

Report To The Congress

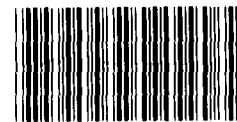
OF THE UNITED STATES

Urban Mass Transportation Administration's New Formula Grant Program: Operating Flexibility And Process Simplification

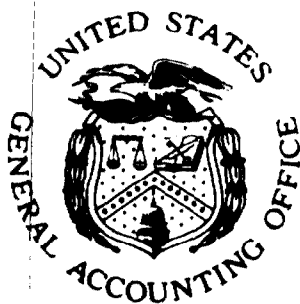
The Surface Transportation Assistance Act of 1982 created a grant program that increased state and local control over the use of mass transportation funds and simplified the grant application and review processes.

GAO reviewed the program administered by the Urban Mass Transportation Administration to determine what changes have occurred in the organizations and activities of federal, state, and local participants. During the first year of the program, GAO found the following:

- Transit authorities generally were using most of the program features that provided increased state and local control over funds and simplified the grant application process with few problems. As the program is further implemented, these features may become even more widely used.
- Program participants generally experienced little change in their staffing levels, activities, and administrative workload.
- The same types of mass transit projects were being funded under the program as were funded under prior mass transportation programs.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-210509

To the President of the Senate and the
Speaker of the House of Representatives

This report summarizes our review of the Urban Mass Transportation Administration's new formula assistance grant program. We made this review to determine what changes have occurred in the organizations and activities of federal, state, and local participants as a result of the program.

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Transportation.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Charles A. Bowsher
Comptroller General
of the United States



D I G E S T

The Surface Transportation Assistance Act of 1982 changed the federal mass transportation programs administered by the Urban Mass Transportation Administration (UMTA), Department of Transportation. A major change was the implementation of the Section 9 Formula Grant Program, which began in fiscal year 1984. (See p. 2.)

In comparison with prior UMTA programs, the Section 9 Program was intended to (1) increase state and local control over the use of federal funds and (2) reduce the paperwork burden by simplifying the preparation of the grantees' grant applications and UMTA's review of the applications. (See pp. 2 and 3.)

The program, funded at \$2.3 billion in fiscal year 1984, became the primary source of federal mass transportation funds for urbanized areas of 50,000 population or more. The amount of funds each area receives is determined by a statutory formula. Funds can be used to help pay the costs of planning for transportation projects, capital projects such as bus purchases, and operating the transit system. The urbanized area has to provide a nonfederal share of at least 20 percent for planning and capital projects and at least 50 percent for operating assistance projects. (See pp. 2 to 4.)

In addition to UMTA, Section 9 Program participants include state departments of transportation, metropolitan planning organizations, and local transit authorities. State departments of transportation are responsible for receiving funds allocated to urbanized areas with populations of less than 200,000 (small urbanized areas) and for transferring funds between urbanized areas. Metropolitan planning organizations are responsible for planning transportation activities within an urbanized area. Transit authorities operate

mass transportation systems. (See pp. 6 and 7.)

The program has a number of features that have increased the flexibility of state and local officials by permitting them to

- select the specific projects they want to fund from an UMTA-approved list of projects;
- submit a single grant application covering all the projects to be undertaken with their fiscal year allocation of section 9 funds;
- self-certify their compliance with statutory and UMTA requirements;
- include, on their grant applications, contingency projects that could be substituted for other approved projects that were deleted or delayed; and
- transfer funds between urbanized areas in the state. (See pp. 2 and 3.)

GAO reviewed the implementation of the Section 9 Program by the various program participants to determine the extent that they have used the above program features and the changes that have occurred in their staffing levels, activities, and administrative workload as a result of the program. (See p. 7.)

To obtain information on the program, GAO sent a questionnaire to all 49 states that had small urbanized areas, 318 metropolitan planning organizations, and 276 transit authorities identified from UMTA's records. GAO also visited with officials of 5 state departments of transportation, 16 metropolitan planning organizations, and 19 transit authorities in 3 UMTA regions to review the implementation of the program in detail. Most of the information was obtained as of June 1984--about 9 months after the program became effective. (See p. 8.)

TRANSIT AUTHORITIES TAKING
ADVANTAGE OF MOST PROGRAM
FLEXIBILITIES

Transit authorities included in GAO's review generally were using most of the Section 9 Program features that provided them increased flexibility. Most transit authorities

selected the projects they wanted, submitted a single grant application, and self-certified their compliance with program requirements. On the other hand, most did not include contingency projects on their applications or transfer funds between urbanized areas. (See p. 10.)

Increased flexibility to
select projects

About 66 percent of the transit authorities responding to GAO's questionnaire said that their flexibility in using funds had increased under the Section 9 Program in comparison to prior UMTA programs. (See p. 12.)

Although transit authorities have considerable flexibility in using section 9 funds, those included in GAO's review continued to fund the same types of projects under the Section 9 Program as were funded under prior UMTA programs. GAO identified only one project that appeared to be unique. This was expected, however, since UMTA has traditionally funded a wide variety of mass transportation projects. (See p. 36.)

Single grant application
submission

About 62 percent of the transit authorities responding to GAO's questionnaire said they had submitted or will submit a single grant application to UMTA covering all of the projects they planned to fund with their fiscal year 1984 section 9 funds. (See p. 14.)

Under prior UMTA programs, transit authorities had to submit a separate grant application for each project, which resulted in submitting much of the same documentation for each project. (See p. 14.)

Self-certifications being used
with few problems

Transit authorities self-certify their compliance with certain statutory and UMTA requirements by using a short two-page form in lieu of submitting lengthy statements or reports of compliance as was done in the past. Only about 7 percent of the transit authorities responding to GAO's questionnaire had problems

with self-certification requirements. (See pp. 15 to 17.)

Few contingency projects included on grant applications

About 17 percent of the transit authorities responding to GAO's questionnaire said that they listed one or more contingency projects on their fiscal year 1984 section 9 grant application to UMTA. (See p. 17.)

The advantage of listing contingency projects is that these projects are reviewed and approved by UMTA when it reviews and approves the program-of-projects grant application. Under the Section 9 Program, if some projects are subsequently deleted or delayed, a grantee can substitute contingency projects and merely notify UMTA of the changes. If the grantee does not list contingency projects, any substitution requires UMTA approval. (See p. 17.)

Few funds transferred between urbanized areas

Under the Section 9 Program, state and local officials have more flexibility to transfer funds between urbanized areas of different sizes. Previously, funds could be transferred only between small urbanized areas. (See pp. 20 and 21.)

About 12 percent of the transit authorities responding to GAO's questionnaire said that they were involved with transfers of fiscal year 1984 section 9 funds between urbanized areas. The average amount transferred by these transit authorities was \$1,354,672. (See p. 21.)

Officials of two of the five state departments of transportation GAO visited stated that the newness of the program combined with the fact that funds are available for use for 3 years after the year they are appropriated are two of the reasons for few transfers. The officials thought that they would be involved in making transfers in subsequent years. (See p. 21.)

CHANGES IN STAFFING LEVELS,
ACTIVITIES, AND WORKLOAD

Because of the experience gained from similar UMTA programs, participants were able to implement the Section 9 Program with little change in their activities even though the program had a number of new features. Although the program was intended to reduce the paperwork burden, most program participants reported that their administrative workload remained the same or increased. On the other hand, about 40 percent of the transit authorities responding to GAO's questionnaire indicated that their administrative workload had decreased. Few changes in staffing levels were reported. (See p. 23.)

CONCLUSIONS

On the basis of comments made by program participants, GAO believes the transition to the Section 9 Program has generally been a smooth one. Most transit authorities have benefited from the program features providing them increased flexibility without requiring major changes in their operations. The grant application and review processes have been simplified, and transit authorities have more freedom in using section 9 funds than before. (See pp. 22 and 31.)

Also, because the program is new, GAO believes program participants may need more experience under the program before they are able to take full advantage of all the features, including the use of the transfer feature and contingency projects. (See p. 22.)

AGENCY COMMENTS

The Department of Transportation commented that the report generally provides an accurate representation of the Section 9 Program and the success of its implementation since its inception. (See pp. 42 to 44.)



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ABBREVIATIONS

DOTs departments of transportation

GAO General Accounting Office

MPO metropolitan planning organization

TA transit authority

TIP/AE Transportation Improvement Program/
 Annual or Biennial Element

UMTA Urban Mass Transportation Administration



CHAPTER 1

INTRODUCTION

The Urban Mass Transportation Administration (UMTA), Department of Transportation, is responsible for administering programs that provide federal mass transportation assistance. Since 1965, UMTA has provided about \$31 billion in federal grants to state and local participants--primarily transit authorities--to help pay for (1) capital projects such as bus purchases and subway construction, (2) the costs of operating mass transportation systems, and (3) the costs relating to planning for transportation needs.

FEDERAL MASS TRANSPORTATION ASSISTANCE BEFORE 1983

Before 1983, the federal government funded mass transportation through several programs authorized by the Urban Mass Transportation Act of 1964, as amended. In urbanized areas (areas of 50,000 population or more), it provided capital and operating assistance primarily under the Section 3 and Section 5 Programs (49 U.S.C. 1602 and 1604, respectively).¹

The Section 3 Program began in fiscal year 1965. It authorized the federal government to provide matching grants to state and local governments to help finance the acquisition, construction, reconstruction, and improvement of mass transit facilities and equipment, such as maintenance facilities, buses, and rail cars. The program limited the federal share of these capital investments to two-thirds of the project's net costs (that portion which could not be financed from farebox revenues). Later, the Federal-Aid Highway Act of 1973 (49 U.S.C. 1603) increased the federal government's share to a maximum of 80 percent of the project's net costs. The Section 3 Program does not provide funds to assist grantees with their operating expenses.

Under the Section 3 Program--called a discretionary program--the Secretary of Transportation had discretion over which grantees received funds for specific projects. In other words, the Secretary reviewed applications for proposed capital projects and decided which projects would be funded.

The Section 5 Program, authorized in fiscal year 1974, provided federal funds for capital investments with up to an 80-percent federal share or, for the first time, for the payment

¹In addition, the government provided federal grant funds to plan and evaluate transportation projects under section 8 of the act (49 U.S.C. 1607). In nonurbanized areas (areas of less than 50,000 population), it provided federal grant funds for transportation planning, capital, and operating needs under section 18 of the act (49 U.S.C. 1614).

of operating expenses with up to a 50-percent federal share. While a portion of the funds could be used only for capital items (the purchase of buses and related equipment or the construction of bus-related facilities), the program was used primarily for operating assistance purposes.

Under the Section 5 Program--called a formula grant program--funds were distributed by means of a statutory formula using the factors of population and population density (number of people per square mile). An area with a large population and a dense population received more funds than a less populated and less dense area.

The section 5 funding formula was revised in 1978. Although most section 5 funds continued to be distributed on the basis of population and population density data, some were distributed on the basis of certain operating statistics such as the number of commuter rail train miles operated.

CHANGES IN FEDERAL MASS TRANSPORTATION ASSISTANCE DURING 1983

The Surface Transportation Assistance Act of 1982 (49 U.S.C. 1601), enacted on January 6, 1983, changed the overall federal mass transportation assistance program. In line with the administration's philosophy of returning decision-making to local officials, the act intended, in part, to turn over much of the control over federal mass transportation funds to state and local officials. It also intended to reduce the paperwork burden by simplifying the preparation of grant applications and UMTA's review of those applications.

