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REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL
OF THE UNITED STATES



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Why Urban System Funds Were Seldom Used For Mass Transit

Federal Highway and Urban Mass
Transportation Administrations
Department of Transportation

In 1973 the Congress opened the Highway Trust Fund for urban mass transit projects, such as purchasing buses and rail passenger cars. Three years later, local governments had used only about \$74 million, or 3 percent, of the funds available for mass transit projects, while they used about \$1 billion for highway projects. More funds were not used for mass transit for several reasons, including

- the large amount of work urban highways needed,
- less matching shares required for Federal mass transit than for highway programs,
- more Federal money was obtained by using Trust Fund money for highways and other Federal money for mass transit,
- unissued Federal regulations for implementing mass transit projects, and
- confusion or delays experienced by some smaller communities in obtaining project approval.

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

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

This report discusses the reasons local communities seldom used Urban System highway funds for mass transit projects as authorized by the 1973 Highway Act, and contains several options which the Congress could take to provide additional incentives for using highway funds for mass transit projects.

During hearings on the Highway Act of 1976, the Congress expressed concern over the States' slow progress in implementing the Urban System program and required the Secretary of Transportation to study the program. Our review supplements the Secretary's Urban System study issued on January 13, 1977, and provides more detailed information on why few highway funds have been used for mass transit projects.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

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

James B. Stacks

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

WHY URBAN SYSTEM FUNDS WERE
SELDOM USED FOR MASS TRANSIT

1. Federal Highway and Urban Mass
Transportation Administrations
3. Department of Transportation

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D I G E S T

Since 1973, few communities have used Highway Trust Fund moneys made available by the Congress for mass transit under the Urban System program. Only 13 urban areas in 8 States had used the program for mass transit projects such as buying buses and rail passenger cars. (See p. 3.)

The Federal Urban System consists of about 125,000 miles of heavily traveled roads in urban areas, exclusive of the Interstate highways and major rural route extensions.

As of June 30, 1976, about \$73.7 million (3 percent of the \$2.3 billion authorized) was obligated for mass transit, while about \$1 billion (45 percent) was obligated for urban highways. The balance was either transferred to other highway programs or remained unobligated.

Why weren't more of these funds used for mass transit in California, Illinois, Nevada, New Jersey, and New York?

Most communities continued using Urban System funds for local roads because Urban Mass Transportation Administration grants were available for mass transit projects and because highways needed a lot of work. During fiscal years 1974-76, the five States used over 20 times as much Urban Mass Transportation Administration money for mass transit projects as they did Urban System funds. (See pp. 5 to 9.)

Local decisions to use Urban System funds for highway projects were influenced by other factors:

--Urban System funds were allotted to communities; grants were given to individual applicants. Therefore, communities got the most Federal money by using Urban System funds for highways and other Federal funds for mass transit.

--Federal cost-sharing ratios were greater for 42 of the 52 States (including Puerto Rico and the District of Columbia) under the Urban Mass Transportation Administration program than under the Urban System program. Therefore, more local money was required for a mass transit project funded through the Urban System program. In addition, several States had sharing programs which often favored highway projects.

--Some communities preferred highway projects because they contributed to local employment. (See pp. 9 and 10.)

--Some communities did not have apparent transit needs or were concerned about the additional losses that could result from expanding existing transit systems. (See p. 10.)

November 1973 interim guidelines for approving Urban System mass transit projects, however, helped deter the use of funds for such projects. The guidelines required that each project be approved by State, Federal Highway Administration, and Urban Mass Transportation Administration officials. This in effect created two additional reviews--by the State and by the Federal Highway Administration--not required in the grants program.

Smaller communities applying for funds experienced delays in obtaining project approval. For example, of the 15 mass transit projects approved, 10 were for municipalities of over 200,000 population, such as San Francisco and Chicago, and project approval took about 8 months. However, project approval for the 5 smaller communities averaged over 20 months.

