TOWN BY-PASS



GUARD RAILS



Office of the White House Press Secretary

THE WHITE HOUSEFACT SHEET - TRANSPORTATION SPECIAL REVENUE SHARING
ACT OF 1971

The purpose of the proposed Transportation Special Revenue Sharing Act is to return Federal tax dollars raised for transportation uses to States and localities and to allow the use of these funds without stringent Federal restraint or control for those transportation activities deemed most important at the State and local levels.

The Act would provide State and local officials with maximum flexibility of choice in selecting between transportation alternatives in the solution of local transportation problems.

FUNDING

A Special Revenue Sharing Fund for Transportation would be created by the transfer of most of the presently existing categorical transportation grant programs, except the Interstate Highway Program.

The requested FY 1972 funding level is \$2,566 billion. Since the proposed effective date of the Transportation Special Revenue Sharing Program is January 1, 1972 -- midway through the fiscal year -- the effective funding level for the FY 1972 TSRS program would be \$1.283 billion.

Categorical grant programs proposed to be transferred to Special Revenue Sharing include:

	1972 (millions)
Urban Mass Transit Grants	525
Airport Grants	220
Highway Safety Grants	100
Federal Aid for Highways	1655
(Except Interstate System)	
Highway Beautification Grants	66
	<u>2566</u>

EXCLUSION

The National System of Interstate and Defense Highways is not included in the Transportation Special Revenue Sharing Program because it is in the national interest to continue the Interstate Program under presently constituted authority. The Interstate System now is 74 percent constructed and is scheduled for completion in 1978.

FUND CHARACTERISTICS

Of the proposed Transportation Special Revenue Sharing Fund, \$525 million is restricted to urban mass transit capital investment.

The remainder -- \$2,041 million -- may be spent for a broad spectrum of transportation needs including planning, research and development, construction, acquisition, improvement, operation and maintenance of transportation systems, facilities or equipment.

more

Funds will be allocated to public bodies but may be used by private enterprise for public purposes, such as the many urban bus systems that are privately owned and operated.

No State or local matching funds would be required. Funds would be subject to the provisions of Title VI of the Civil Rights Act of 1964.

No State would receive less money under Transportation Special Revenue Sharing than was its aggregate from those categorical grants under existing programs that are included in the new fund.

ALLOCATION OF FUNDS

The Transportation Special Revenue Sharing Plan would consist of two elements:

- 1 -- For general transportation activities -- \$2,041 million
- 2 -- For mass transit capital investment -- \$525 million

GENERAL TRANSPORTATION ELEMENT

It is proposed that 10 percent of the Revenue Sharing funds in the General Transportation element be withheld for discretionary uses by the Secretary of Transportation, such as to encourage planning, and research, development and demonstration, and support other activities related to national transportation concerns.

The remaining 90 percent of the general element would be allocated to the 50 States, Puerto Rico and the District of Columbia according to the following formula:

- 25% for the ratio of State population to total U. S. population
- 35% for the ratio of the State's urban population (in urban places of more than 2500 people) to the total U. S. urban population
- 20% for the ratio of the State's geographic area to total area of the U. S.
- 20% for the ratio of the State's star and rural post route mileage to the total of that mileage in the U. S.

This formula contains the principal elements of distribution on which the present categorical grant programs are based.

No State would receive less than one-half of one percent of the funds allocated.

Each State will be required to pass through to local governments the same amount which it received in the formula for urban population.

MASS TRANSIT CAPITAL INVESTMENT

Allocation of the Mass Transit Capital Investment element of the fund would be made on the basis of the number of State residents who live in Standard Metropolitan Statistical Areas (SMSA's).

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An SMSA is defined as an area which contains a central city or cities with an aggregate population of 50,000 or more and those surrounding counties which have a metropolitan character and are socially and economically integrated with the central city.

Eighty percent of the funds in this element would be allocated on the basis of the ratio of a state's population in SMSA's of one million population and over to total U.S. population in SMSA's of one million and over.

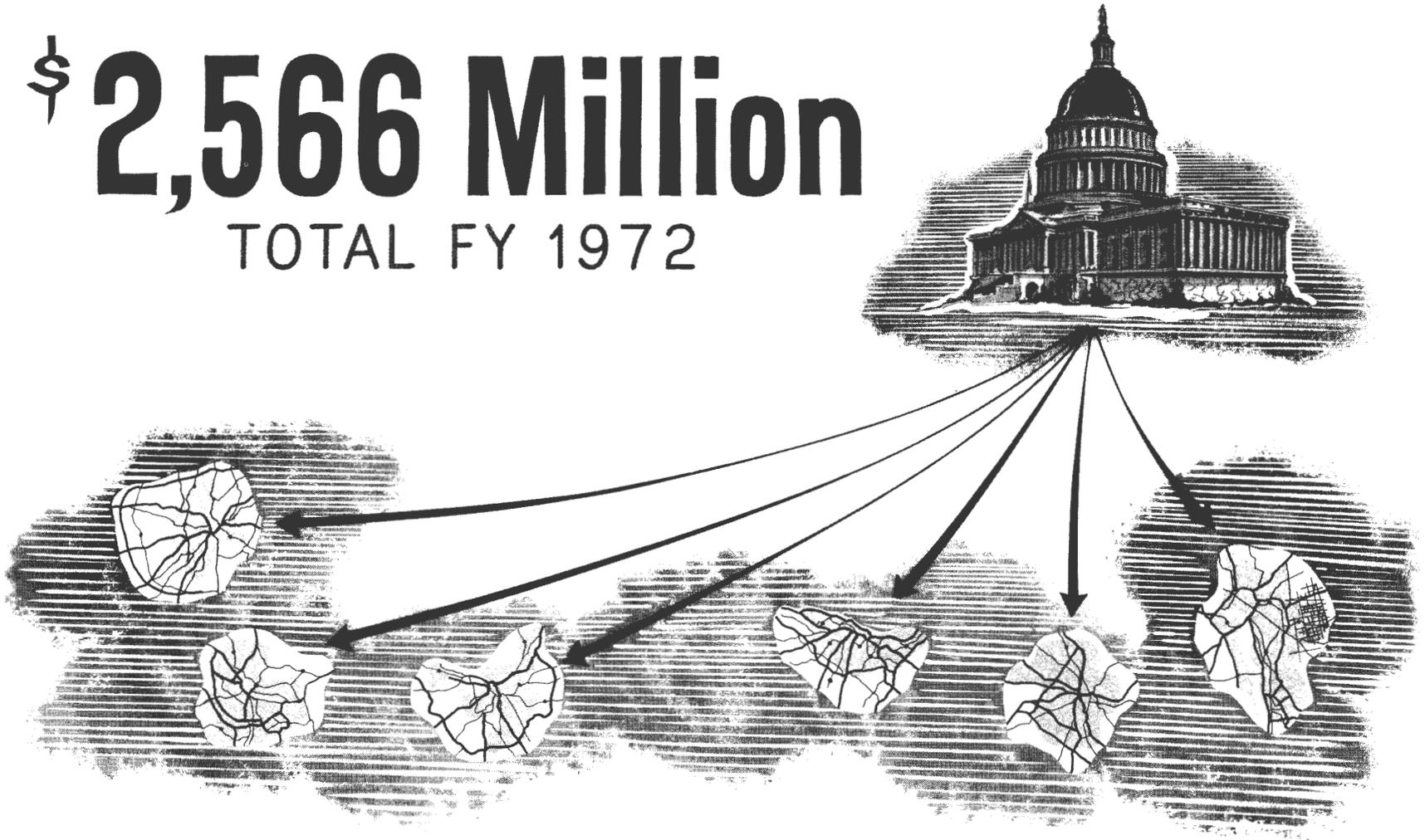
Twenty percent would be allocated to States in the ratio of a state's population in SMSA's of less than one million to the total U.S. population in SMSA's of less than one million.

Of the 80 percent allocated on the basis of SMSA's of one million or more population, it is proposed that half go directly to the local governments within those SMSA's. The remainder would be spent at the State's discretion in these SMSA's.