To accomplish these changes, the act authorized two new programs: the Section 9A Program and the Section 9 Program. The Section 9A Program was a 1-year interim program through the end of fiscal year 1983. The Section 9 Program then replaced the Section 9A Program and the Section 5 Program in fiscal year 1984.

Section 9A and 9 Programs

Because the Section 5 Program primarily provided operating funds during fiscal year 1983, the Section 9A Program was authorized to provide funds for planning and capital purposes. Then, beginning with fiscal year 1984, the Section 9 Program--a formula grant program--was to be the principal source for federal mass transit funds to urbanized areas. Section 9 funds could be used for planning and capital purposes with up to an 80-percent federal share, and operating assistance with up to a 50-percent federal share.

Both the Section 9A and Section 9 Programs allowed state and local officials increased flexibility in applying for and using funds. For example, they allowed:

- local officials, such as those designated to receive funds and metropolitan planning organizations (MPOs),² to determine how an urbanized area's funds are distributed to grant recipients when there are more than one in the area without federal involvement;
- grant recipients to select the specific projects they want to do under the programs from an UMTA-approved list of projects;
- grant recipients to submit a single grant application-- called a program of projects--covering all the projects to be done with their fiscal year allocation of federal funds instead of requiring a separate application for each individual project as previously required;
- grant recipients to self-certify their compliance with certain statutory and UMTA requirements by using a short two-page form in lieu of submitting lengthy statements of compliance as was done in the past;
- grant recipients to include, on their grant applications, contingency projects³ which could be substituted for other approved projects that were deleted or delayed without getting UMTA's approval for the substitution; and
- urbanized areas of 200,000 population or more, subject to certain restrictions, to transfer funds to other urbanized areas of the state so that funds may be better used or to assure that funds do not lapse, which previously was not permitted.

For fiscal year 1984 only, the act allowed an urbanized area the flexibility to use a limited amount of section 9 funds for operating purposes above the statutory limit for the area.

Section 9 funds are distributed according to a statutory formula that uses population data from the latest federal census (1980) and certain operating statistics--fixed guideway⁴ route miles, bus and fixed guideway vehicle revenue miles, and bus and

²An MPO is responsible for regional transportation planning, in cooperation with state, local, and transit authority officials.

³Contingency projects are projects for which funds are not available unless other approved projects are deleted or delayed.

⁴Fixed guideway means any separate right-of-way or rails for the exclusive use of public transportation service such as express highway lanes for buses and other high-occupancy vehicles or subway rail lines.

fixed guideway vehicle passenger miles traveled--of transit authorities eligible to receive section 9 funds.⁵

The Section 9 Program, which had a fiscal year 1984 appropriation of about \$2.3 billion, provides federal grants for planning, capital, and operating assistance. For planning purposes, it provides supplemental funds to support planning needs that cannot be accommodated under the Section 8 Program. For capital assistance, it is the primary source of federal funds for routine capital assistance needs, such as bus and rail system replacements, equipment purchases, facility construction, and system modernization and rehabilitation. And for operating purposes, the program is the sole source of federal funds beginning with fiscal year 1984.

Changes to other UMTA programs

The act changed the Section 3 Program and terminated the Section 5 Program at the end of fiscal year 1983. However, it made no substantive changes to the Section 8 Planning Program and the Section 18 Program for nonurbanized areas.

Regarding the Section 3 Program, the act reduced the maximum federal share from 80 to 75 percent of the project's costs and authorized, beginning in fiscal year 1984, the program to be funded with trust funds instead of with general revenues, as was previously done. The act created the Mass Transit Account of the Highway Trust Fund, financing the account with a 1 cent per gallon motor fuel tax.⁶ This account was also used to fund the Section 9A Program in fiscal year 1983.

The act also shifted the bulk of federal mass transportation capital funding from the Section 3 Program to the Section 9 Program. UMTA envisions the Section 3 Program being primarily used for large capital projects such as new rail transit construction or major bus purchases.

Regarding the Section 5 Program, the act did not authorize funding for the program beyond fiscal year 1983. Appropriated funds for these programs, however, remain available for obligation for 3 years. For example, section 5 or 9A funds appropriated for fiscal year 1983 are available for obligation until the end of

⁵The operating statistics are collected from transit authorities in urbanized areas. Under section 15 of the Urban Mass Transportation Act of 1964, as amended, the Secretary of Transportation must develop and prescribe a reporting system to accumulate public mass transportation financial and operating statistics.

⁶The act authorized a 5 cents per gallon fuel tax increase, of which 4 cents was for highway programs.

fiscal year 1986. As of September 30, 1984, about \$241 million of section 5 funds and about \$90 million of section 9A funds remain available.

The act limited the amount of section 5 funds an urbanized area could spend for operating assistance in fiscal year 1983. This limit was based on a percentage of the amount of section 5 funds the area was apportioned during fiscal year 1982.

AMOUNT OF FEDERAL MASS
TRANSPORTATION ASSISTANCE

The following table shows the amount of obligations incurred under UMTA's major discretionary and formula grant programs during fiscal years 1980 to 1984, the amounts appropriated for fiscal year 1985, and the amounts authorized for fiscal year 1986. At the time of our review, obligation data were available only through fiscal year 1984; thus, we showed the amounts appropriated or authorized for the other 2 fiscal years.

FUNDING LEVELS FOR UMTA'S MAJOR
DISCRETIONARY AND FORMULA GRANT PROGRAMS

<u>Fiscal year</u>	<u>Discretionary grants^a</u>		<u>Formula grants^b</u>		
	<u>Sec. 3</u>	<u>Sec. 5</u>	<u>Sec. 9A</u>	<u>Sec. 9</u>	<u>Total</u>
	----- (millions) -----				
Obligations					
1980	\$1,655.0	\$1,551.8	\$ -	\$ -	\$1,551.8
1981	1,925.0	1,490.8	-	-	1,490.8
1982	1,634.5	1,353.3	-	-	1,353.3
1983	1,640.9	1,189.4	572.7	-	1,762.1
1984	1,063.2	302.2	91.8	1,798.2	2,192.2

Appropriations

1985	\$1,120.0 ^c	-	-	\$2,377.7	\$2,377.7
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Authorizations

1986	\$1,100.0 ^c	-	-	\$2,960.6	\$2,960.6
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^aThe Secretary of Transportation has discretion over who receives these funds.

^bThese funds are distributed to urbanized areas on the basis of a specific statutory formula for each program.

^cIncludes amounts for three small UMTA programs--the Section 8 Planning Program, the Section 16(b) Elderly and Handicapped Program, and the Section 4(i) Innovative Techniques and Methods Program.

The above table shows that discretionary funds were the principal source of federal funding for local transportation assistance from fiscal years 1980 through 1982. Beginning in fiscal year 1983, formula grants have become the principal source of funding.

ROLES OF NONFEDERAL PARTICIPANTS

Various local entities--MPOs, state departments of transportation (DOTs), and transit authorities--have important roles in carrying out the Section 9 Program. The role and the amount of influence that each of these entities has varies from place to place.

As required by the Federal-Aid Highway Act of 1973 (Public Law 93-87), the Department of Transportation established regulations in 1974 requiring the governor of each state to designate an MPO in each urbanized area. An MPO is comprised of members from a number of organizations including the state, county, and city governments and transit authorities.

An MPO's main role is to prepare two planning documents--the Unified Planning Work Program and the Transportation Improvement Program/Annual or Biennial Element (TIP/AE)--from which projects are selected for incorporation in an urbanized area's program-of-projects grant application. The Unified Planning Work Program describes the transportation-related planning activities anticipated in the urbanized area during the next 1- or 2-year period. The TIP/AE describes the operating and capital projects that are expected to be done in the urbanized area during the same period.

State DOTs, serving as the governor's representative, have a variety of roles. In cooperation with local officials and publicly owned transit authorities, they designate who in an urbanized area of 200,000 population or more will receive the area's section 9 grant funds. They also serve as the grant recipient for urbanized areas under 200,000 population; however, they can delegate this responsibility to transit authorities or other grantees in the individual urbanized areas. They must approve transfers of section 9 funds from one area to another. And, if the state finances part or all of the local match for a section 9 project, the state DOT often reviews the justification for the project.

Transit authorities are the local agencies that acquire, maintain, and operate the equipment needed for providing mass transportation services. Under the Section 9 Program, transit authorities who are designated to receive funds are responsible for preparing a program-of-projects grant application from the Unified Planning Work Program and TIP/AE and assuring compliance with all statutory and UMTA requirements.

OBJECTIVES, SCOPE, AND METHODOLOGY

This study is a status report on the implementation of UMTA's Section 9 Program. It addresses the following major questions:

1. What increased flexibilities are state and local areas allowed under the Surface Transportation Assistance Act of 1982 and UMTA's Section 9 Program guidelines compared with prior UMTA programs, and to what extent are the flexibilities being used?
2. What changes are occurring in the staffing levels, activities, and administrative workloads of UMTA, state DOTs, MPOs, and transit authorities under the Section 9 Program?
3. Is UMTA using the grant distribution formula correctly in apportioning funds among urbanized areas?

In addressing these questions, we asked officials of UMTA, state DOTs, MPOs, and transit authorities what benefits and problems were associated with the program. Their comments are included, where appropriate, in the report.

Our audit work was done at UMTA headquarters in Washington, D.C., and within the boundaries of the UMTA Chicago, New York, and Philadelphia Regional Offices. We selected these regional offices because urbanized areas within their boundaries received about 58 percent of the funds appropriated for the Section 9 Program for fiscal year 1984. At UMTA headquarters, we met with officials and obtained programwide information. Within each region, we met with officials of (1) the UMTA regional office, (2) two state DOTs,⁷ and (3) the MPOs and transit authorities in five urbanized areas that received most of the section 9 funds. We reviewed pertinent records at these locations. Our selection of organizations to visit was judgmental. (See app. II for a complete listing of the organizations we visited.)

During our visits with these officials, we discussed (1) the major changes in their responsibilities and operating procedures under the Section 9 Program, (2) the extent that the increased flexibilities allowed under the 1982 act and UMTA's Section 9 Program guidelines are being used, and (3) the benefits and problems associated with the program.

Also, in order to provide broader coverage of the changes, benefits, and problems brought about by the Section 9 Program, we sent a questionnaire to the departments of transportation of 49 states that had urbanized areas of less than 200,000 population,⁸ all 318 MPOs for urbanized areas of 50,000 population or more, and the 276 transit authorities that were included on UMTA's listing of eligible section 9 grant recipients at the time we prepared our questionnaires.⁹ We also sent questionnaires to the 5 state DOTs, 16 MPOs, and 19 transit authorities we visited. The respondents completed the questionnaires about 9 months after the program became effective.

⁷In one UMTA region, we met with officials of only one state DOT because officials of the other state DOT informed us they had no involvement with the Section 9 Program.

⁸Delaware had no urbanized areas of less than 200,000 population.

⁹Although 373 urbanized areas received section 9 funds, our questionnaire was sent only to 276 transit authorities. At the time we prepared our questionnaire, UMTA listed 276 transit authorities as being eligible section 9 grant recipients. Some urbanized areas have no transit authorities. Also, some transit authorities receive funds through a state DOT, not directly from UMTA.

We received responses from 42 state DOTs, for a response rate of about 86 percent. However, our analysis is based on only 29 of the responses because 13 state DOTs reported they had no involvement with the Section 9 Program. We received responses from 261 MPOs, for a response rate of about 82 percent and from 202 transit authorities, for a response rate of about 73 percent. Because the persons responding to our questionnaire did not always answer each question, the number of respondents sometimes varies when discussing the results of the questionnaires.