Therefore, some communities turned to the Urban Mass Transportation Administration for mass transit projects because their procedures were already established and the additional approvals were not required. (See p. 12.)

As of February 1977, 3-1/2 years after the Congress authorized Urban System funds for mass transit projects, the final regulations were still not issued. This was too long a time for interim guidelines to remain in effect. (See p. 14.)

The Secretary of Transportation should (1) establish procedures for setting target dates for issuing regulations which implement Department of Transportation programs, especially those requiring coordination by Department agencies and (2) require the agencies to report periodically to the Secretary on their progress.

To improve the administration of the Urban System program, the Secretary should direct the Federal Highway and Urban Mass Transportation Administrators to issue, as soon as possible, final regulations on the use of highway funds for mass transit projects. (See p. 17.)

If the Congress wants more Urban System funds to be used for mass transit, it should provide further incentives to local communities by

--equalizing the Federal share of mass transit project costs under the highway and mass transit programs, except in States where the Federal share under the highway program exceeds that under the mass transit program;

--increasing the Federal share of mass transit project costs under the highway program so that it exceeds the sharing provision of the mass transit grants program; or

--requiring that a specific percent of the Urban System highway funds be spent on mass transit projects. (See p. 17.)

The Department of Transportation agreed with GAO's recommendation to establish and monitor target dates for issuing program regulations. It disagreed with, or would not endorse, two of the options presented to the Congress. The Department did not comment on the option to equalize the Federal share for mass transit project costs under the highway and mass transit programs. (See p. 18.)

C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Slow implementation of transit projects	2
	Urban System funds used for transit	3
	Scope of review	4
2	REASONS URBAN SYSTEM FUNDS ARE SELDOM USED FOR MASS TRANSIT	5
	Other funds available for transit	5
	Funds needed for highways	6
	Advantages of using Urban System funds for highways	8
	Other reasons for not using Urban System funds	10
3	NEED FOR TIMELY PUBLICATION OF REGULATIONS IMPLEMENTING URBAN SYSTEM PROGRAM	12
	Delayed issuance of regulations	12
	Interim procedures	14
	Delayed issuance of other regulations	15
4	CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS	16
	Conclusions	16
	Recommendations to Secretary of Transportation	17
	Recommendation to the Congress	17
	Agency comments and our evaluation	18
APPENDIX		
I	Status of Federal-aid Urban System funds apportioned to States for fiscal years 1974-1976 as of June 30, 1976	20
II	Sliding scale rates of Federal-aid participation in public land States, effective July 1, 1976	21

		<u>Page</u>
III	Letter dated January 17, 1977, from the Assistant Secretary for Admin- istration, Department of Transportation	22
IV	Principal officials responsible for administering activities discussed in this report	27

ABBREVIATIONS

GAO	General Accounting Office
UMTA	Urban Mass Transportation Administration

CHAPTER 1

INTRODUCTION

The Federal Aid Highway Act of 1970 (84 Stat. 1713) created the Federal-aid Urban System which increased the number of roads eligible for Federal funds. Subsequent increases in Federal funds encouraged highway construction in urban areas. The system consists of 125,000 miles of high volume arterial and collector routes and access roads to major activity centers in urban areas. Under this program the Federal Government shares road construction costs with the States and local communities.

To increase the capacity of federally funded roads for moving people, Section 121 of the Federal Aid Highway Act of 1973 (23 U.S.C. 142) encouraged the development, improvement, and use of mass transportation systems in urban areas. The Congress thus authorized for the first time the use of Highway Trust Fund moneys for Urban System mass transit projects. For fiscal years 1974-76, about \$2.3 billion of Urban System funds were available for mass transit and highway projects. To insure local involvement in the program and to emphasize that urbanized areas have the capacity and desire to plan their own affairs, the 1973 act required local officials to select projects and obtain concurrence of State highway departments.