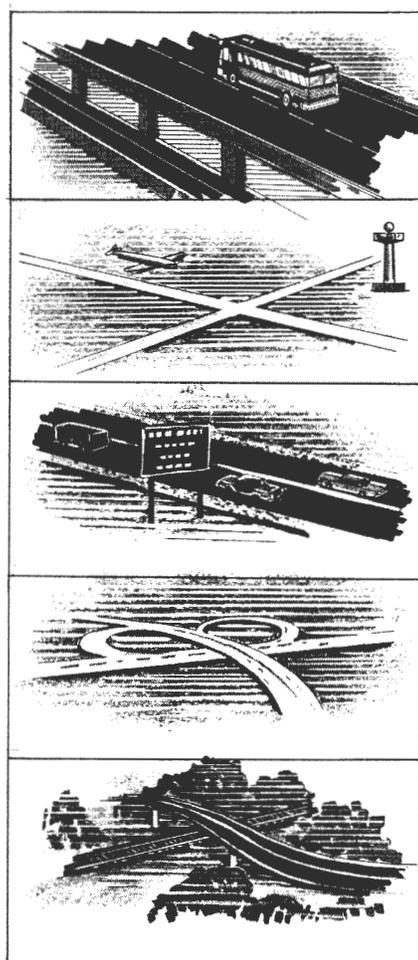
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PROPOSED REVENUE SHARING FUNDS FOR BALANCED TRANSPORTATION TO STATES AND LOCAL COMMUNITIES

\$ 2,566 Million
TOTAL FY 1972

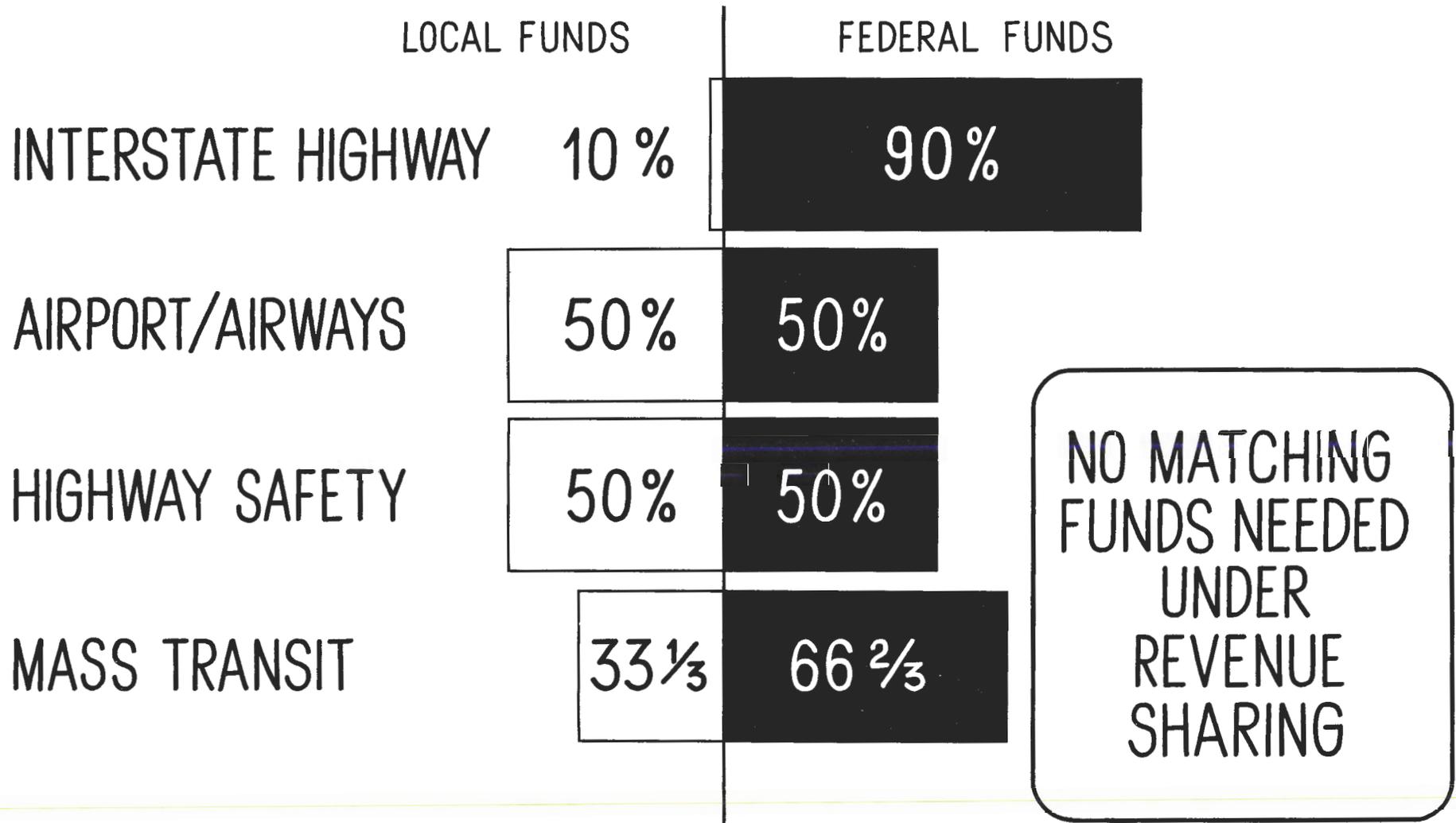


CATEGORICAL GRANT PROGRAMS TRANSFERRED TO SPECIAL REVENUE SHARING INCLUDE :