To determine whether UMTA was using the formula correctly, we reviewed the methodology and work done by the Office of Inspector General, Department of Transportation, for their audit of UMTA's fiscal year 1984 section 9 apportionment process.¹⁰ We did not review the accuracy of the operating statistics that transit authorities submitted to UMTA because the Office of Inspector General had an ongoing review of this issue.

Except for our not reviewing the accuracy of the operating statistics submitted to UMTA, our review was performed in accordance with generally accepted government auditing standards and was done primarily during the period from March to October 1984.

Agency comments

We provided the Department of Transportation an opportunity to review and comment on a draft of this report. The Department commented that the report generally provides an accurate representation of the Section 9 Program and the success of its implementation since its inception. However, the Department pointed out that speeding up the delivery of funds to grantees was not a goal of the program as we had stated in our draft report. We agree with the Department's view and have revised the report accordingly. (See app. I.)

¹⁰Office of Inspector General report number AS-UM-4-007, dated Feb. 7, 1984.

CHAPTER 2

TRANSIT AUTHORITIES GENERALLY TAKING ADVANTAGE

OF MOST SECTION 9 PROGRAM FLEXIBILITIES

The Surface Transportation Assistance Act of 1982 and UMTA's Section 9 Program guidelines contain several features intended to increase the flexibility of state and local entities, primarily transit authorities, in applying for and using federal mass transportation funds compared with prior UMTA programs. These features were intended to simplify the preparation of grant applications by grantees, reduce the administrative workload of program participants, and give state and local officials more influence over the distribution of funds within the urbanized area and the use of such funds.

Most of the transit authorities included in our review were using, with few problems, most of the flexibilities allowed under the Section 9 Program. For example, most transit authorities submitted or planned to submit a single grant application to UMTA covering all of the projects they planned to fund with their fiscal year 1984 section 9 funds. Also, most were having few problems with the simplified section 9 self-certification requirements, which reduced the amount of paperwork they had to submit to UMTA. On the other hand, most were not (1) including contingency projects on their section 9 grant applications, (2) using the provision authorizing the use of additional section 9 funds for operating purposes above the statutory cap for the area, and (3) transferring section 9 funds between urbanized areas.

MOST TRANSIT AUTHORITY OFFICIALS WERE SATISFIED WITH THEIR SECTION 9 APPORTIONMENT

Although the amount of section 9 funds that each urbanized area receives is determined by the statutory formula, local officials determine which organizations within that area receive the funds and how much funds each organization receives. Most transit authority officials believed they received their fair share of the urbanized area's section 9 funds, but many MPO officials were concerned because they did not receive any section 9 funds.

Local officials had a similar role under the Section 5 Program. However, under the Section 3 Program, an urbanized area is not guaranteed an allocation of funds. Further, UMTA has the discretion to decide which grantees receive section 3 funds and how much funds each grantee receives.

To receive section 9 funds, the governor and/or local officials must designate a grant recipient for each urbanized area. Most grant recipients are transit authorities, but other organizations, such as MPOs, are also eligible to receive section 9 funds. For each urbanized area of 200,000 population or more, the governor or the state DOT acting for the governor, local

officials, and transit authority officials jointly designate one or more recipients to apply for, receive, and dispense section 9 funds. The concurrence of the Secretary of Transportation in the designation is no longer required under the Section 9 Program as was the case under UMTA's Section 5 Program.

For urbanized areas of less than 200,000 population, the governor or his designee is the grant recipient. UMTA uses the statutory formula to calculate the amount of section 9 funds each of these small urbanized areas is eligible for. However, the governor can reallocate the amount of funds each small urbanized area receives, subject to the total amount of section 9 funds the state receives for all of its small urbanized areas.

If there is only one grantee within an urbanized area, that grantee receives all of the area's section 9 funds. If there is more than one, such as in an area with more than one transit authority, local officials, including the MPO, are responsible for determining the allocations without UMTA's involvement.

In our questionnaire to transit authorities, we asked if they believed that they had received their fair share of the urbanized area's section 9 funds. Of the 121 transit authorities in urbanized areas with more than one section 9 grantee, about 78 percent responded that they believed they definitely or probably had received their fair share, while about 8 percent responded that they were uncertain, and about 14 percent responded that they had not received their fair share. Some of the transit authorities responded they did not receive their fair share because local officials distributed the funds within the urbanized area on the basis of their own formula after receiving the area's section 9 apportionment.

As discussed in chapter 4, many MPO officials responding to our questionnaire expressed concern over the distribution of funds within the urbanized area because they were not receiving section 9 funds for planning purposes.

In our questionnaire to state DOTs, we asked on what basis were fiscal year 1984 section 9 funds ultimately distributed to small urbanized areas. Of the 28 state DOTs responding to this question, 23 (about 82 percent) said that these funds were distributed to small urbanized areas on the basis of the section 9 statutory formula. Four state DOTs said section 9 funds were distributed to small urbanized areas on the basis of need, and one said the funds were distributed on the basis of other state or local formulas.

In all five states we visited, each small urbanized area received the amount of fiscal year 1984 section 9 funds it was eligible to receive according to the statutory formula. However, officials of one state DOT informed us that they are considering a new method of allocating section 9 funds to small urbanized areas that would involve a capital fund pool. Under this procedure, the state DOT would allocate to each small urbanized area the

maximum amount of section 9 funds allowable by law for operating assistance but would withhold the capital portion of each small urbanized area's section 9 allocation. The funds in the capital pool would be distributed by the state to the areas most in need of capital funds. The major advantage cited by the officials for this proposal is that it allows capital dollars to flow where they are needed and when they are needed.

TRANSIT AUTHORITIES HAVE GREATER
ABILITY TO SELECT SPECIFIC PROJECTS

Transit authorities have greater ability to select the specific planning, capital, and operating projects they want to fund under the Section 9 Program than available under the Section 3 and 5 Programs. They can establish their own priorities and do not have to compete with others for available section 9 funds unless there is more than one grantee in the urbanized area. However, some transit authorities had limitations imposed at the local level on the projects they selected. Also, officials of one UMTA regional office and one MPO were concerned with the increased flexibility that transit authorities had in selecting projects.

Transit authorities did not have as much flexibility in selecting projects under the Section 3 and 5 Programs. Under the Section 3 Program, transit authorities submit applications to UMTA specifying the capital projects they wish to do, but UMTA decides which transit authorities receive funds and which projects are funded. Under the Section 5 Program, transit authorities selected the specific capital or operating projects they wish to fund. However, section 5 capital projects often involved the use of section 3 funds and thus these projects had to go through the Section 3 Program approval process.

In our questionnaire, we asked transit authorities whether their flexibility in using funds had increased, decreased, or remained the same as a result of the Section 9 Program. Of the 181 transit authorities responding, about 66 percent said that their flexibility had increased, about 26 percent said that their flexibility had remained the same, and about 8 percent said that their flexibility had decreased.

One of the transit authorities we visited thought that its ability to select specific projects was much greater under the Section 9 Program. It gave, as an example, its desire to construct a bus garage at the same time the state wanted to procure buses statewide. The state's project basically exhausted all of the funds allocated to the state for buses and bus-related projects. UMTA rejected the transit authority's project in favor of the state's project. Under the the Section 9 Program, the transit authority could set its own priorities and did not have to compete with the state for available funds.

In our questionnaire, we also asked transit authorities what amount of influence they had had in selecting projects to be funded under the Section 9 Program and under prior UMTA programs.

As shown in the following table, a slightly larger percentage of the transit authorities responded that they had a major influence in selecting projects under the Section 9 Program than under prior UMTA programs.

Transit Authorities' Degree of Influence
on Project Selection

	<u>Percent of TAs* responding</u>			<u>Number of responses</u>
	<u>Major influence</u>	<u>Some influence</u>	<u>Little or no influence</u>	
Under Section 9 Program	93	3	4	178
Under prior UMTA programs	91	4	5	184

*Transit authorities

In our questionnaire, we also asked transit authorities what influence other organizations had had in selecting projects to be done under the Section 9 Program and under prior UMTA programs. The following table shows the percentage of transit authorities that responded that other organizations had had a major influence in project selection.

Other Organizations Having Major Influence
on Project Selection Under Section 9 Program
and Under Prior UMTA Programs

<u>Organization having major influence</u>	<u>Percent of TAs responding</u>	
	<u>Under section 9</u>	<u>Under prior programs</u>
Other transit authorities receiving UMTA funds	3	2
State DOT	12	12
MPO	16	14
City or local government	28	32
The public	14	15
UMTA	26	33

As shown in the above table, transit authorities most often cited the city or local government and UMTA as having a major influence in project selection both under the Section 9 Program and under prior UMTA programs.

Although transit authorities have greater ability to select the projects they want to do under the Section 9 Program, UMTA

regional offices review the projects listed on the section 9 applications to assure that the projects are eligible and in compliance with statutory and UMTA program requirements.

Officials of two of the three UMTA regional offices we visited expressed no concern with the increased ability of transit authorities to select their own projects. However, officials of one regional office said that the likelihood is greater that wasteful or excessive projects will be submitted to UMTA for approval because some grantees view the Section 9 Program as an entitlement program; that is, the funds are theirs to use as they want.

Similarly, officials of one MPO we visited expressed concern because they believed the Section 9 Program gave transit authorities too much discretion to make project decisions and did not provide an adequate opportunity for local government and public participation.

We also asked officials of the 19 transit authorities we visited whether any limitations were imposed by others, such as the state DOT or the local MPO, on the projects the transit authorities carried out. Officials of 10 of the transit authorities told us that no limitations were imposed by others. However, officials of nine of the transit authorities said that financial-related controls exist, such as budget approval by the organization that provides the nonfederal matching funds and availability of nonfederal matching funds.

MOST TRANSIT AUTHORITIES ARE
SUBMITTING A SINGLE PROGRAM-OF-
PROJECTS GRANT APPLICATION

Under the Section 9 Program, transit authorities can submit to UMTA a single program-of-projects grant application covering all of the projects to be done with their fiscal year allocation of funds, and most transit authorities are submitting them. According to UMTA, such grant applications offer an opportunity to simplify and speed up the grant approval process and the delivery of funds.

Under the Section 3 and 5 Programs, grantees had to submit a separate grant application for each project they wished to fund which resulted in their submitting much of the same documentation for each project.

In our questionnaire, we asked transit authorities how many separate grant applications and amendments will they submit to UMTA under the Section 9 Program for fiscal year 1984 funds. About 62 percent of the 157 transit authorities responding to this question answered that they will submit one grant application. Also, about 28 percent of the transit authorities responded they would submit either two or three grant applications, while only 3 percent responded they would submit more than three grant applications. About 7 percent responded they would not submit any applications. Regarding fiscal year 1985 section 9 funds, about 70

percent of the transit authorities indicated that they plan to submit one section 9 grant application.

UMTA regional office officials informed us that some transit authorities are not submitting a single program-of-projects grant application because they

- still have section 5 funds available to cover their operating expenses during fiscal year 1984 and, thus, they have submitted a section 9 grant application covering only their capital projects;
- need their operating funds earlier in the year than they need their capital funds and, thus, they will submit an application for only operating funds first;
- believe that grant applications requesting only operating funds are approved faster by UMTA than applications for capital funds;
- have difficulty planning their entire program of projects early in the year; and
- believe that the local matching funds may be available for some projects but not others at the same time of the year; therefore, they submit several grant applications as local matching funds become available at various times of the year.