Mass transit has long suffered from insufficient capital needed to maintain and increase the effectiveness of the industry. The Congress recognized this as a national problem in passing the Urban Mass Transportation Act of 1964 (49 U.S.C. 1601) and subsequent amendments to increase the funding authority and scope of Federal assistance. In 1968 the Urban Mass Transportation (UMTA), Department of Transportation, was given the responsibility of providing Federal assistance (grants) for developing efficient and coordinated mass transportation systems in urban areas. UMTA awards several types of grants to qualified State and local public authorities for: capital improvements, operating assistance, planning, and research and training. As of June 30, 1976, UMTA had awarded more than \$5.4 billion in capital grants for communities to improve their urban transportation systems.

All Urban System funds are managed by the Federal Highway Administration. It is responsible for the highway-related projects funded by the program, such as highway construction, highway traffic control devices, and preferential bus lanes.

UMTA is responsible for nonhighway-related projects, such as bus purchases, and the construction, reconstruction, and improvement of fixed rail facilities, including the purchase of rolling stock. Mass transit projects referred to in this report are these nonhighway-related transit projects. Projects such as bus passenger loading areas and facilities and fringe and transportation corridor parking facilities can be classified as either highway-related or nonhighway-related projects.

SLOW IMPLEMENTATION OF TRANSIT PROJECTS

At the request of the Chairman, Subcommittee on Transportation, Senate Committee on Public Works, we reported in June 1974 on the slow progress in implementing the mass transit provisions of the 1973 Highway Act (B-180617, June 13, 1974). Ten States reviewed favored the transit provisions but said that insufficient time had elapsed since the 1973 act and that the delays in submitting mass transit project applications were due to the absence of final Federal implementing guidelines.

While developing the Federal-Aid Highway Act of 1976 (90 Stat. 425), the Congress expressed concern that the States had been slow in spending their Urban System funds for either mass transit or urban highways. Testimony indicated several reasons for the slow implementation, including Federal procedures, differences between State and local officials on project selections, and charges that States gave the Urban System program low priority. As a result, the Congress required the Secretary of Transportation to study the Urban System program.

The study, submitted to the Congress on January 13, 1977, addresses the reasons it is taking so long for the urban areas to obligate Urban System funds. The study concentrates on how the program is being implemented, including an analysis of the representation of various governmental units within the urbanized areas; the organizational structure, size, and caliber of staff; and the relationship and authority of State and local governmental entities.

In addition to concerns over the Urban System program's slow start, the Congress was concerned about why so few of the projects were for public mass transportation. Testimony provided different reasons on why more funds were not used for mass transit. Some said a slow start is normal for a new program; others charged that States were ignoring local needs and priorities. While the Secretary's study examined the slow implementation of the Urban System program, our review focused on determining why a larger share of these funds had not been used for mass transit. This report should assist the Congress in considering future improvements for the Urban System program and should supplement the Secretary's report.

URBAN SYSTEM FUNDS USED FOR TRANSIT

For fiscal years 1974-76, about \$2.3 billion in Urban System funds were apportioned to the States. As of June 30, 1976, about \$73.7 million, or 3 percent, had been obligated for mass transit projects and about \$1 billion, or 45 percent, had been obligated for highway projects. The balance, or 52 percent, had been either transferred to other highway programs or remained unobligated.

However, as of June 30, 1976, the Highway Administration had reserved about \$5.2 million, or .5 percent, of the unobligated balance for mass transit projects needing UMTA approval.

The following table shows by fiscal year and State the amounts of Urban System funds obligated and reserved for mass transit projects as of June 30, 1976.