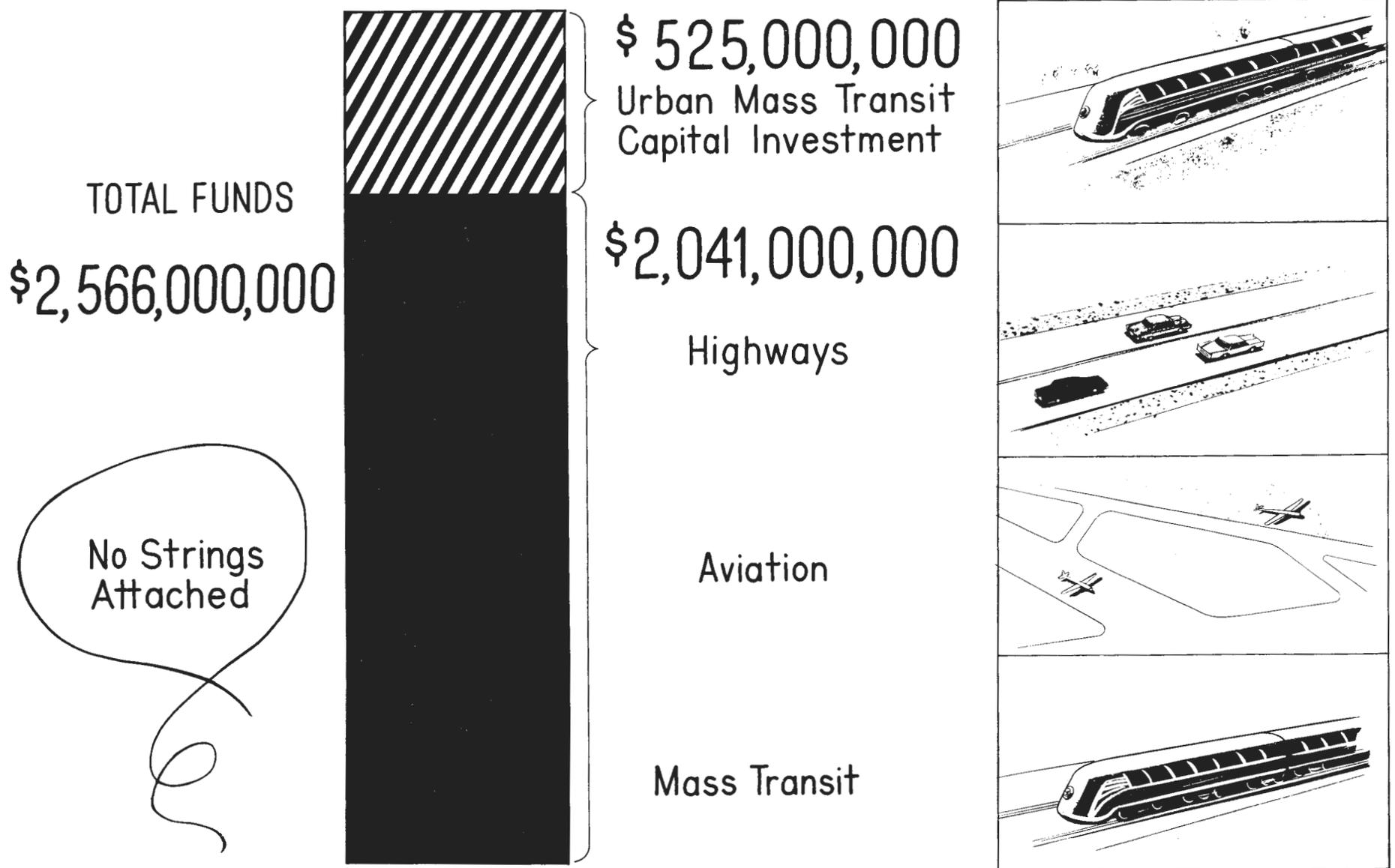


	1972	MILLIONS
Urban Public Transportation Grants		\$ 525
Airport Grants		220
Highway Safety Grants		100
Federal-aid Highways (except Interstate)		1655
Highway Beautification Grants		<u>66</u>
	TOTAL:	\$ <u>2566</u> MILLIONS

FEDERAL FUNDS NOW AVAILABLE TO LOCAL AREAS CAN PRECIPITATE TRANSPORTATION INEQUITIES



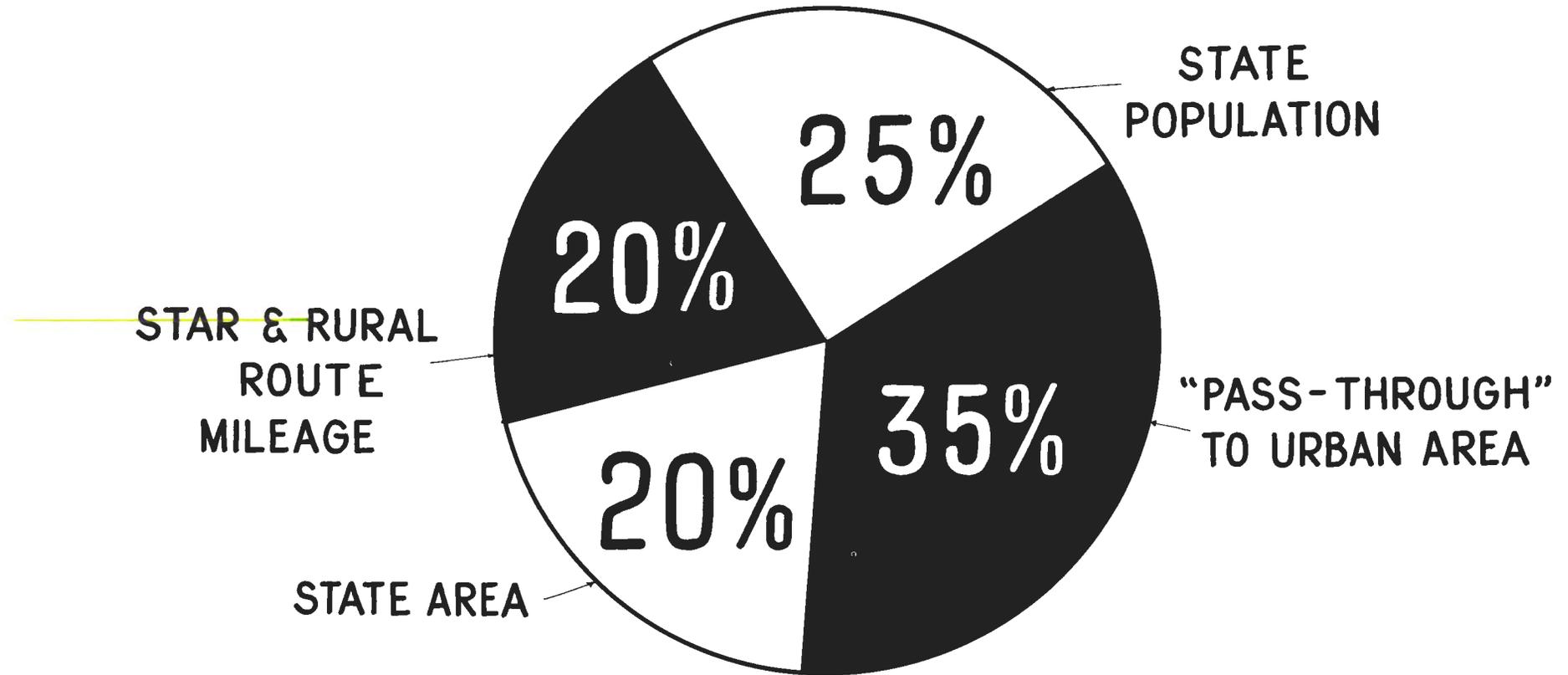
STRUCTURE OF PROPOSED REVENUE SHARING FUND



TRANSPORTATION REVENUE SHARING PROGRAM LEVELS

FULL YEAR FY 1972		ANNUAL AMOUNTS FY 1973, 1974, & 1975
TOTAL	\$2,566 MILLION	\$2,800 MILLION
GENERAL TRANSPORTATION ELEMENT	2,041 MILLION	2,165 MILLION
MASS TRANSIT CAPITAL ELEMENT	525 MILLION	635 MILLION