MOST TRANSIT AUTHORITIES ARE USING SELF-CERTIFICATIONS WITH FEW PROBLEMS

The 1982 act increased the use of self-certifications and thus streamlined the grant application process and reduced the amount of paperwork submitted to UMTA.¹ Most transit authorities are using self-certifications with few problems, but some had problems with the certification requirements that are new.

Under the Section 9 Program, the grantee does not have to submit lengthy statements to document its compliance with many federal requirements, and UMTA has fewer documents to review during the grant review and approval process. Instead, the grantee submits a short two-page certification form covering the following nine subjects:

- It has or will have the legal, financial, and technical capacity to carry out the proposed program of projects.
- It has or will have satisfactory continuing control over the use of facilities and equipment and will maintain them.

¹We issued a report on self-certifications entitled UMTA Needs Better Assurance That Grantees Comply With Selected Federal Requirements (GAO/RCED-85-26, Feb. 19, 1985).

- It will charge elderly and handicapped persons during non-peak hours at no more than one-half the rates generally applicable to other persons at peak hours.
- It will give a half-fare rate for persons with a Medicare card.
- It will use competitive procurement processes as defined by UMTA and will comply with applicable Buy America provisions.
- It has complied with the requirements relating to providing the public with information about the program of projects.
- It has available and will provide the required local match and will comply with the requirements of the federally mandated planning process and provide for the special transportation needs of the elderly and the handicapped.
- It has a locally developed process to solicit and consider public comments before raising fares or implementing a major reduction of transit service.
- The organizations that receive or directly benefit from section 9 funds are subject to UMTA's section 15 reporting requirements.

Most of the above self-certification subjects have been requirements in UMTA programs for several years, and therefore, most grantees are familiar with them. The certifications relating to maintenance, competitive procurement, half-fare rate for persons with Medicare cards, and section 15 reporting, however, are new.

In our questionnaire, we asked transit authorities how the Section 9 Program self-certifications affected the amount of paperwork they had to prepare. Of the 182 transit authorities responding, about 58 percent said that the amount of paperwork they prepared had decreased as a result of the self-certification requirements of the Section 9 Program, about 27 percent said that it had remained the same, and about 15 percent said that it had increased.

We asked the transit authorities we visited if their administrative workload or staffing levels were affected by the use of the self-certifications.² Nine of the transit authorities said their workload was the same under the Section 9 Program, eight said their workload decreased, and two said their workload increased. Officials of 18 transit authorities said their staffing levels were not affected by self-certifications, and officials of one transit authority said their staff was reduced by one person.

²Other issues relating to workload and staffing are discussed in ch. 3.

In our questionnaire, we also asked transit authorities to explain any problems they were experiencing with the self-certification requirements of the Section 9 Program. Fourteen (about 7 percent) of the transit authorities cited problems with certain self-certification requirements, such as those relating to competitive procurement processes and section 15 reporting. One of the 19 transit authorities we visited had a problem with the self-certification requirements because UMTA wanted it to certify the correctness of transportation operating statistics of another bus company from which the transit authority purchased bus service. At the time of our review, this problem had not been resolved.

Officials of two of the three UMTA regional offices we visited had no problems with the expanded self-certifications under the Section 9 Program. However, the officials of one regional office informed us that, because of the additional areas covered by self-certifications, the possibility is greater that a grantee could keep certain information from UMTA, such as the existence of substantial local opposition to a proposed project.

FEW TRANSIT AUTHORITIES INCLUDED CONTINGENCY PROJECTS ON THEIR GRANT APPLICATION

On its section 9 program-of-projects grant application, a grantee can include a contingency portion that lists a reasonable number of projects exceeding the amount of funds available to the grantee. However, few transit authorities included contingency projects on their grant applications.

The practice of grantees' listing contingency projects on a grant application was first used for the 1-year Section 9A Program during fiscal year 1983 and was continued for the Section 9 Program. Contingency projects are not listed on section 3 and section 5 grant applications since these programs require a separate application for each project.

A grantee can do contingency projects, to the extent funds are available, in the event that projects listed on the program of projects are deleted or delayed. The advantage of listing contingency projects is that these projects are reviewed and approved by UMTA when it reviews and approves the program-of-projects grant application. If some projects are subsequently deleted or delayed, a grantee can substitute contingency projects and merely notify UMTA of the changes. Prior UMTA approval for the substitution is not necessary. If the grantee does not list contingency projects, any substitution requires UMTA approval.

In our questionnaire, we asked transit authorities if they listed any contingency projects on their fiscal year 1984 section 9 grant applications to UMTA. Thirty-five (about 17 percent) responded that they had listed one or more contingency projects on their grant applications. Twenty-nine of the 35 transit authorities showed the dollar amount of their contingency

projects. The contingency projects listed by these 29 transit authorities had a total value of \$491 million. The average amount per transit authority was \$16.9 million.

Officials of 10 transit authorities we visited informed us they included one or more contingency projects on their grant applications for fiscal year 1984 section 9 funds, while the other 9 transit authorities we visited did not include any contingency projects on their grant application. Six of the 10 transit authorities listed three or less contingency projects. However, one transit authority listed 16 contingency projects with a value of \$259.3 million, and one transit authority listed 30 contingency projects valued at \$54.5 million.

MOST TRANSIT AUTHORITIES ARE NOT
USING SECTION 9 FUNDS FOR OPERATING
PURPOSES ABOVE THE STATUTORY CAP

The 1982 act limited the amount of section 9 funds an urbanized area could use for operating expenses to a percentage of the amount of fiscal year 1982 funds it was apportioned under sections 5(a)(1)(A), 5(a)(2)(A), and 5(a)(3)(A) of the Urban Mass Transportation Act of 1964, as amended. However, for fiscal year 1984 only, the act enabled an urbanized area to use a limited amount of its section 9 funds for operating purposes above the statutory limitation, called the cap, subject to a discount penalty. Most transit authorities are not using section 9 funds for operating purposes above the cap for the area.

The cap and discount provision were also applicable to fiscal year 1983 section 5 funds but did not apply to the Section 3 Program, which does not provide operating funds.

The statutory cap was 80 percent for urbanized areas of 1 million population or more, 90 percent for urbanized areas of 200,000 population to 999,999 population, and 95 percent for urbanized areas of less than 200,000 population. An area that became an urbanized area for the first time under the 1980 census could use up to 40 percent of its section 9 apportionment for operating purposes.

Under the discount provision of the act, an urbanized area could use section 9 funds for operating purposes up to 100 percent of the amount of the area's apportionment of fiscal year 1982 funds under these three sections. New urbanized areas could use section 9 funds for operating purposes up to 50 percent of the area's apportionment. However, for every \$2 of section 9 funds used for operating purposes above the cap, the urbanized area had to forfeit a third dollar of its section 9 funds to the Secretary of Transportation. The Secretary, then, could distribute the forfeited funds to other urbanized areas.

The following case example illustrates (1) the establishment of the statutory limitation and the cap on the amount of fiscal year 1984 section 9 funds that can be used for operating purposes

and (2) the use of the three for two trade-in provision. The example is an urbanized area of over 1 million population that was apportioned \$54,400,000 of fiscal year 1984 section 9 funds.

Limitation on use of section 9
funds for operating purposes

Amount

Statutory limit--equal to fiscal year 1982 apportionments under sections 5(a)(1)(A), 5(a)(2)(A), and 5(a)(3)(A).

\$26,700,000

Statutory cap (\$26,700,000 x 80 percent)

21,360,000

As shown above, this urbanized area can use up to \$21,360,000--the cap--of its fiscal year 1984 section 9 funds for operating purposes without incurring a discount penalty. The area can use an additional \$5,340,000 (\$26,700,000 less \$21,360,000) for operating purposes up to a maximum of \$26,700,000--the statutory limit--but must forfeit \$1 to the Secretary of Transportation for each \$2 used for operating purposes above the area's cap. If the area elected to use all of the additional \$5,340,000 for operating purposes, it would forfeit \$2,670,000 of its \$54,400,000 fiscal year 1984 section 9 funds to the Secretary. Thus, the area would now have a total of \$51,730,000 (\$54,400,000 less \$2,670,000) of fiscal year 1984 section 9 funds.

In our questionnaire, we asked transit authorities whether they planned to use the three for two trade-in provision with their fiscal year 1984 section 9 funds. Of the 195 transit authorities responding to this question, about 67 percent responded that they did not plan to use this provision. On the other hand, about 29 percent said that they planned to use the trade-in provision for the maximum amount allowed, while about 4 percent said they planned to use the provision but for less than the maximum amount allowed.

We also asked the 56 transit authorities who were using the trade-in provision to the maximum extent allowed whether they would use more fiscal year 1984 section 9 funds for operating purposes, if possible, and how much more they would use. Thirty-two of them responded that they would use more section 9 funds for operating purposes, if possible. The average increase in fiscal year 1984 section 9 funds that these 32 transit authorities would use for operating purposes above the maximum allowable amount was \$2,647,117.

We obtained nationwide data from UMTA on the number of urbanized areas that planned to use the three for two trade-in provision and the amount of fiscal year 1984 section 9 funds involved. Of the 373 urbanized areas receiving section 9 funds, 80 (about 21 percent) had used the three for two trade-in provision during fiscal year 1984: 47 large and 33 small urbanized areas. As a result of the trade-in provision, these 80 areas will obtain an

additional \$35.6 million of operating funds. However, as a result of the discount penalty, these areas will forfeit about \$17.8 million of their fiscal year 1984 section 9 funds to the Department of Transportation for use as discretionary funds. During fiscal year 1984, two different urbanized areas received about \$1.9 million of section 9 discretionary funds for the purchase of three small buses and the construction of an intermodal ferry terminal. The remainder of the forfeited funds (about \$15.8 million) were not obligated during fiscal year 1984, but were carried over into fiscal year 1985.

Officials of 15 of the 19 transit authorities we visited said they were not using the three for two trade-in provision because:

--they did not want to lose funds because of the discount penalty and

--they still had section 5 operating assistance funds that were apportioned in a prior year.

Officials of several transit authorities responding to our questionnaire believed that there was a need for greater flexibility in the use of section 9 funds for operating purposes. The officials stated they had new buses but needed more operating funds. Some responded that the three for two trade-in provision should be extended beyond fiscal year 1984 because their operating needs were far greater than their capital needs.

Also, a few transit authorities in small urbanized areas, which became new urbanized areas as a result of the 1980 census, believed that they were not receiving equal treatment with older small urbanized areas as far as the amount of section 9 funds that could be used for operating purposes. For example, one transit authority in a new small urbanized area stated that its area could use only 40 percent of its fiscal year 1984 section 9 allocation for operating purposes without using the three for two trade-in provision. This transit authority pointed out that a similar small urbanized area, which had been an urbanized area before the 1980 census, was allowed to use about 67 percent of its fiscal year 1984 section 9 funds for operating purposes without using the trade-in provision. This inconsistency occurred because the older urbanized area was allowed by law to use section 9 funds for operating purposes up to 95 percent of its fiscal year 1982 allocation for operating purposes under the Section 5 Program.