<u>State</u>	<u>Obligations</u>				<u>Reserved</u>
	<u>F Y 1974</u>	<u>F Y 1975</u>	<u>F Y 1976</u>	<u>Total</u>	
New York	\$33,019,000	\$9,660,700	\$19,584,586	\$62,264,286	\$1,686,094
Illinois	1,547,597	1,874,600		3,422,197	
California		1,713,374	649,770	2,363,144	485,507
Ohio		700,000		700,000	
Oregon		1,727,700	567,560	2,295,260	
Minnesota			1,511,639	1,511,639	
North Dakota			30,800	30,800	5,228
Texas			1,093,400	1,093,400	
Puerto Rico					3,000,000
Total	<u>\$34,566,597</u>	<u>\$15,676,374</u>	<u>\$23,437,755</u>	<u>\$73,680,726</u>	<u>\$5,176,829</u>

The status, as of June 30, 1976, of Urban System funds authorized by the 1973 Highway Act and apportioned to the States is shown in appendix I.

SCOPE OF REVIEW

We reviewed the Urban System program's mass transit projects, approved and in process, to determine why more mass transit projects have not been funded under the program. Since highway-related transit projects are administered as highway projects, our review concentrated on selected nonhighway transit projects.

Our review was conducted at the headquarters offices of the Federal Highway and Urban Mass Transportation Administrations and at the Federal field offices, State transportation and highway agencies, and selected local organizations in California, Illinois, Nevada, New Jersey, and New York.

We obtained the views of Federal, State, and local officials about the factors influencing the selection of projects and about problems in obtaining approval of locally initiated transit projects. We also received comments from State, city, and county officials and considered their views in preparing this report.

CHAPTER 2

REASONS URBAN SYSTEM FUNDS ARE

SELDOM USED FOR MASS TRANSIT

To increase the capacity of urban highways for moving people, the Congress encouraged urban areas to use some of their highway funds for public mass transportation projects. This program, however, has met with only limited success, and since 1973 only 13 urban areas in 8 States have obligated highway funds for mass transportation projects as of June 30, 1976.

In deciding how to use Urban System funds, a community must consider its total transportation needs in relation to the resources available. Many communities chose to use Urban System funds for highways and UMTA money for their mass transit needs. Their decisions were influenced by the availability and advantages of the UMTA capital grants program.

OTHER FUNDS AVAILABLE FOR TRANSIT

Because other funds are available for mass transit projects, communities can use Urban System funds for highways and still satisfy their mass transit needs. During fiscal years 1974-76, UMTA provided the five States we reviewed over 20 times as much money for mass transit projects as did the Urban System funds. The following schedule shows the breakdown by State.

<u>State</u>	<u>UMTA capital grants for mass transit projects</u> (millions)	<u>Urban System mass transit projects</u>
California	\$ 245.4	\$ 2.4
Illinois	283.9	3.4
Nevada	0	0
New Jersey	178.8	0
New York	<u>758.8</u>	<u>62.3</u>
Total	<u>\$1,466.9</u>	<u>\$68.1</u>

The 1973 and 1974 amendments to the Urban Mass Transportation Act of 1964, as amended, authorized UMTA \$11.8 billion in funds through fiscal year 1980, of which \$7.8 billion were for communities which individually applied for funds. Approximately \$5.6 billion of the \$7.8 billion were uncommitted as of June 30, 1976.

Another source of mass transit funds is the State government. For example, seven California counties have elected to use portions of State sales and highway user taxes for transit. During fiscal year 1976, about \$141 million of State sales tax revenues were allocated for mass transit capital and operating needs. In addition, about \$1.1 million of the State highway user taxes were available for fixed guideway transit systems in fiscal year 1976 and up to \$20.1 million are available for these systems in fiscal year 1977.

Because of the availability of other transit funds, communities in four of the five States reviewed gave priority to highway needs in using Urban System funds and obtained UMTA capital grants for mass transit projects. For example, Rochester, New York, did not submit any mass transit projects for Urban System funding, but the community received \$8.8 million in capital grants from UMTA in fiscal years 1974 and 1975. Officials in California and New Jersey also indicated that transit needs generally have been met through UMTA grants. Illinois officials stated that UMTA grants generally were sufficient to meet transit objectives, except in large urban areas with transit systems such as St. Louis and Chicago.