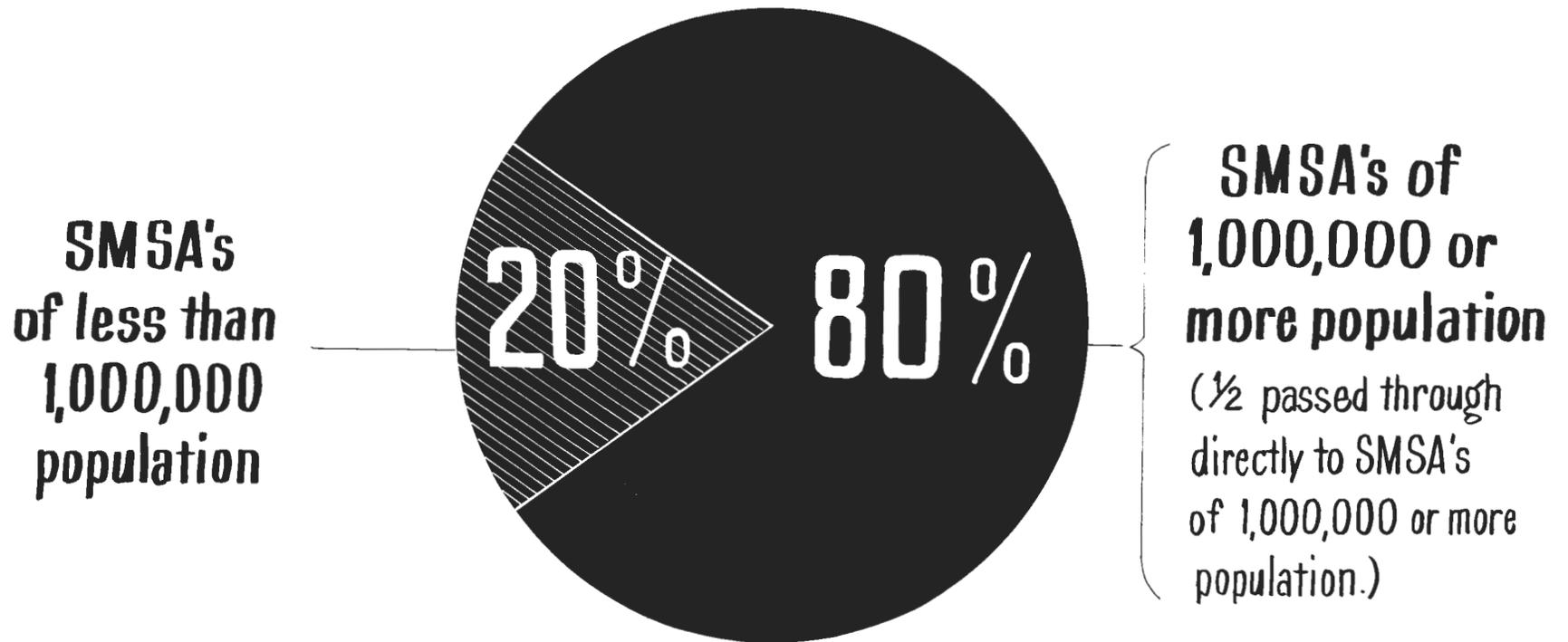
TRANSPORTATION FUND ELEMENTS ALLOCATED UNDER SPECIAL FORMULA



\$ 2,041,000,000

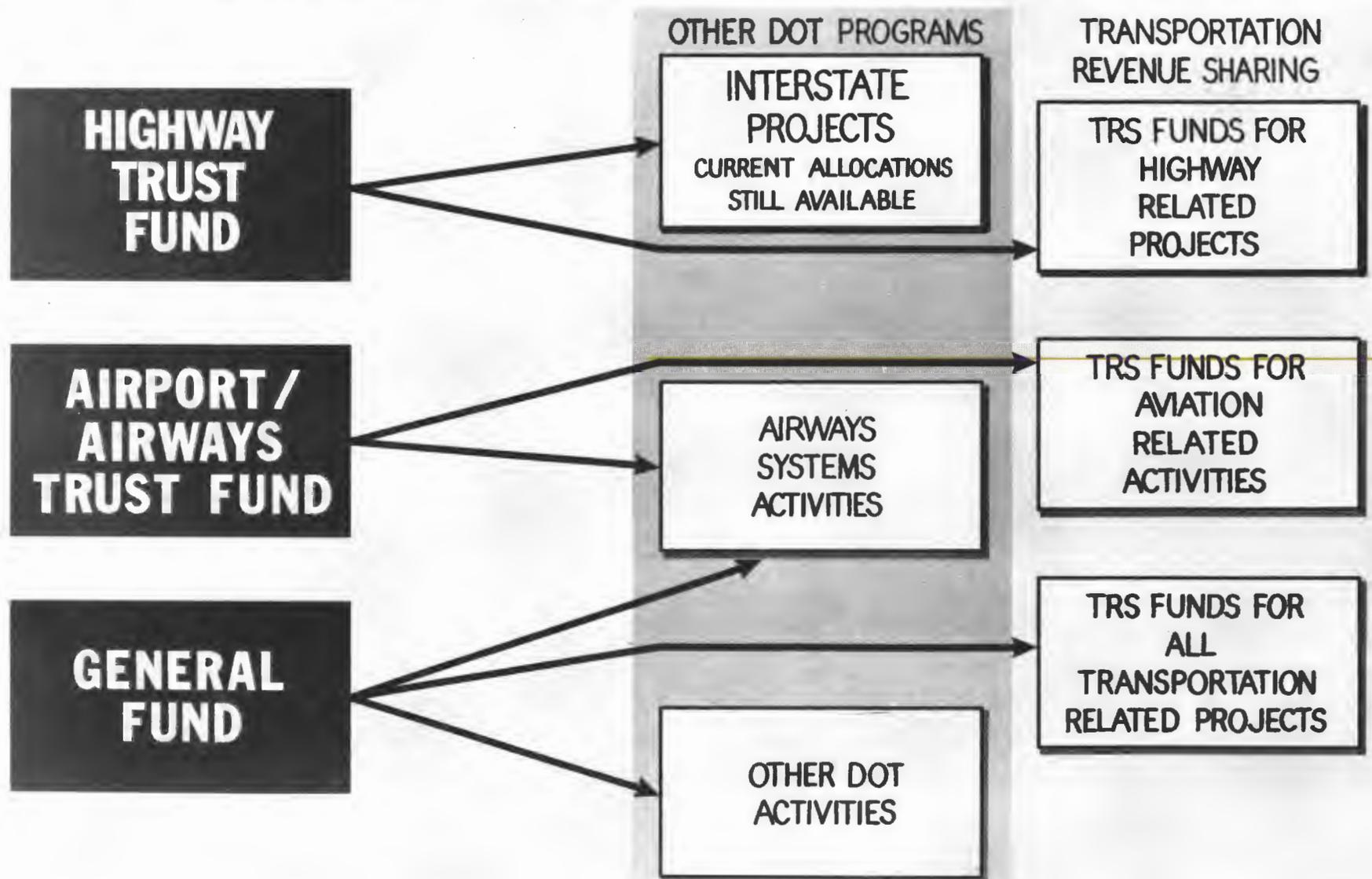
MASS TRANSIT CAPITAL INVESTMENT REVENUE SHARING FUNDS ALLOCATED BY SMSA's

33 SMSA's to receive "pass through" Mass Transit Capital Investment Revenue Sharing Funds



\$ 525,000,000

SOURCE AND USE OF FEDERAL TRANSPORTATION FUNDS



PRINCIPLES OF TRUST FUND USE UNDER REVENUE SHARING

- HIGHWAY AND AIRPORT/AIRWAY TRUST FUNDS WILL REMAIN SEPARATE
- HIGHWAY TRUST FUND WILL BE DRAWN ON ONLY FOR AMOUNT SPENT ON HIGHWAY-RELATED PROJECTS DURING THE PRECEDING YEAR
- AIRPORT/AIRWAY TRUST FUND WILL BE DRAWN ON ONLY FOR AMOUNT SPENT ON AVIATION-RELATED PROJECTS DURING THE PRECEDING YEAR

THE WHITE HOUSE

TRANSPORTATION REVENUE SHARING

Hold Harmless Base Line

Definition

General Transportation Element--This base line represents the funds that any state could have reasonably expected to receive in FY 1972 in the absence of revenue sharing. Existing apportionment formulas were applied to FY 1972 estimated obligational levels for those programs which have been incorporated in the general element: Federal-aid primary and secondary highway programs, grants-in-aid for airports, and highway safety and beautification grants. Where statutory apportionment formulas provide a large degree of flexibility or did not exist, the funds were allocated to the states in the same relative share as in the programs where statutory apportionment formulas did not allow any flexibility.

Urban Mass Transit Capital Element--This base line represents the actual average annual funding level in each state for FY 1967 through FY 1970 for the three programs included in the element, i. e., capital grants, technical study grants, and university research and training grants. An average was used rather than a single year's program level because the mass transit capital grant program has exhibited significant variations on a state-by-state basis from year to year, due to approval of funds on a project-by-project basis rather than by formula distribution.

Sources of Data

General Transportation Element--The source of data regarding the overall level of funds was the President's 1972 budget. The Bureau of the Census was the source of area and population data, while the Post Office Department provided data on star and rural route mileage.

Urban Mass Transit Capital Element--Urban Mass Transportation Administration records were the source of specific information on actual program levels on a state-by-state basis for 1967 through 1970.

Transportation Revenue Sharing Allocation

Formulas Used

General Transportation Element--The apportionment of the funds to be distributed among the 50 states, plus the District of Columbia and Puerto Rico, will be determined by the following formula:

25 percent of the funds will be distributed according to the ratio of each state's total population to the total population of the United States; 35 percent will go to states according to the ratio of their population in urban places (over 2,500 in population) to the Nation's total population in urban places; 20 percent will be given out according to the ratio of the geographic area of each state to the total area of the United States; and the remaining 20 percent will be allocated according to the ratio of each state's star and rural post route mileage to the total of that mileage in the country.

Furthermore, no state will receive less than one-half of one percent of the total funds in this element. The territories of Guam and the Virgin Islands shall receive the level of funds provided for in the Federal-Aid Highway Act of 1970.