FEW TRANSIT AUTHORITIES WERE
INVOLVED WITH TRANSFERS OF FISCAL
YEAR 1984 SECTION 9 FUNDS

The 1982 act allows state and local officials increased flexibility to transfer section 9 funds between urbanized areas in a state compared with the Section 3 and 5 Programs. However, few transit authorities included in our review were involved with transfers of fiscal year 1984 section 9 funds.

Transfers of section 5 funds were permitted only between urbanized areas of 200,000 population or less (small urbanized areas), and section 3 funds cannot be transferred between urbanized areas.

The act permits transfers of section 9 funds between small and large urbanized areas without UMTA's approval. For example, an urbanized area of 200,000 population or more may transfer all or a portion of its section 9 apportionment to the governor of the state who, in turn, can distribute such apportionment to other small or large urbanized areas in the state.

The act also allows the governor of a state to transfer section 9 funds from urbanized areas of less than 200,000 population to urbanized areas of 300,000 population or less or to non-urbanized areas of less than 50,000 population. The governor can make such transfers, however, only after consultation with responsible local officials and publicly owned transit authorities in each area to which the funding was originally apportioned. The governor may also transfer Section 18 Program--for areas of less than 50,000 population--funds to urbanized areas of less than 200,000 population without UMTA's approval.

The increased flexibility to transfer section 9 funds between urbanized areas is intended to allow state and local officials to determine where funds can be best used and to assure that funds do not lapse. Under the Section 5 Program, funds sometimes lapsed because the area or the grantees that received the funds were unable to use them during the time in which the funds were available for obligation, and the funds could not be readily transferred to other areas.

In our questionnaire, we asked transit authorities whether they were involved in any transfers of fiscal year 1984 section 9 funds between urbanized areas. Of the 198 transit authorities responding, about 12 percent said that they were involved with transfers of fiscal year 1984 section 9 funds. The average amount transferred by these transit authorities was \$1,354,672.

Although few transfers of section 9 funds between urbanized areas have occurred thus far, there may be more such transfers in the future. Officials of two of the five state DOTs we visited stated that the newness of the program combined with the fact that funds are available for use for 3 years after the year they are appropriated are two of the reasons for few transfers. Because funds remain available for 3 years, transit authorities do not have to make transfer decisions in the first year of funding. The officials stated they thought the simplified transfer provisions of the Section 9 Program were a definite advantage and that they would be involved in making transfers in subsequent years.

As for transfers between the Section 9 and 18 Programs, UMTA records show that about \$1.4 million (less than one-tenth percent) of section 9 funds were transferred to section 18 nonurbanized areas during fiscal year 1984. During this same period, about

\$1 million (about 1 percent) of section 18 funds were transferred to section 9 urbanized areas.

CONCLUSIONS

The Surface Transportation Assistance Act of 1982 and UMTA's guidelines for implementing the Section 9 Program have offered transit authorities increased flexibility in applying for and using section 9 funds, as compared with prior UMTA programs.

Most transit authorities have used with few problems the increased flexibility relating to selecting the specific projects to be done, submitting a single grant application covering many projects, and self-certifying their compliance with program requirements. On the other hand, most were not (1) including contingency projects on their section 9 grant applications, (2) using the provision authorizing the use of additional section 9 funds for operating purposes above the statutory cap for the area, and (3) transferring section 9 funds between urbanized areas.

Because the Section 9 Program is new, we believe program participants may need more experience under the program before they are able to take full advantage of all the features, including the use of the transfer feature and contingency projects. On the basis of our discussions with UMTA, state DOT, MPO, and transit authority officials, we believe that program participants may take greater advantage of all these program features in the future.

Also, because of the use of a single program-of-projects grant application and self-certification of compliance with program requirements, the Section 9 Program has reduced the amount of paperwork that transit authorities and other grant recipients are required to submit with their grant applications to UMTA. As a result, this has lessened the amount of documentation that UMTA has had to review while processing grant applications.

CHAPTER 3

CHANGES THAT PROGRAM PARTICIPANTS EXPERIENCED IN THEIR ACTIVITIES, STAFFING LEVELS, AND WORKLOAD

The network of program participants--UMTA, state DOTs, MPOs, and transit authorities--needed to implement the Section 9 Program existed for a number of years before the program became operational. Because of the experience gained from similar UMTA programs in the past, participants were able to implement the Section 9 Program with little change in basic responsibilities and activities even though the program had a number of new features. Also, although the program was intended to reduce the paperwork burden by streamlining the grant application and review processes, most participants reported that their administrative workload remained the same or increased. However, about 40 percent of the transit authorities responding to our questionnaire indicated that their administrative workload had decreased. Few changes in staffing levels were reported.

Also, according to officials of most state DOTs, MPOs, and transit authorities included in our review, the Section 9 Program guidance that UMTA issued to inform them of the program procedures and requirements appears to be adequate. The problems that they had concerning the program guidance were, for the most part, satisfactorily resolved by UMTA.

NETWORK NEEDED TO IMPLEMENT THE PROGRAM ALREADY EXISTED

Prior UMTA formula assistance programs--the Section 5 Program as well as the Section 9A Program--basically required the same network of program participants as that needed to implement the Section 9 Program. The experience gained under the Section 5 Program since fiscal year 1975 and the Section 9A Program in fiscal year 1983 helped in implementing the Section 9 Program.

State DOTs, as representatives of the governor, have been involved with UMTA's Section 9A Program in fiscal year 1983 and UMTA's Section 5 Program since its inception in fiscal year 1975 with many of the same responsibilities as they have under the Section 9 Program. MPOs have been involved with UMTA programs since the mid-1970's. And transit authorities have been the primary recipients of funds under most UMTA grant programs, including the Section 5 and 9A Programs. Thus, they have been involved with preparing grant applications and carrying out transportation projects under UMTA programs for many years.

CHANGES IN ACTIVITIES, STAFFING LEVELS, AND ADMINISTRATIVE WORKLOAD

According to the officials we visited and respondents to our questionnaires, UMTA, state DOTs, MPOs, and transit authorities

had few changes in activities and staffing levels and moderate changes in administrative workload as a result of the Section 9 Program.

UMTA regional offices

Officials of the three UMTA regional offices we visited informed us that they have been carrying out the activities required under the Section 9 Program for a number of years. For the most part, they review the Unified Planning Work Program and TIP/AE planning documents submitted by MPOs, they review grantee applications for funds for accuracy, project eligibility, and compliance with statutory and UMTA requirements, and they monitor projects as they are being done.

Officials of two of the three regions told us that they can review these planning documents more closely now because, under the Section 9 Program, less time is needed to review grant applications. Transit authorities are submitting less documentation as a result of the increased number of items covered by self-certifications.

Aside from reviewing grant applications, however, these officials claim that the Section 9 Program has not had any significant impact on other time-consuming application processing phases. (Ch. 4 discusses the changes in time needed to process applications.)

Officials of the three UMTA regional offices we visited also informed us that there have not been any significant changes in their administrative workload or staffing levels as a result of the Section 9 Program.

Officials of one UMTA regional office informed us that procedures for a triennial review--a new statutory requirement requiring UMTA to audit all Section 9 Program grantees at least once every 3 years to assure their compliance with program requirements--are being finalized. Because these procedures may change the way the region monitors projects, the officials were concerned as to how thorough the reviews could be if the region has to do them, given their limited staff. UMTA has developed draft guidelines describing how these reviews will be done but had not made the guidelines available to us at the time of our review. An UMTA headquarters official informed us, however, that the regional offices will probably do the reviews.

State DOTs

Under the Section 9 Program, as well as under prior UMTA programs, state DOTs are generally more involved with urbanized areas of less than 200,000 population because the state DOTs often serve as the recipients of funds for the small urbanized areas of their states. According to the results of our questionnaire, state DOTs experienced little or no changes in either activities or staffing as a result of the Section 9 Program.

Activities carried out

State DOTs vary greatly regarding the extent to which they participate in the Section 9 Program. For example, some state DOTs delegate as much of their section 9 responsibilities as possible to the individual urbanized areas with less than 200,000 population. Others are more involved with the program and carry out such activities as

- submitting to UMTA the section 9 grant applications for the small urbanized areas in the state,
- reviewing section 9 applications of small urbanized areas before they are submitted to UMTA,
- monitoring the ongoing projects carried out by the small urbanized areas,
- ensuring that small urbanized areas use section 9 funds before the funds lapse, and
- handling transfers of section 9 funds between urbanized areas.

In our questionnaire, we asked state DOTs if the state DOT or each urbanized area submitted to UMTA the section 9 grant applications for fiscal year 1984 funds for urbanized areas with less than 200,000 population. Of the 29 state DOTs responding, 15 said that each urbanized area submitted its own application, 12 said that they submitted some or all of the applications, 1 responded that the state-operated transit authority submitted the application, and 1 said that the urbanized area submitted the application for the state's review and concurrence before sending it to UMTA.

In our questionnaire, we also asked state DOTs whether they reviewed section 9 grant applications for urbanized areas of less than 200,000 population before the applications are sent to UMTA. Of the 27 state DOTs responding, about 41 percent said that they review all section 9 applications of small urbanized areas in their state before the applications are submitted to UMTA, about 22 percent said that they review some applications, and about 37 percent said that they do not review any applications.

Officials of three of the five state DOTs we visited informed us that they reviewed the section 9 grant applications for small urbanized areas before the applications are submitted to UMTA. They reviewed the applications for such purposes as determining compliance with statutory and UMTA requirements and the economy and efficiency of the projects to be done.

In our questionnaire, we asked state DOTs whether they planned to monitor the use of section 9 funds by urbanized areas with less than 200,000 population in their states and, if they did, to describe how they planned to do so. Of the 28 state DOTs responding to this question, about 64 percent said that they plan

to monitor the use of section 9 funds by all small urbanized areas, about 11 percent said that they will monitor some of the small urbanized areas, and about 25 percent said that they would not monitor any of the small urbanized areas. Most state DOTs that performed monitoring stated that they did so by reviewing operating and/or financial reports or making on-site visits to projects. Only one state DOT mentioned that it monitored projects for compliance with UMTA requirements.

In our questionnaire, we asked state DOTs whether they were involved in any transfers of fiscal year 1984 section 9 funds between urbanized areas. Of the 28 state DOTs responding to this question, 8 (about 29 percent) said that they were involved with such transfers and 20 (about 71 percent) said that they were not. Four state DOTs said that they were involved with 1 transfer each, three said that they were involved with 2 transfers each, and one said that it was involved with 12 transfers. For the six state DOTs that reported the dollar amount transferred, the amount transferred ranged from about \$12,600 to \$3 million and averaged about \$1 million.

In our questionnaire, we also asked state DOTs whether their flexibility in transferring UMTA funds between urbanized areas increased, decreased, or remained the same as a result of the Section 9 Program. Of the 25 state DOTs responding, about 44 percent said their flexibility in transferring funds had increased, while 48 percent said their flexibility remained the same, and 8 percent said their flexibility decreased.

In our questionnaire, we asked state DOTs whether they had any new responsibilities, grant application procedures, or monitoring procedures as a result of the Section 9 Program. Of the 29 state DOTs responding, 5 said that they had new responsibilities, such as determining the need for transfers between Section 9 Program and Section 18 Program grant recipients, and 3 said that they had new grant application procedures to comply with the Section 9 Program requirements. The other state DOTs said that they had no new responsibilities, grant application procedures, or monitoring procedures.