FUNDS NEEDED FOR HIGHWAYS

The 1973 Highway Act increased funding for the Urban System program from \$100 million in fiscal year 1973 to \$780 million in fiscal year 1974 and to \$800 million in each of fiscal years 1975 and 1976, making it the primary source of Federal financial assistance for urban highway needs. However, the act also expanded the program, making additional roads eligible for the funds.

As a result, States use Urban System funds for many of the Nation's urban highways that require improvements before they can meet today's safety and capacity standards. In 1972 the Secretary of Transportation reported that the 10,193-mile Urban System needed about \$12.2 billion in improvements. The Secretary's report stated that nearly 85,000 miles of urban arterial and

collector roads were below minimum safety and capacity standards and estimated that by 1976 an additional 35,860 miles would be deficient. In 1974 the Secretary estimated that it would cost \$95.2 billion to bring deficient Federal-aid urban highways up to standards.

This backlog in highway improvements is one of the reasons that as of June 30, 1976, only eight States had used their Urban System funds for mass transit projects. For example, sufficient funds were not available to construct or rehabilitate many urban roads in New Jersey until the Urban System funds became available. Local officials have directed these funds toward local road projects. But State officials expect that \$13 million in Urban System money will be used for mass transit projects during fiscal year 1977.

Other communities, although considering mass transit projects, gave higher priority to their highway and highway-related projects when deciding which of the competing projects should be funded. Alameda County, California, for example, established a point system for selecting projects--including mass transit projects--to be funded with Urban System funds. One of the selection criteria, however, favored highway and highway-related projects to the exclusion of mass transit because points were given to projects involving severe accident histories, and mass transit projects did not meet this criterion. Contra Costa County, California, evaluated projects with similar criteria but did not award points. Local officials in these counties said that they considered their project selection procedures to be fair.

In November 1976 Alameda and Contra Costa county officials stated that about \$7 million of Urban System funds had been used for highway-related projects such as fringe parking and improving access and traffic conditions around mass transit stations. The officials also said that special evaluation procedures for selecting mass transit projects had been developed during fiscal year 1977.

Eight mass transit applicants for Urban System funds that we contacted acknowledged the need for urban highway improvements, and four doubted that significant amounts of moneys would be diverted from urban highways.

ADVANTAGES OF USING URBAN SYSTEM FUNDS FOR HIGHWAYS

Communities generally try to use available funds in a manner that will provide them the most benefits, because seldom are enough funds available to meet their overall transportation needs. Communities use Urban System funds for highways and other sources of funds for mass transit because they can

- maximize Federal assistance,
- minimize their matching fund requirements, and
- increase local employment.

Maximizing Federal assistance

Urban System funds are virtually guaranteed to a State and its communities because specific amounts are apportioned to the State and allocated to urbanized areas. UMTA discretionary grant funds, on the other hand, are not allocated to States or urban areas but are awarded to individual applicants. Therefore, a community can maximize its Federal assistance by using Urban System funds for highways and UMTA discretionary grants for mass transit.

California Department of Transportation officials encouraged local planners and transit operators to maximize the State's Federal assistance by funding qualified transit projects with UMTA grants. They pointed out that UMTA grants are the main source of mass transit funding because the use of Urban System funds for mass transit does not represent the best use of financial resources. The same rationale was also used by officials in Illinois and New York, except for their larger metropolitan areas where the opportunities for providing public transportation and the related costs are so much greater.

California's current policy is to maximize the use of all available funding sources without specific reference to the type of project to be financed. One local official said that as long as additional funds were available for transit, the funding of mass transit projects with Urban System funds to the detriment of badly needed highway projects would be foolish.

Minimizing matching requirements

In funding transportation projects, communities tend to seek programs which require the least local matching funds. The Federal share of Urban System highway and mass transit projects ranges from 70 to 95 percent (see app. II for details by State), depending on the amount of public lands in each State, but remains a flat 80 percent for UMTA capital grants. Differences in the proportion of local matching funds required under the various Federal programs and between highway and mass transit projects by some States provide communities incentives to use Urban System funds for highways and UMTA capital grants for mass transit.