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Urban Mass Transit Capital Element--This element will be allocated according to the following formula:

80 percent of the funds will be distributed according to each state's share of the Nation's population that lives in metropolitan areas (SMSA's) of over one million persons. The remaining 20 percent will be allocated according to each state's share of the Nation's population that lives in metropolitan areas (SMSA's) of less than one million persons. Every state would be guaranteed a minimum allocation of \$250,000 annually.

Discretionary Amounts

Ten percent of the funds included in the General Transportation Element are reserved for the Secretary of Transportation to disburse at his discretion. Among the uses of this fund is the capability to provide the amounts to hold each state harmless within total Transportation Revenue Sharing Fund. This fund will also be used to encourage planning, to fund research development and demonstration projects, to assist in the establishment of consortia of governments, and to finance other activities related to the development and implementation of national transportation objectives.

Notes

The allocation makes use of preliminary 1970 census data rounded to the nearest thousand. As final data becomes available, minor adjustments can be expected in the allocations.

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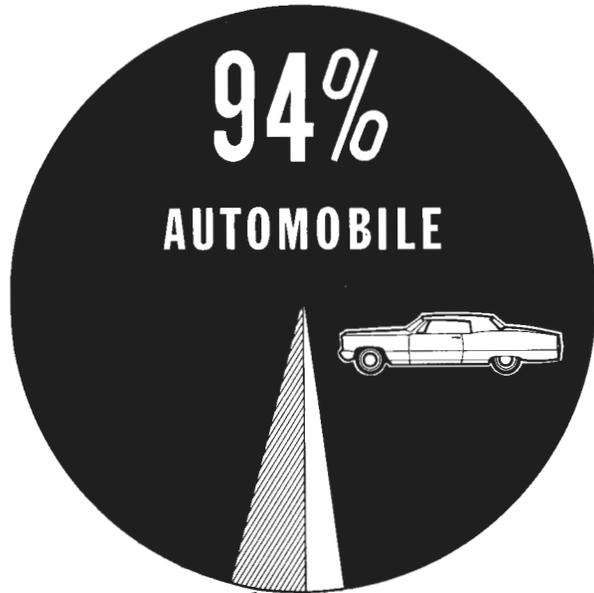
TRANSPORTATION REVENUE SHARING
(Dollars in Thousands)

State	Hold Harmless Base Line		T. R. S. Allocation	
	General Transporta- tion Element	Urban Mass Transit Cap- ital Element	General Transporta- tion Element	Urban Mass Transit Cap- ital Element
Alabama	\$ 31,276	\$ 7	\$ 31,306	\$ 3,114
Alaska	65,139	0	65,139	250
Arizona	22,559	16	23,111	2,284
Arkansas	21,014	0	21,173	1,028
California	130,388	26,889	145,221	84,649
Colorado	27,090	122	28,011	7,040
Connecticut	19,448	3,563	20,230	4,333
Delaware	6,477	427	9,184	668
District of Columbia	8,800	91	9,184	3,944
Florida	42,996	938	49,802	15,996
Georgia	37,945	658	39,815	8,787
Hawaii	7,676	305	9,184	1,088
Idaho	14,629	0	14,629	250
Illinois	82,064	25,578	85,030	41,503
Indiana	39,230	448	40,233	9,519
Iowa	31,789	260	32,609	1,735
Kansas	30,991	502	31,750	3,036
Kentucky	26,245	13	26,245	3,090
Louisiana	28,590	166	28,794	7,093
Maine	10,724	8	10,724	370
Maryland	23,737	2,567	25,545	17,060
Massachusetts	36,325	21,980	40,386	17,919
Michigan	65,526	906	65,609	26,389
Minnesota	39,892	2,513	41,064	10,060
Mississippi	22,550	2	22,550	682
Missouri	44,552	1,240	45,844	14,565
Montana	23,264	1	23,264	292
Nebraska	23,798	30	24,130	1,097
Nevada	14,877	0	14,877	682
New Hampshire	6,904	0	9,184	346
New Jersey	43,555	10,566	45,912	24,014
New Mexico	21,187	0	21,187	547
New York	123,672	19,098	123,672	72,022
North Carolina	37,754	256	38,105	3,279
North Dakota	16,037	5	16,037	250
Ohio	74,229	3,989	75,164	25,378
Oklahoma	29,616	169	30,640	2,215
Oregon	24,375	1,122	24,375	5,287
Pennsylvania	82,425	8,697	82,425	38,029
Rhode Island	9,020	262	9,184	1,388
South Carolina	20,407	69	20,407	1,758
South Dakota	16,933	3	16,933	250
Tennessee	32,929	546	33,854	3,319
Texas	105,947	689	111,705	26,572
Utah	16,143	229	16,143	1,422
Vermont	5,775	0	9,184	250
Virginia	34,637	79	36,217	8,112
Washington	28,998	1,278	29,986	9,401
West Virginia	15,160	10	15,160	832
Wisconsin	39,101	84	40,095	9,282
Wyoming	14,153	0	14,153	250
Guam	2,000	0	2,000	0
Puerto Rico	10,846	1,343	11,606	2,062
Virgin Islands	2,000	0	2,000	0
Total Allocation	\$1,793,394	\$137,724	\$1,859,971	\$525,000
Unallocated Discre- tionary Amounts	---	---	185,029	---
Total	\$1,793,394	\$137,724	\$2,045,000	\$525,000

Totals may not be exact due to rounding.

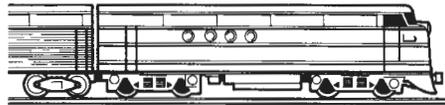
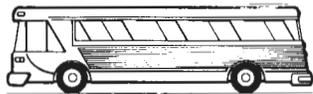
SURFACE TRANSPORTATION USE IN URBAN AREAS

Percent of all person mile travel

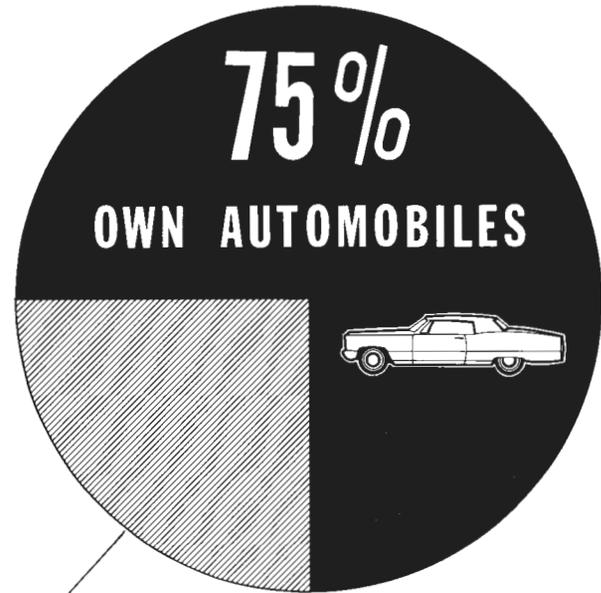


4%
Bus

2%
Rail



Total Population



25%
Own No
Automobile

{
Old
Young
Poor
Handicapped

Transportation Revenue Sharing and Trust Funds

Money for the Revenue Sharing Fund for Transportation would come from three sources: general tax revenues, the Highway Trust Fund and the Airport-Airways Trust Fund.

These trust funds were originally established to accommodate two very important principles: first, that those who use the highway and aviation systems should shoulder most of the financial burden for their development -- mainly through special taxes on gasoline and on air tickets; second, that long-term planning and construction projects such as highways and airports require the long-term assurance of Federal financing.

These are important principles that will not be lost in the Transportation Revenue Sharing Program. Beginning in the first full year of the program no Highway Trust funds or Airport-Airways Trust funds would be diverted to other modes.

In the first half-year of the program beginning January 1, 1972, President Nixon has proposed that \$855 million in Highway trust funds and \$110 million in Airport-Airway trust funds be transferred into Transportation Revenue Sharing. These figures are based on needs established under existing categorical grant programs. It is anticipated that most of these funds would be obligated for highway and aviation related needs.