Staffing levels and administrative workload

In our questionnaire, we asked state DOTs whether the size of their administrative staff, which is involved in processing transportation grants, has changed as a result of the Section 9 Program. Of the 29 state DOTs responding to this question, 28 said that they have not changed the size of their administrative staff. One state DOT said that it increased its administrative staff by one employee.

The number of administrative staff involved in processing transportation grants employed by the state DOTs responding to our questionnaire ranged from a high of 30 staff members to a low of

one¹ staff member as of May 1, 1984. The average size was five staff members.

In our questionnaire, we also asked state DOTs whether their administrative workload required to participate in the Section 9 Program increased, decreased, or remained the same compared with the administrative workload required to participate in prior UMTA programs. Of the 26 state DOTs responding to this question, 20 (about 77 percent) said that their administrative workload remained the same under the Section 9 Program compared with prior UMTA programs, 5 said that their administrative workload increased moderately, and 1 said that its administrative workload increased greatly. None of the state DOTs said that their administrative workload decreased under the Section 9 Program.

MPOs

In our questionnaire, we asked MPOs whether they had had any new short-range planning activities--participating in the development of the Unified Planning Work Program and the TIP/AE--as a result of the Section 9 Program. Of the 228 MPOs responding to this question, about 78 percent said that they had not had any new short-range planning activities, while about 22 percent said that they had new activities. Examples of the new short-range planning activities cited include

- involving private transit operators in planning activities,
- planning relating to the desirability of establishing new transit routes, and
- performing marketing studies to increase ridership for transit operators.

Although some MPOs have cited the above activities as being new to them, these types of activities have been carried out by other MPOs for many years.

In our questionnaire, we asked MPOs whether they had any new responsibilities or procedures as a result of the Section 9 Program. Of the MPOs responding, 43 (about 19 percent) said that they had had new responsibilities, and 184 (about 81 percent) said that they had not had any new responsibilities. Also, 29 (about 13 percent) of the MPOs said that they had new procedures, and 190 (about 87 percent) said that they had not had any. Examples of the new responsibilities and procedures reported by the MPOs include

- preparation of the Section 9 program-of-projects grant application on behalf of local grantees.

¹Two state DOTs that were involved with the Section 9 Program responded that they had no full-time equivalent administrative employees as of May 1, 1984.

--assisting in deciding the division of section 9 funds among the transit operators in the area.

In our questionnaire, we asked MPOs whether the size of their transportation planning staffs had changed as a result of the Section 9 Program. Of the 239 MPOs responding, about 92 percent said that the size of their transportation planning staffs had not changed as a result of the Section 9 Program. About 3 percent of the MPOs said that the size of their staffs decreased by an average of one person, and about 5 percent said that their staffs increased by an average of one person. The number of transportation planning staff members employed by the MPOs ranged from a high of 82 staff members to a low of one² staff member as of May 1, 1984. The average size was five staff members.

In our questionnaire, we also asked MPOs whether the level of documentation required by UMTA had increased, decreased, or remained the same as a result of the Section 9 Program. Of the 135 MPOs responding, about 42 percent said the level of documentation required by UMTA had remained the same, about 42 percent said that it decreased, and about 16 percent said that it increased.

Transit authorities

In our questionnaire, we asked transit authorities whether they had any new responsibilities or procedures in their grants process as a result of the Section 9 Program. Of the transit authorities responding, about 84 percent said that they had no new responsibilities, and about 77 percent said that they had no new procedures as a result of the Section 9 Program.

During our visits with transit authority officials, they cited the following examples of the new responsibilities and practices they had as a result of the Section 9 Program:

- The need to report additional operating statistics to UMTA.
- The requirement for the transit authority to agree to a suballocation of the urbanized area's section 9 funds with other transit authorities in the area.
- The need for the transit authority to coordinate with other section 9 grant recipients in the urbanized area in developing the program of projects for the area.

In our questionnaire, we also asked transit authorities how much their activities in preparing grant applications have changed, if at all, as a result of the Section 9 Program. As shown in the following table, most of the 197 transit authorities responding to this question said that little or no change had

²Three MPOs responded that they had no full-time equivalent staff who worked in transportation planning as of May 1, 1984.

occurred in their grant preparation activities, while only 3 percent said that they had a major change in such activities.

<u>As a result of the Section 9 Program, how much have your grant preparation activities changed</u>	<u>Percent of TAs responding</u>
Major change	3
Some change	31
Little change	37
No change	29

In our questionnaire, we asked transit authorities whether the size of their administrative staffs for processing grants had changed as a result of the Section 9 Program. Of the transit authorities responding to this question, 188 (about 95 percent) said that the size of their administrative staffs for processing grants has not changed as a result of the Section 9 Program, 9 said that their staffs increased by one employee each, and 1 said that its staff decreased by one employee.

According to our questionnaire, the number of administrative staff members involved in processing grants as of May 1, 1984, ranged from a high of 25 staff members to a low of one³ staff member. Also, 125 (about 64 percent) of the transit authorities responded that they had only one person processing UMTA grants. The average size was two staff members as of May 1, 1984.

In our questionnaire, we asked transit authorities whether the administrative workload required by their grants processing staff to prepare section 9 grant applications increased, decreased, or remained the same compared with prior UMTA programs. Of the 181 transit authorities responding, about 45 percent said that the administrative workload of their grants processing staff has remained the same under the Section 9 Program as it was under prior UMTA programs, while about 40 percent said that their administrative workload had decreased, and about 15 percent said that their administrative workload had increased.

During our visits with transit authority officials, the principal reason cited for a decreased workload under the Section 9 Program was the fact that less documentation is required to be submitted to UMTA for section 9 grant applications than grant applications under prior UMTA programs. The officials of one transit authority whose administrative workload increased slightly said that this occurred because the Section 9 Program required the establishment of an internal budget to keep track of the area's

³Five transit authorities responded that they had no full-time equivalent administrative employees processing grants as of May 1, 1984.

section 9 funds. An official of another transit authority informed us that its administrative workload under the Section 9 Program has remained the same because the transit authority must also comply with the state's grants procedures which have not changed.

In our questionnaire, we also asked transit authorities whether the level of documentation required by UMTA had increased, decreased, or remained the same as a result of the Section 9 Program. Of the 181 transit authorities responding, about 60 percent said the level of documentation required by UMTA had decreased, about 29 percent said that it had remained the same, and about 11 percent said that it had increased.

NONFEDERAL PARTICIPANTS HAD FEW PROBLEMS WITH UMTA'S GUIDELINES

In our questionnaires, we asked officials of state DOTs, MPOs, and transit authorities whether the Section 9 Program guidance UMTA regional offices provided them was adequate to enable a clear understanding of the requirements of the program. Of those responding, about 83 percent of the state DOTs, about 85 percent of the MPOs, and about 86 percent of the transit authorities said that UMTA's Section 9 Program guidance was adequate.

In our questionnaires, we also asked the officials to explain what, if anything, was currently inadequate about the Section 9 Program guidance they received. Officials of 10 state DOTs, 39 MPOs, and 60 transit authorities responded that parts of the guidance were currently inadequate. The following are examples of the responses we received:

- Very little guidance with respect to processing revisions to projects after a grant application is approved.
- Certain unclear requirements relating to reporting operating statistics to UMTA.
- Unclear guidance relating to the requirement to use minority business enterprises to carry out a portion of the transit authority's projects.
- Unclear procedures for transferring funds between urbanized areas.
- Unclear guidance on the types of spare parts that qualify as capital expenditures with up to an 80-percent federal share instead of being classified as operating expenditures with up to a 50-percent share.
- No written guidance relating to the requirements for the annual and triennial audits.

During our visits, most officials of state DOTs, MPOs, and transit authorities who had problems with UMTA's Section 9 Program guidance said that they were able to get adequate explanations from UMTA regional office officials to resolve most of their problems.

CONCLUSIONS

On the basis of comments made by officials of the UMTA regional offices, state DOTs, MPOs, and transit authorities included in our review, the transition from previous UMTA programs to the Section 9 Program has generally been a smooth one.

Because of the experience gained with previous UMTA programs, program participants were able to implement the Section 9 Program with little change in basic responsibilities and activities even though the program had a number of new features. Also, although the program was intended to reduce the paperwork burden by streamlining the grant application and review processes, most participants informed us that their administrative workload remained the same or increased. Few changes in staffing levels were reported.

Also, according to officials of most state DOTs, MPOs, and transit authorities included in our review, the Section 9 Program guidance that UMTA issued to inform them of program procedures and requirements appears to be adequate. The problems that they had concerning the program guidance were, for the most part, satisfactorily resolved by UMTA.

CHAPTER 4

DISTRIBUTION AND USE OF SECTION 9 FUNDS

The Surface Transportation Assistance Act of 1982 established a formula for distributing Section 9 Program funds to each urbanized area containing 50,000 population or more. The formula uses population-related data from the latest federal census (1980) and certain operating statistics relating to the amount of transit service provided--such as bus revenue miles--by transit authorities involved with the Section 9 Program.

The Department of Transportation's Office of Inspector General audited UMTA's section 9 apportionment process and determined that the apportionments for fiscal year 1984 section 9 funds to urbanized areas were generally correct.

The Section 9 Program is the first UMTA program that apportions funds to urbanized areas primarily on the basis of transit operating statistics. About 64 percent of the section 9 funds will be apportioned on this basis, and the remaining 36 percent of the funds will be apportioned on the basis of population-related data.

Although grantees have considerable flexibility in using section 9 funds, almost all of the transit authorities included in our review funded the same types of projects that were done under previous UMTA programs. Very few new or unique types of projects were being funded under the Section 9 Program.

DISTRIBUTION OF SECTION 9 FUNDS TO GRANTEES

Section 9 funds are allocated to grant recipients--primarily transit authorities--by the following process. First, the Congress appropriates a specific amount of funds for UMTA's formula assistance programs: the Section 9 and 18 Programs. As provided by the act, about 97 percent of the appropriated funds are allocated to the Section 9 Program and about 3 percent to the Section 18 Program. Then, using the formula contained in the act, UMTA apportions section 9 funds to each urbanized area. Local officials are responsible for designating which organizations in an urbanized area receive section 9 funds and how much each organization receives.¹ Those organizations then submit grant applications to UMTA requesting funds. After approving their applications, UMTA sends the grantees a letter of credit.²

¹Distribution of section 9 funds within the urbanized area is discussed in ch. 2.

²A letter of credit from UMTA to a grant recipient enables the recipient to receive cash.

The formula apportions section 9 funds differently for small and large urbanized areas. For small urbanized areas of less than 200,000 population, section 9 funds are apportioned on the basis of population and population density data. For large urbanized areas of 200,000 population or more, funds are apportioned on the basis of population, population density, fixed guideway route miles, bus and fixed guideway vehicle revenue miles, and bus and fixed guideway vehicle passenger miles traveled. About 9 percent of section 9 funds is apportioned to 257 urbanized areas of less than 200,000 population; about 91 percent is apportioned to 116 larger urbanized areas.

As required by the act, population and population density data from the latest federal census are used in the formula. While certain census data are updated annually, the data are available only by standard metropolitan statistical areas which may cover more area than an urbanized area. For example, the 1980 census data showed there were 373 urbanized areas in the United States and Puerto Rico but only 323 standard metropolitan statistical areas. Thus, 1980 census data, which include population data by urbanized area, will be used in the section 9 formula during the 1980's.

About 64 percent of the section 9 funds will be apportioned on the basis of transit operating statistics as compared with about 6 percent of the fiscal year 1983 funds under the Section 5 Program which it replaced.