In Illinois, for example, the Federal share of Urban System projects was about 70 percent during fiscal year 1976. The State normally funds two-thirds and local organizations one-third of the matching requirements for all federally-funded mass transit projects. As a result, communities had to provide 10 percent of Urban System project costs and about 7 percent of the project costs funded with UMTA capital grants. This cost difference to the communities is one reason transit officials in Chicago preferred to use UMTA grants for their projects.

Nevada provided communities an incentive to use Urban System funds for highways by providing all the matching funds for highway projects but none for mass transit projects. Nevada law requires highway funds to be used exclusively for highways; consequently, communities are required to provide all the matching funds required for Urban System mass transit projects.

In 42 States (including Puerto Rico and the District of Columbia) during fiscal year 1976, the State and local share was greater for Urban System funded projects than for UMTA capital grant projects. As a result, the differences in the Federal shares under the various programs and the differences in State matching policies have provided many communities incentives to use Urban System funds for highways.

Highway construction contracts increase employment

New York and California officials stated their preference for Urban System funds for highway projects because highway construction generally creates more local employment than mass transit projects. According to Highway Administration estimates, each \$1 million of Federal-aid construction funds creates about 48 jobs and induces another 67 jobs; while the U.S. Congressional Office of Technology Assessment

estimates that local transit projects generate 56 jobs and induce an additional 27 per \$1 million. Mass transit projects under the Urban System program usually require equipment to be purchased from other geographical areas so the money spent does not have as great an impact on local employment.

In Syracuse, New York, for example, transportation planning officials gave a bus purchase project high priority on its Urban System projects list, but the transit authority did not have local matching funds available for the project. A highway project, however, with a lower priority than the bus project had already been funded. Public transit authority officials said obtaining the matching funds was difficult since local officials preferred to fund highways because of the many highway needs and the employment that highway construction contracts generated.

OTHER REASONS FOR NOT USING URBAN SYSTEM FUNDS

Some of the smaller communities in the five States reviewed had no existing public transit systems and did not consider mass transit projects in selecting Urban System projects. For example, no community in Nevada has used either Urban System or UMTA capital grants for mass transit. Las Vegas has the only urban area bus system in the State.

While some communities have no transit systems, others face the perennial problem of operating deficits commonly associated with mass transit. Some California, Illinois, New Jersey, and New York officials cited the increased operating losses that may result from expanding mass transit systems as one of the reasons for communities' reluctance to use Urban System funds for mass transit.

Since 1963 the transit industry has been experiencing operating costs in excess of revenues. Insufficient revenues to cover rising fuel and labor costs have caused transit operating deficits to soar in recent years. To keep mass transit running, transit authorities are diverting local funds from ordinary capital purchases to pay for operations and maintenance.

In California, officials of local Urban System project selection committees, metropolitan planning organizations, and the State Transportation Board cited transit operating losses as a problem. One official of an Urban System project selection committee said that mass transit projects had not been favorably considered

by the committee because if funds were spent to purchase buses, additional funds would be required to operate and maintain them. He also pointed out that the buses would need good roads to operate effectively.

An official in New Jersey said the present financial condition of the State and its localities precluded expanding existing transit systems and incurring additional operating costs. He added that UMTA capital grants had been obtained for bus replacements and the rehabilitation of existing transit systems.

CHAPTER 3

NEED FOR TIMELY PUBLICATIONS OF REGULATIONS

IMPLEMENTING THE URBAN SYSTEM PROGRAM

The option of using highway funds for mass transportation projects has been available to local communities for over 3 years. During that time, communities have been processing their applications in accordance with interim guidelines issued by the Federal Highway Administration and UMTA. The guidelines were a patchwork of existing regulations from the two agencies and required reviews and documentation by officials of the State government and both Federal administrations. In addition, Federal officials in the local offices were unfamiliar with the requirements and, consequently, the few communities that did apply for these funds were not able to obtain help or experienced confusion and delays in obtaining approval for their projects. As a result, communities turned to UMTA for their mass transit projects because its procedures were clearly established and the process did not involve either the State or the Highway Administration.