In following fiscal years, transfer of trust funds would equal the amount obligated for those purposes in the previous year. If, for example, obligations for highway and airport construction decreased in FY 1972, the amount of trust fund money transferred into Transportation Revenue Sharing in FY 1973 would decrease by an equal amount. The total Transportation Revenue Sharing funding level, however, would remain the same.

The decrease in trust fund money would be made up through the appropriation of general revenues. And conversely, if the trust fund portion of Transportation Revenue Sharing increased, the appropriation of general revenues would decrease by an equal amount.

Thus no state would lose money if it cut back in highway or airport-airways expenditures. And likewise, every state would have the assurance of Federal trust fund money if it decided to greatly increase expenditures for these activities.

The Highway Trust Fund was established in 1956. Since that time it has proved a successful financing tool for construction of the Interstate Highway System. The Airport-Airways Trust Fund, established in 1970, promises the same benefits. These benefits and these principles would continue under Revenue Sharing for Transportation.

The Interstate Highway System scheduled for completion in 1978, and the Federal Airways program will continue to be funded through their respective Trust Funds. These programs were not included in the Transportation Revenue Sharing program due to their over-riding national characteristics.

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TRANSPORTATION REVENUE SHARING

WHERE THE MONEY WILL COME FROM

(Millions)

UMTA -- Urban mass transportation fund:
-- Capital grants 497
-- Technical studies 25
-- University research and training 3

FAA -- Grants-in-aid for airports (general fund)

FAA -- Grants-in-aid for airports (trust fund):
-- Planning grants 15
-- Air carrier airport
-- General aviation grants) 205

FHWA -- Federal aid highways (trust fund):
-- Excludes Interstate System, Interstate portion
of grants for planning and research and the
Interstate portion of Administration research
and bridges over dams
-- Primary highways 495
-- Secondary highways 330
-- Urban extension highways 275
-- Urban systems 100
-- TOPICS (traffic operations in urban areas) 100
-- Rural primary (special) 75
-- Rural secondary (special) 50
-- Emergency relief 50
-- Economic growth center highways 50
-- Bridge replacement 100
-- Highway safety grants 20
-- Planning and research grants and administration (included above)

FHWA -- Highway Beautification (general fund):
-- Outdoor advertising control 50
-- Junkyard control 5
-- Landscaping scenic enhancement 10
-- Administrative expenses 1.3

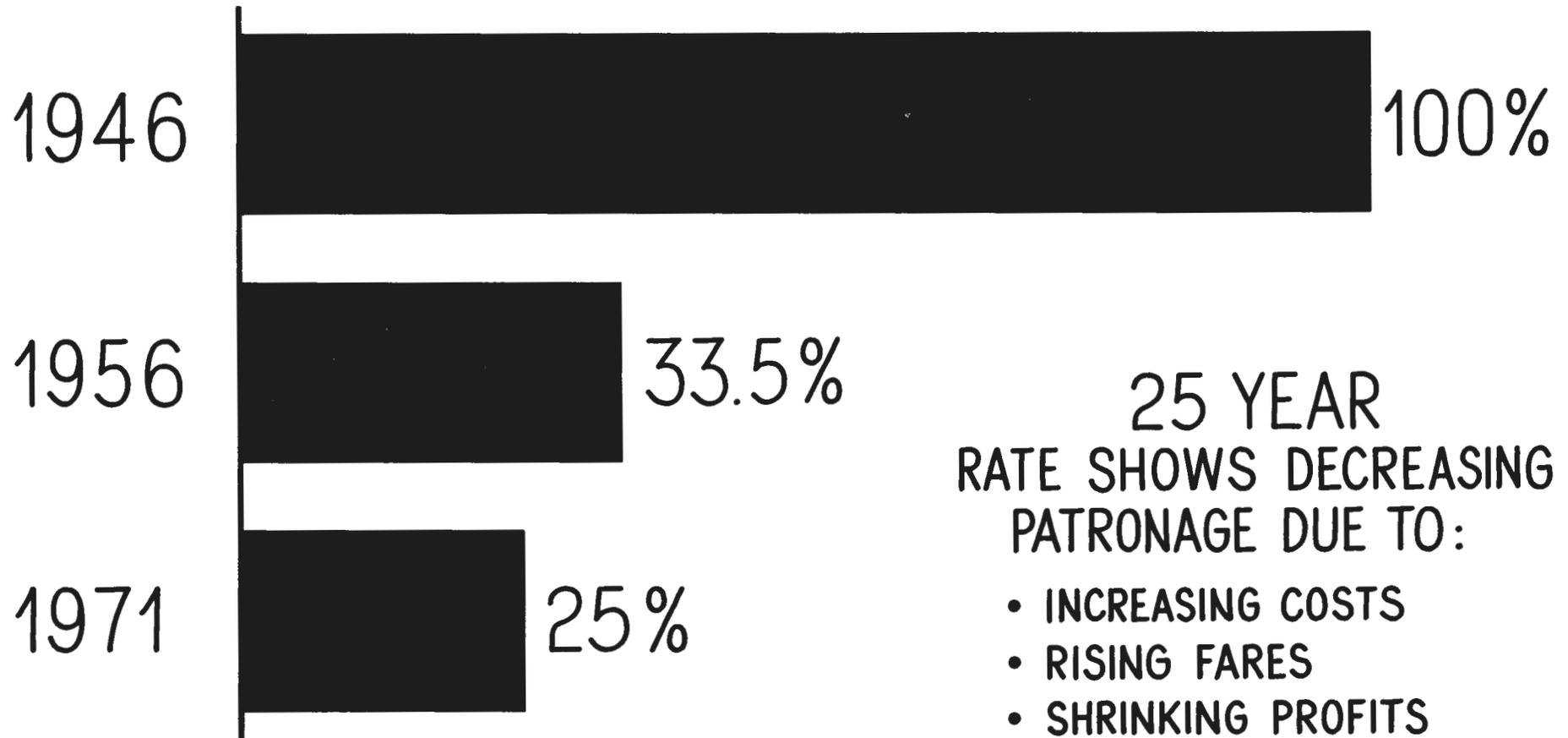
FHWA -- Highway related safety grants 10

NHTSA -- State and community highway safety (general fund)) 100
-- Highway safety program -- grants portion only)
(trust fund)

TOTAL.....2,566.3

PUBLIC TRANSPORTATION IN TROUBLE

MASS TRANSIT PATRONAGE (1946 AS BASE)



25 YEAR
RATE SHOWS DECREASING
PATRONAGE DUE TO:

- INCREASING COSTS
- RISING FARES
- SHRINKING PROFITS
- DECREASING QUALITY
- DECLINING TRAFFIC

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

When the early settlers first encountered the American wilderness, a man's mobility was dependent upon his strong legs and the sharp axe with which he cleared his path. But even in those pioneering times, Americans quickly came to realize that good roads and docks and bridges were community concerns.

Over the years, government has become increasingly involved in improving the Nation's transportation systems, from the building of post roads and canals in the early periods of our history, to the construction of airports and superhighways in recent years. The question we face today, therefore, is not whether government should participate in transportation matters, but how government should participate -- and which levels of government should undertake which responsibilities. These are the central questions I am addressing in this message as I outline a new Special Revenue Sharing Program for Transportation.

GROWING TRANSPORTATION SYSTEMS
AND GROWING PROBLEMS

As the demand for mobility has mushroomed and as new means of transportation have been invented in recent years, the size of our transportation system has reached staggering proportions. It has been less than 70 years, for example, since the Wright brothers flew at Kitty Hawk. In that time, our aviation system has grown to the point that last year it served over 173 million commercial passengers and handled more than 4 billion ton miles of air freight. An open field with a windsock was a sufficient airport for most communities only a few decades ago. Today many airports are cities in themselves and air traffic is controlled by highly sophisticated electronic systems.

At the turn of the century there were only 8,000 automobiles in America. By 1920 nearly 8 million cars traveled our highways and today we have more than 100 million registered vehicles which travel over one trillion miles annually. The people of our Nation are driving more than twice as many automobiles as they did just 20 years ago.