UMTA has taken several steps to assure that transit authorities are submitting accurate operating statistics. For example, in its June 1983 section 9 guidelines to transit authorities, UMTA included detailed definitions of all the various types of operating statistics required for the section 9 formula as described earlier.

Also, UMTA incorporated a certification requirement covering the accuracy of data used for the section 9 formula. For fiscal year 1983 data, UMTA required the senior operating officer of the transit authority to certify the accuracy of the data. For subsequent years, UMTA is requiring an independent auditor to certify the data as part of the more comprehensive annual audit required by the Surface Transportation Assistance Act of 1982. The act requires grant recipients to have independent audits conducted on an annual basis to determine whether the recipients' activities have been carried out consistent with the requirements of the act and other applicable laws.

Process used to determine amount of funds for each area

While UMTA is responsible for the overall administration of the Section 9 Program, it uses the Transportation Systems Center, Department of Transportation, to collect and verify operating statistics from transit authorities and a private computer company to perform the formula calculations.

UMTA verifies a portion of the calculations done by the private computer company and performs any necessary calculations on the basis of updated data provided by transit authorities after the computer company completes its calculations. UMTA then publishes a listing in the Federal Register of all the urbanized areas and the amount of section 9 funds that each area is eligible to receive.

For the fiscal year 1984 apportionment, UMTA checked the computer company's calculations for all urbanized areas with over one million population and/or fixed guideways (about 30). UMTA found that the calculations were accurate. UMTA plans to have its operations computerized and to verify that all urbanized areas received the correct amount beginning with the fiscal year 1985 apportionment.

The Department of Transportation's Office of Inspector General completed an audit of UMTA's section 9 apportionment process for fiscal year 1984. The objectives of the audit were to determine whether the computations were accurate and whether sound policy decisions were used in implementing the Surface Transportation Assistance Act of 1982. The Inspector General reported that the apportionment calculations generally evidenced sound policy decisions, followed the legislative formula properly, and were reasonably accurate.

In order not to duplicate the work of the Office of Inspector General, we did not verify the accuracy of the fiscal year 1984 section 9 calculations. However, we did review the methodology and the audit work done related to the Office of Inspector General audit. We found that the audit approach and work done were satisfactory, and we agree with the conclusion that the fiscal year 1984 section 9 formula calculations were reasonably accurate.

No change in time needed to
process grant applications

The Section 9 Program has simplified the grant application and review processes. However, UMTA regional office officials informed us that section 9 applications were being processed in about the same time in fiscal year 1984 as section 5 and 9A applications were processed in fiscal year 1983. For example, officials of one UMTA regional office we visited said that most section 9 applications are approved by the region about 3 to 6 months after they are received.

Because transit authorities submit less documentation owing to the increased number of items covered by self-certifications as discussed in chapter 2, UMTA regional officials informed us that reviews of section 9 applications take less time than under previous UMTA programs. However, the UMTA officials maintained that the Section 9 Program has not had any significant impact on other time-consuming application processing phases such as

--verifying compliance with civil rights requirements,

- obtaining the Department of Labor 13(c) certification that the interests of employees have been protected,³
- sending copies of approval documents to UMTA headquarters and awaiting headquarters' release of the grant funds, and
- obtaining an executed (signed) contract from the grantee showing the grantee's concurrence with the grant agreement and forwarding it to UMTA headquarters so that a letter of credit can be issued.

In our questionnaire, we asked transit authorities whether the speed of UMTA's grant delivery system has increased, decreased, or remained the same as a result of the Section 9 Program. Of the 171 transit authorities responding, about 52 percent believed the speed of the grant delivery system remained the same, while about 33 percent said the speed decreased, and about 15 percent said the speed increased.

In our questionnaire, we also asked transit authorities to list the date that they submitted their first application to UMTA for fiscal year 1984 section 9 funds and the date they received a letter of credit from UMTA that enabled them to request cash. The average length of time from submitting the application to receiving the letter of credit was 6.8 months.

Although we did not specifically ask for comments regarding the speed of UMTA's application approval process, about 30 transit authorities in responding to our questionnaire commented on the slow speed in which UMTA is processing section 9 applications. Several of these transit authorities indicated that they had to obtain funds elsewhere, on a temporary basis, because section 9 funds were not available when they were needed. This resulted in additional interest cost on borrowed funds or an increase in the final cost of capital projects while waiting for several months until funds became available. Officials of several transit authorities stated they filed routine section 9 grant applications to UMTA and were not notified of any problems, but UMTA took, in their opinion, a very long time to approve their applications.

In our questionnaire to transit authorities, we asked whether they had received a letter of credit enabling them to request cash as of June 30, 1984, 9 months after fiscal year 1984 began. Of the 193 transit authorities responding, about 25 percent had received letters of credit totaling about \$516.5 million from UMTA as of that date. Fiscal year 1984 funds for the Section 9 Program were appropriated on August 15, 1983. On November 2, 1983, UMTA published the apportionments for urbanized areas in the Federal Register.

³Section 13(c) of the Urban Mass Transportation Act of 1964, as amended, requires that fair and equitable arrangements be made, as determined by the Secretary of Labor, to protect the interests of employees affected by the grant assistance.

SAME TYPES OF PROJECTS BEING FUNDED

Although grantees have considerable flexibility in using section 9 funds, almost all of the transit authorities included in our review continued to fund the same types of projects under the Section 9 Program as were funded under previous UMTA programs--the Section 3, 5, and 9A Programs. The transit authorities were doing very few new or unique types of projects under the Section 9 Program.⁴ This was expected, however, since UMTA has traditionally funded a wide variety of mass transportation projects.

In our questionnaire to transit authorities, we asked whether they were undertaking any new types of projects with section 9 funds that have not been previously undertaken. Of the 200 transit authorities responding, about 28 percent answered they were undertaking new types of projects. Examples of the new types of projects being done by these transit authorities include developing a computer system, acquiring buses instead of leasing them, purchasing vanpool vans, and providing a parking area for commuter railroad riders. Although the projects cited as new types of projects might have been new to these transit authorities, UMTA has been funding these types of projects under prior programs for many years. About 72 percent of the transit authorities stated that they were not doing any new types of projects.

During our visits, the Director of Grants Assistance at one UMTA regional office informed us that the demand to fund buses and garages has decreased because many transit authorities, especially those in smaller cities, already have enough buses and garages. In many cases, their transit systems are shrinking rather than expanding. Consequently, they are spending more of their capital dollars on support equipment and office equipment such as computers. However, the Chief of the Program Guidance Division, Grants Management, UMTA headquarters, said one of the main reasons why some transit authorities are not purchasing as many buses currently is because these transit authorities do not have enough operating funds to operate additional buses.

UMTA bus acquisition statistics substantiate the view that less buses are being funded. As shown in the following table, the number of buses acquired with UMTA funds has been steadily decreasing since fiscal year 1980.

	<u>Fiscal year</u>				
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984 estimated</u>
Number of buses acquired	3,924	3,765	3,016	2,203	1,673

⁴The only unique type of project we noticed was a project for the renovation of a historic transportation facility--a canal--which was specifically authorized by the Surface Transportation Assistance Act of 1982.

Major spare parts for rolling stock

The act allowed transit authorities to purchase certain maintenance items (major spare parts) for rolling stock--buses and rail cars and engines--as capital items with up to an 80-percent federal share under the Section 9 Program. Previously, under the Section 5 Program these purchases were done as operating expense items with up to a 50-percent federal share. Because there is a statutory limit on the amount of section 9 funds an urbanized area can use for operating expenses, this change allowed transit authorities to fund major spare parts as capital items so that they could use their limited section 9 operating funds for other operating expense purposes.

In our questionnaire, we asked transit authorities whether their procedures for procuring major spare parts have changed under the Section 9 Program. About 63 percent of the 161 transit authorities responding stated their procedures relating to procurement of major spare parts have not changed and about 29 percent stated that their procedures changed some or a little. Only about 8 percent said that they had a major change in their procedures.

Officials of several transit authorities cited beneficial changes in their maintenance operations resulting from increasing the federal share for major spare parts to up to 80 percent. For example, one transit authority indicated that its ability to maintain its vehicles has significantly increased because it will be able to fund major spare parts with section 9 capital funds, thereby increasing the total amount of section 9 funds that it can use for operating expenses.

During our visits, officials of 16 of the 19 transit authorities said they had made no changes in their policies or practices as a result of the fact that major spare parts are eligible for up to an 80-percent federal share instead of up to a 50-percent share. The changes cited by officials of the other three transit authorities include

- keeping separate accounting records for spare parts that qualify as capital maintenance items and
- monitoring the usage rate of capital maintenance items to ensure that they are not purchasing and stocking more eligible capital maintenance items than needed.

Few MPOs are using section 9 funds

Many MPO officials responding to our questionnaire expressed concern over not receiving section 9 funds for planning purposes, and some MPO officials were even unaware that MPOs were eligible to receive section 9 funds. These officials pointed out that their section 8 funds, in many cases, have been held at the same level for several years or have been decreasing.

In some cases, the MPOs have to share their section 8 funds with transit authorities in their area, but the same transit authorities refuse or are very reluctant to make section 9 funds available to the MPOs for planning purposes. Officials of several MPOs said it was critical, therefore, to continue funding the Section 8 Program that supports planning for the section 9 and other UMTA programs. Officials of one MPO believed that a portion of section 9 funds should be apportioned directly to MPOs in order to guarantee that critical planning needs are addressed.

In our questionnaire, we asked MPOs how much fiscal year 1984 section 9 funds they requested and how much they expect to receive. Of the 261 MPOs who returned our questionnaire, 39 (about 15 percent) stated that they requested fiscal year 1984 section 9 funds and 35 said that they expect to receive such funds. We also asked the MPOs whether they believed that they received their fair share of the urbanized area's section 9 funds. Of the 76 MPOs responding, about 61 percent said that they received their fair share, about 25 percent were uncertain, and about 14 percent said that they did not receive their fair share.

SECTION 9 FUNDS OBLIGATED DURING
FISCAL YEAR 1984

As of October 1, 1984, about \$1,798 million (about 78 percent) of the fiscal year 1984 funds appropriated for the Section 9 Program had been obligated, resulting in a carryover of about \$520 million. The following table shows the various uses of the funds obligated by 30 urbanized areas with more than 1 million population (large areas), 86 urbanized areas with populations of between 200,000 and 1 million (medium areas), and 257 urbanized areas with populations between 50,000 and 199,999 (small areas).

Section 9 Funds Obligated During Fiscal Year
1984 by Size of Urbanized Area

<u>Use of funds</u>	<u>Obligations</u> <u>by large</u> <u>areas</u>	<u>Obligations</u> <u>by medium</u> <u>areas</u>	<u>Obligations</u> <u>by small</u> <u>areas</u>	<u>Total</u> <u>obligations</u>
	------(millions)-----			
Operating assistance	\$ 584.3 (39%)	\$139.8 (61%)	\$44.2 (61%)	\$ 768.3 (43%)
Capital assistance:				
Buses	103.9 (7%)	51.2 (23%)	8.1 (11%)	163.2 (9%)
Bus maintenance facilities	127.5 (8%)	11.6 (5%)	5.0 (7%)	144.1 (8%)
Bus other	<u>188.4 (13%)</u>	<u>18.5 (8%)</u>	<u>7.6 (11%)</u>	<u>214.5 (12%)</u>
Bus total	<u>419.8 (28%)</u>	<u>81.3 (36%)</u>	<u>20.7 (29%)</u>	<u>521.8 (29%)</u>
Rail modernization	435.1 (29%)	4.2 (2%)	6.7 (9%)	446.0 (25%)
New start	53.3 (4%)	0 (0%)	0 (0%)	53.3 (3%)
Planning	<u>5.7 (^a)</u>	<u>2.1 (1%)</u>	<u>.9 (1%)</u>	<u>8.7 (^a)</u>
Total capital	<u>913.9 (61%)</u>	<u>87.6 (39%)</u>	<u>28.3 (39%)</u>	<u>1,029.8 (57%)</u>
Total obligated	<u>\$1,498.2 (100%)</u>	<u>\$227.4 (100%)</u>	<u>\$72.5 (100%)</u>	<u>\$1,798.1 (100%)</u>

^aLess than 1 percent.