These two technological developments -- the airplane and the automobile -- give dramatic evidence of both the successes and the failures of American transportation. The automobile and the airplane are mechanized masterpieces. The highways and airports which they use are often glowing displays of America's engineering genius. But behind the mystique of jet travel and the convenience of the family car lie serious problems that have been growing more acute in recent years.

The airplane means fast travel over great distances, to be sure. But it also can mean harmful noise and air pollution, congested terminals, misplaced luggage and airports that are difficult to reach. Highways that speed motorists between cities can become long and narrow parking lots where cars are stalled for hours within urban areas. It often takes longer to move by "horseless carriage" across our major cities today as it did by horsedrawn carriage a century ago. Efforts to improve this situation by building new highways often have the effect of destroying neighborhoods

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and disrupting lives. It is estimated, moreover, that automobiles are responsible for almost half of our air pollution -- a growing problem that is slowly choking our central cities.

And there is another serious problem, as well. For with our heavy investment in automobiles and air transportation has come a sharp decline in rail passenger service and in public mass transit systems.

The first electric streetcar lines and the first subway appeared at about the same time as the automobile and, like the automobile, they grew in popularity during the first quarter of this century. In 1905, local urban transit systems carried 5 billion passengers. By 1926, ridership had more than trebled, but that was the peak of mass transit's popularity -- except for a brief period during World War II. After 1945, public transit ridership, revenue and service declined steadily. In 1950, there were still some 1,400 urban transit companies operating 87,000 vehicles and carrying 17.25 billion passengers. By 1970, however, there were 327 fewer companies and 25,500 fewer vehicles carrying only 7.3 billion passengers.

Public transportation has been caught up in a vicious cycle of increasing costs, rising fares, shrinking profits, decreasing quality, and declining ridership. Ironically, this decline in mass transit has come at the same time that the need for fast, convenient, economical public transportation has become greater than ever before. This Nation has the technology to provide such transportation. If we can move three men a quarter million miles to the moon, then surely we can also find ways to move millions of men and women over short distances in our cities. This is another of the great transportation challenges of our time.

HOW HAVE THESE PROBLEMS BEEN MET?

All of these problems -- pollution, congestion, inefficiency, and the lack of sufficient mass transit services -- have been recognized for years. And for years the Federal Government has been working to alleviate them. In the past two years, this administration has recommended a number of new programs to improve American transportation. As a result, we now have an accelerated program to develop urban mass transit systems, new authorizations for the expansion and improvement of airports and airways, and a quasi-public corporation to operate a national rail passenger system.

It is clear, however, that more money and more regulations alone will not solve our transportation problems. Nor will they make the Federal Government more responsive to local needs and local aspirations. It is equally clear that the established relationships among Federal, State and local governments are unsuitable for achieving the goals we pursue.

What are those goals? They can be usefully described under the general heading of "balanced transportation."

ACHIEVING BALANCED TRANSPORTATION

A balanced transportation system is essentially one that provides adequate transportation not just for some of the people in a community but for all the people in a community. A balanced system also recognizes that an individual can have different transportation needs at different times. Such a system treats speed as only one of the factors in the transportation equation and does not ignore the importance of other qualities such as comfort, safety, and reliability.

Despite our technological capacity, we do not enjoy a fully balanced transportation system in modern America, particularly in our larger cities. We have relied too much in our cities on cars and on highways; we have given too little attention to other modes of travel. Approximately 94 percent of all travel in urbanized areas is by automobile, yet only about 25 percent of our people -- especially the old, the very young, the poor and the handicapped -- do not drive a car. They have been poorly served by our transportation strategy.

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DISTORTIONS CAUSED BY MATCHING REQUIREMENTS

One of the most disturbing elements in the present transportation picture is the fact that such inequities have often been reinforced and even precipitated by the Federal Government. One reason is that Federal dollars have been relatively easy to obtain for highway building but more difficult to obtain for other transportation purposes. The Federal Government now pays 90 percent of the costs for a new interstate expressway, for example, but only 67 percent of the costs for a new mass transit system and only 50 percent of the costs of building an airport. It is little wonder that State and local planners are encouraged to cover the landscape with ribbons of concrete. Such distortions of local priorities are among the major problems that this administration is seeking to correct.

EXCESSIVE FEDERAL CONTROL

But local priorities are not only distorted by Federal requirements concerning matching funds. Local determinations of what is needed most must constantly yield to Federal judgments about what a local community should do with the money it receives from Washington.

The Federal Government has a great influence on the particular mixture of transportation spending in any locale, for it carefully allocates so much of its money for one kind of transportation and so much for another. Each program is funded separately -- and even at the State and local level, different agencies frequently administer monies which are designated for different purposes. As a result, it is extremely difficult to achieve sound intermodal planning of comprehensive transportation systems. There is no single place where sufficient resources and authority are available for making wise choices between various transportation alternatives. Nor can anyone effectively coordinate investments in any one mode of transportation with efforts in other transportation fields. We err, in short, by treating the transportation challenge as a series of separate problems rather than as a single problem with many interrelated parts.

The hard fact is that the best mixture of transportation modes is not something that remote officials in Washington can determine in advance for all cities, of all sizes and descriptions, in all parts of the country. Nor do the Federal officials who grant money for specific projects understand local needs well enough to justify their strong influence over how local projects should be planned and run.

As I have contended in a number of messages to the Congress in the past two years, our society has become too complex and too diversified to profit from such highly centralized control. This is not to deny that improving our transportation systems is a national concern. It is a national concern and that is why it should continue to be funded in part from Federal tax resources. But the specific manner in which any city or metropolitan area goes about achieving this goal is not something that can be most effectively determined at the Federal level. In fact, transportation needs are among the social and economic factors that vary most widely from one place to another. That is why many of our Federal transportation programs can profit so much from conversion to the Special Revenue Sharing approach.

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Community organizations, concerned individuals and local units of government should not have to shout all the way to Washington for attention. Community standards and community transportation goals are changing and some of those who only five years ago welcomed the prospect of a new highway or airport are now protesting in front of bulldozers. Transportation planning and appropriations mechanisms must be flexible enough to meet the challenge of changing community values. This flexibility can best be achieved by concentrating more decisionmaking power in the States and the localities.

The purpose of Special Revenue Sharing is to focus Federal resources on major public problems and at the same time maximize flexibility of choice at the State and local level. The Special Revenue Sharing approach provides an ideal means for addressing national problems that have local solutions.

A SPECIAL REVENUE SHARING PROGRAM FOR TRANSPORTATION

The proposal I am submitting today would establish a new Special Revenue Sharing Program for Transportation. In simplest terms, this program means returning Federal tax dollars to States and to local communities for investment in transportation -- without the usual Federal controls and restraints. It signals a philosophical return to the days when the man who best understood the local terrain was the man who blazed the trail.

FUNDING

I propose that the Special Revenue Sharing Program for Transportation become effective on January 1, 1972, and that it be funded initially at an annual level of \$2.566 billion. All funds that would be included in this new program would come from twenty-three existing Federal grant-in-aid programs which are now grouped under five major headings: Urban Mass Transit Grants, Airport Grants, Highway Safety Grants, Federal Aid for Highways (but not the Interstate System), and Highway Beautification Grants. The size of these programs in my proposed budget for Fiscal Year 1972 is as follows:

	<u>Millions of Dollars</u>
Urban Mass Transit Grants	\$ 525
Airport Grants	220
Highway Safety Grants	100
Federal Aid for Highways (Except for the Interstate System)	1,655
Highway Beautification Grants	<u>66</u>
	\$2,566

The money for these programs presently comes from three different funding sources: general tax revenues, the Highway Trust Fund and the Airport and Airway Trust Fund. The two trust funds were established so that money could be collected directly from those who use highways or airports -- through special taxes on gasoline and on air tickets -- and then used to improve the related transportation mode.

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This principle would continue to be observed under Special Revenue Sharing. In the first year of operation, Special Revenue Sharing money would be drawn from the two trust funds and from general revenues in the same proportion as under the existing categorical grant system, though it could be spent as the localities see fit. After that, however, the portion of the Special Revenue Sharing Program for Transportation derived from the trust funds in any year would equal the portion of the program that was used for highways and for aviation-related purposes in the preceding year. Thus the money in the trust funds would still go to achieve the general purposes for which the funds were established. General funds would pay for all other transportation activities.

The National System of Interstate and Defense Highways would not be included in this Special Revenue Sharing Program. This 42,500-mile system is now 74 percent finished and is scheduled for completion in 1978. The Interstate highways that have been built under this program have helped to open America to new dimensions of intercity travel. The system has advanced the cause of highway safety while at the same time permitting unparalleled individual mobility. In my judgment, it would not be in the national interest to alter the basic funding mechanism for the construction of this system at this time.

Although all Special Revenue Sharing funds would be assigned to governmental units, the recipient government could, in turn, channel the funds to private enterprises which meet public transportation needs. This would include the many urban bus systems that are privately owned and operated.

No State or local matching funds would be required under this program. The Federal Government would not rigidly apportion funds among a variety of narrow transportation programs nor would it approve specific local projects. Thus the Special Revenue Sharing Program for Transportation would stimulate State and local governments to take the initiative in meeting transportation needs, to experiment with new and more creative projects, to listen to local opinion and to mobilize local energies which are often stifled under present arrangements.

I would emphasize in addition that each State would receive at least as much money from the new Special Revenue Sharing Program for Transportation as it has been receiving under the current categorical grant programs. Each State would thus be "held harmless" against any reduction in the overall level of support it receives from programs which become a part of this Special Revenue Sharing fund.

TWO FUND ELEMENTS

The Special Revenue Sharing Program for Transportation would consist of two elements, one for General Transportation activities and one for Mass Transit Capital Investment.

GENERAL TRANSPORTATION ELEMENT

The General Transportation element would total \$2.041 billion for the first full year of revenue sharing. This money could be spent for the planning, construction, acquisition, improvement, operation and maintenance of a broad spectrum of transportation systems and services, including highway, aviation and mass transit.

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The money in this General Transportation element would be distributed in the following manner: Ten percent would be allocated among the States and localities at the discretion of the Secretary of Transportation. This money would be used to encourage planning, to fund research development and demonstration projects, and to finance other activities related to the development and implementation of national transportation objectives.

The remaining 90 percent of this general Transportation element would be allocated to the States according to the following four-part formula: 25 percent of this remainder would be distributed according to the ratio of each State's total population to the total population of the United States; 35 percent would go to States according to the ratio of their population in urban places (over 2,500 in population) to the Nation's total population in urban places; 20 percent would be given out according to the ratio of the geographic area of each State to the total area of the United States; and the remaining 20 percent would be allocated according to the ratio of each State's star and rural post route mileage to the total of that mileage in the country.

This formula, which resembles formulas which are used under current categorical grants, would provide the best means for distributing Special Revenue Sharing funds in a similar pattern as under the present system. In addition to the guarantee that it would be held harmless against any reduction in support, each State would be guaranteed a minimum allocation of one-half of one percent of this General Transportation element.

As I have noted above, a percentage of the General Transportation element would be distributed among the States according to their share of the Nation's population that lives in urban areas. Each State would be required to pass along its share of this money directly to its communities of more than 2,500 persons to spend as their local governments think best. If we are to restore confidence in local government then we must give public officials at the local level a reasonable opportunity to make sound plans and courageous investment decisions. This means that they must be able to rely upon a certain amount of funding. Our "pass-through" formula is designed to provide this needed assurance.

MASS TRANSIT CAPITAL INVESTMENT ELEMENT

The second part of the new Special Revenue Sharing fund is the Mass Transit Capital Investment element -- which would total \$525 million for the first full year. This money would be distributed to each State according to its share of the Nation's population that lives in Standard Metropolitan Statistical Areas (SMSA). An SMSA is defined as an area which contains a central city or cities with an aggregate population of 50,000 or more and those surrounding counties which have a metropolitan character and are socially and economically integrated with the central city. There are 247 such areas in the United States.

Eighty percent of the funds in this Mass Transit Capital Investment element would be distributed according to each State's share of the Nation's population that lives in SMSAs of over one million persons. The remaining 20 percent would be allocated according to each State's share of the Nation's population that lives in SMSAs of less than one million persons. Every State would be guaranteed a minimum allocation of \$250,000.

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In the Mass Transit Capital Investment element as in the General Transportation fund element, I propose that a portion of the funds be passed through the States directly to urban areas. Of the 80 percent distributed to States on the basis of SMSAs of more than one million in population, I propose that half go directly to the local governments within these SMSAs to spend for mass transit purposes as they see fit. The other half of this money would also have to be spent within these same larger SMSAs, but it would be spent at the State's discretion. Currently, there are 33 SMSAs with more than a million persons in the United States and these are the areas that would automatically receive "pass-through" funds for Mass Transit Capital Investment.

In 1969, I submitted to the Congress a proposal for establishing an Urban Mass Transportation Assistance program. The passage of that legislation helped to create a significant momentum for the rejuvenation of public transit systems. I feel very strongly that this momentum must not be lost and that is why I propose that a part of this new Special Revenue Sharing Program for Transportation be devoted to this purpose.

I believe that this Mass Transit Capital Investment element would assure continued support and enthusiasm for mass transit initiatives. It would also provide fast relief for many systems which now suffer from inadequate equipment, allowing them to undertake the essential work of modernization without further delay.

COMBINING OLD AND NEW STRENGTHS

Special Revenue Sharing would strengthen our transportation efforts in many significant ways without sacrificing the strengths of our present programs. Any transportation project that is working well today could be continued, and in all probability expanded, under the new arrangements. While narrow grant categories would be eliminated, none of the programs which they now support need be discontinued if the State or locality believes they are worthwhile.

In recent years, governments at all levels -- and private groups and individuals as well -- have become more sensitive to problems such as transportation safety and the environmental impact of transportation. Our whole society can be proud, for example, of the fact that there were no fatalities from commercial airline accidents in the United States last year. We can be grateful, too, that despite increasing traffic on our highways, automobile fatalities in 1970 decreased significantly for the first time since 1958.

We have also become more alert to the effects which transportation has on the beauty of the landscape and the quality of the environment. Our traditional economic concerns have been complemented by our growing esthetic concerns and the result has been a strong effort at all levels of society to improve the quality of American life.

There is no reason why growing sensitivity on matters such as safety and environmental quality should not continue to grow under this new Special Revenue Sharing program. State and local governments, after all, have often been particularly responsive to citizen pressure in these areas and they have frequently acted as bold pioneers in meeting these concerns. I am confident that as more responsibility is given to governments closer to the people, the true and abiding interests of the people will be even better reflected in public policy decisions.

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I would emphasize again, as I have in presenting each of my revenue sharing programs, that there could be no discrimination in the use of any of these monies. All of the funds included in this Special Revenue Sharing Program for Transportation would be subject to the provisions of Title VI of the Civil Rights Act of 1964.

THE IMPORTANCE OF PLANNING

No transportation system -- on the national, regional, or local level -- can serve the public with maximum effectiveness unless there is a great deal of cooperative planning between various modes of conveyance and between various levels of government. A multitude of government jurisdictions, public authorities and private companies must learn to work closely together if our needs are to be met in a comprehensive manner. The legislation I present to the Congress will therefore require that transportation plans be developed in coordination with the development plans prepared under my proposed Special Revenue Sharing Programs for Urban and Rural Community Development.

RECOGNIZING DIVERSITY

Just as each unique individual has unique transportation problems, so do cities, States and other governmental jurisdictions. The single most important fact about our Special Revenue Sharing Program for Transportation is that it recognizes this diversity. It combines the resources of the Federal Government with the flexibility of State and local governments. It provides the best way to meet the problems which diversity implies by utilizing the energies which diversity produces.

RICHARD NIXON

THE WHITE HOUSE,

March 18, 1971.

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