The above table shows that on an overall basis, medium and small urbanized areas each used about 61 percent of the section 9 funds they obligated during fiscal year 1984 to fund transit authority operating expenses. In comparison, the large urbanized areas used about 39 percent for operating assistance. The table also shows that large urbanized areas incurred about 98 percent of the obligations incurred for rail modernization and all of the obligations incurred for new starts. Also, the table shows that medium and small urbanized areas each used about 1 percent of their funds for planning purposes, such as planning related to proposed capital projects, and large urbanized areas used less than 1 percent.

FUNDS OBLIGATED UNDER UMTA'S
TRANSIT ASSISTANCE PROGRAMS DURING
FISCAL YEARS 1980 THROUGH 1984

The Section 9 Program has had little effect in fiscal year 1984 on the percentage of funds obligated for UMTA's three main capital activities--bus, rail modernization, and new systems.

During fiscal years 1980 through 1984, UMTA's main transit assistance programs have been the discretionary Section 3 Program and the formula assistance Sections 5, 9A, and 9 Programs. The following table shows, for these programs, the dollar amounts and percentages of funds that were obligated for UMTA's three main capital activities during these 5 years.

Capital Obligations Under UMTA's Formula^a
and Discretionary^b Programs During FY* 1980
Through 1984

<u>Activity</u>	<u>FY '80</u>	<u>FY '81</u>	<u>FY '82</u>	<u>FY '83</u>	<u>FY '84</u>	<u>5 Yr. Av.</u>
----- (millions) -----						
Bus	\$ 836.3 (42%)	\$ 926.2 (41%)	\$ 829.7 (43%)	\$1,129.6 (45%)	\$ 931.3 (40%)	43%
Rail						
modernization	760.0 (38%)	925.0 (41%)	848.9 (45%)	1,108.9 (44%)	1,003.9 (43%)	42%
New systems	<u>388.4 (20%)</u>	<u>393.0 (18%)</u>	<u>225.4 (12%)</u>	<u>276.7 (11%)</u>	<u>396.0 (17%)</u>	15%
Total	<u>\$1,984.7</u>	<u>\$2,244.2</u>	<u>\$1,904.0</u>	<u>\$2,515.2</u>	<u>\$2,331.2</u>	

^aSection 5, 9A, and 9 Programs.

^bSection 3 Program.

*Fiscal year.

The above table shows that the distribution of funds obligated for UMTA's three main capital activities has been maintained on a relatively constant ratio over the past 5 fiscal years.

The next table shows the capital and operating assistance obligations incurred under UMTA's discretionary and formula assistance programs.

Capital and Operating Assistance Obligations
Incurred Under UMTA's Discretionary and
Formula Assistance Programs
During FY 1980 Through 1984

<u>Program</u>	<u>FY '80</u>	<u>FY '81</u>	<u>FY '82</u>	<u>FY '83</u>	<u>FY '84</u>
	----- (millions) -----				
Formula capital	\$ 431.3	\$ 361.3	\$ 299.0	\$ 874.3	\$1,268.0
Formula operating	<u>1,120.5</u>	<u>1,129.5</u>	<u>1,054.3</u>	<u>887.8</u>	<u>924.2</u>
Formula subtotal	<u>1,551.8</u> (48%)	<u>1,490.8</u> (44%)	<u>1,353.3</u> (45%)	<u>1,762.1</u> (52%)	<u>2,192.2</u> (67%)
Discretionary capital	<u>\$1,655.0</u> (52%)	<u>\$1,925.0</u> (56%)	<u>\$1,634.5</u> (55%)	<u>\$1,640.9</u> (48%)	<u>\$1,063.2</u> (33%)
Total	<u>\$3,206.8</u>	<u>\$3,415.8</u>	<u>\$2,987.8</u>	<u>\$3,403.0</u>	<u>\$3,255.4</u>

This table indicates the gradual shift from discretionary to formula funds as the primary source for transit assistance. Also, operating assistance obligations declined by 18 percent over this 5-year period.

CONCLUSIONS

Although grantees have considerable flexibility in using section 9 funds, we believe that transit authorities are using section 9 funds to fund the same types of projects that were funded under previous UMTA programs. In fact, many projects funded under the Section 9 Program had been in various stages of planning before the program was authorized in January 1983.

The Section 9 Program has simplified the grant application and review processes. However, on the basis of our visits and questionnaires, we believe that the delivery of funds to grantees has not been speeded up and UMTA is processing section 9 applications at about the same speed that it processed applications under prior UMTA formula assistance programs.

On the basis of our review of the methodology used and the audit work done by the Department of Transportation's Office of Inspector General in its audit of UMTA's section 9 apportionment process, we believe that UMTA used the statutory formula correctly in apportioning fiscal year 1984 section 9 funds to urbanized areas.



**U.S. Department of
Transportation**

Assistant Secretary
for Administration

400 Seventh St., S.W.
Washington, D.C. 20590

MAY 20 1985


Mr. Dexter Peach, Director
Resources, Community, and Economic
Development Division
U. S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

Enclosed are two copies of the Department of Transportation's comments concerning the U.S. General Accounting Office draft report entitled, "Urban Mass Transportation Administration's New Formula Grant Program: Operating Flexibility and Process Simplification."

Thank you for the opportunity to review this report. If you have any questions concerning our reply, please do not hesitate to call me.

Sincerely,


Jon H. Seymour
Acting

Enclosure

DEPARTMENT OF TRANSPORTATION (DOT) REPLY
TO
GENERAL ACCOUNTING OFFICE (GAO) DRAFT REPORT
OF MARCH 28, 1985
ON
URBAN MASS TRANSPORTATION ADMINISTRATION'S
NEW FORMULA GRANT PROGRAM:
OPERATING FLEXIBILITY AND PROCESS SIMPLIFICATION
SUMMARY OF GAO FINDINGS

GAO reviewed the implementation of the Section 9 Formula Grant Program which began in fiscal year 1984. The program was intended to increase state and local control over the use of mass transportation funds, and to simplify the grant application and review processes.

GAO reviewed the program to determine what changes have occurred in the organizations and activities of federal, state, and local participants. GAO found that:

- o Transit authorities generally were using most of the program features that provided increased state and local control over funds and simplified the grant application process with few problems. As the program is further implemented, these features may become even more widely used.
- o Program participants generally experienced little change in their staffing levels, activities, and administrative workload.
- o The same types of mass transit projects were being funded under the program as were funded under prior mass transportation programs.

SUMMARY OF DEPARTMENT OF TRANSPORTATION POSITION

The Department reviewed the report and found the audit report provides an accurate representation of the Section 9 formula grant program and the success of its implementation since its inception. However, we feel that one of the conclusions misinterprets a goal of this new program, thereby finding a shortcoming where none exists.

POSITION STATEMENT

On Page 41, the second conclusion following Chapter 4 deals with the intent of the Section 9 program to "... simplify the grant application and review processes and thus speed up the delivery of funds to grantees ..." and notes the Urban Mass Transportation Administration's (UMTA) failure to process Section 9 applications any more quickly than grant applications under other UMTA programs. It should be noted that UMTA intended with the Section 9 program, to reduce the paperwork burden and time requirements on applicants. The program has done so by eliminating the need for duplication of submissions with individual applications, eliminating the time required for amendment review and processing by allowing for contingency projects on the program of projects, and by replacing former documentation requirements with the certification process.

The streamlining of the grant delivery process came in the reduction to the burden on the applicant/grantees not in the time required for UMTA to assure that statutory requirements are met. As with any new program, it took UMTA grantees a short while to adjust to, and take advantage of all the features of the new program, including reduction of their administrative burden and other labor savings. UMTA's regional administrators have been directed to encourage Section 9 grant recipients to use the single application concept and a greater number of recipients are doing it now. Therefore, in terms of the goals of the Section 9 program, we feel that UMTA has been very successful in meeting them and that the conclusion in question does not adequately reflect this accomplishment.

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[GAO note: As suggested by the Department of Transportation, we have revised page 41 to delete, as a goal of the Section 9 Program, the speeding up of the delivery of funds to grantees. This change has also been reflected elsewhere in the chapter.]

LIST OF ORGANIZATIONS VISITEDURBAN MASS TRANSPORTATION
ADMINISTRATION

Headquarters office in Washington, D.C.
Regional offices in Chicago, New York, and Philadelphia

STATE DEPARTMENTS OF TRANSPORTATION

Illinois
Maryland
New York
Pennsylvania
Wisconsin

METROPOLITAN PLANNING ORGANIZATIONS

Albany, N.Y.	Capital District Transit Committee
Baltimore, Md.	Baltimore Regional Planning Council
Buffalo, N.Y.	Niagara Frontier Transportation Committee
Chicago, Ill.	Chicago Area Transportation Study
Harrisburg, Pa.	Tri-County Regional Planning Commission
Madison, Wis.	Dane County Regional Planning Commission
Newark, N.J.	New Jersey Transportation Coordinating Council
New York, N.Y.	New York Metropolitan Transportation Council
Peoria, Ill.	Tri-County Regional Planning Commission
Philadelphia, Pa.	Delaware Valley Regional Planning Commission
Pittsburgh, Pa.	Southwestern Pennsylvania Regional Planning Commission
Rochester, N.Y.	Genesee Transportation Council
St. Paul, Minn.	Metropolitan Council
Syracuse, N.Y.	Syracuse Metropolitan Transit Council
Waukesha, Wis.	Southeastern Wisconsin Regional Planning Commission
Wilmington, Del.	Wilmington Metropolitan Area Planning Coordinating Committee

TRANSIT AUTHORITIES

Albany, N.Y.	Capital District Transportation Authority
Baltimore, Md.	Mass Transit Administration State Railroad Administration
Buffalo, N.Y.	Niagara Frontier Transportation Authority
Chicago, Ill.	Chicago Transit Authority Regional Transit Authority
Harrisburg, Pa.	Capital Area Transit

Madison, Wis.	Madison Metro System
Milwaukee, Wis.	Milwaukee County Transit System
Newark, N.J.	New Jersey Transit Corporation
New York, N.Y.	Metropolitan Transportation Authority
Peoria, Ill.	Greater Peoria Mass Transit District
Philadelphia, Pa.	Delaware River Port Authority
	Southeastern Pennsylvania Transit Authority
Pittsburgh, Pa.	Port Authority of Allegheny County
Rochester, N.Y.	Rochester - Genesee Regional Transportation Authority
St. Paul, Minn.	Metropolitan Transit Commission
Syracuse, N.Y.	Central New York Regional Transportation Authority
Wilmington, Del.	Delaware Administration for Regional Transit



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