DELAYED ISSUANCE OF REGULATIONS

The Highway Administration and UMTA established a task force responsible for issuing regulations to implement the Urban System's provision of the 1973 act. Neither the Department of Transportation nor the two agencies have guidelines specifying how soon after legislation is passed the implementing regulations should be issued. However, the task force planned to issue regulations to implement Urban System-funded mass transit projects by March 30, 1974. It issued preliminary guidance in November 1973. These guidelines set forth the legislative requirements and instructed applicants for mass transit projects to process their applications sequentially through the Federal Highway Administration and UMTA.

Because of delays in developing the regulations, the Highway Administration and UMTA did not publish or request comments on proposed regulations for using Urban System funds for mass transit projects until September 5, 1974. The proposed regulations described eligible projects, project application submissions, and the Highway Administration and UMTA review process; but

numerous comments on the proposed regulations sought clarification on the definition of eligible projects, and several local governments objected to the predominant role given to State highway departments. One transit group objected to the roles given to State and Federal highway agencies and suggested that UMTA assume a stronger role.

As a result of the comments and experience with the program, UMTA became concerned over several aspects of the proposed regulations. The resolution of the following issues delayed the publication of the regulations.

1. UMTA objected to the review of applications for mass transit projects by the State highway departments and the Highway Administration before UMTA's review. The Highway Administration believed it needed to be involved because the projects were to be financed from highway funds, which are its responsibility. The matter was resolved by having the State highway departments submit the applications directly to UMTA and request the Highway Administration to reserve the funds for the projects.
2. UMTA wanted to be involved in approving Urban System highway projects. The Highway Administration objected and UMTA was not given a role in approving such projects.
3. UMTA wanted the definition of a nonhighway project to be clarified. Clarification was provided in the preamble to the regulations.
4. UMTA wanted and was given a consultative role when highway rights-of-way were to be considered for transit use.

The two agencies were nearing completion of the regulations in August 1975 when UMTA changed Administrators. This further delayed the regulations' issuance because, according to an UMTA official, the incoming Administrator considered other high priority matters before he reviewed the regulations.

In February 1977, 3-1/2 years after the 1973 highway act was passed, both agencies still were reviewing the proposed regulations.

INTERIM PROCEDURES

Interim guidance on Urban System projects required mass transit applications to be processed and approved sequentially by the State, the Federal Highway Administration, and UMTA. In contrast, UMTA capital grant applications are not processed through either the State or the Federal Highway Administration. Both Urban Systems projects and UMTA capital grant projects are processed in the same manner by UMTA.

Because the interim procedures required approval of three separate organizations, Federal officials at the field offices had to be familiar with the requirements of each organization before they could accurately guide communities requesting assistance. However, correspondence within the California Federal Highway Administration office indicated that Highway Administration field officials' unfamiliarity with UMTA's process contributed to the applicants' confusion and delays.

Officials of the larger metropolitan areas, such as San Francisco, New York City, and Chicago, indicated that requirements by several agencies did not create any serious problems for them because they were already familiar with the procedures of the individual approval agencies. However, a San Francisco transit official said that while State officials provided oral guidance, written guidance would have been more helpful. He stated a preference for obtaining UMTA capital grants because of familiarity with the requirements for UMTA grants and because applications are processed quicker since approval is not needed from State and Federal highway officials.

Of the 15 mass transit projects approved as of June 30, 1976, 10 were from municipalities of over 200,000 population, such as San Francisco, Chicago, and New York City. Projects from these communities were approved in about 8 months. However, project approval for the five smaller communities averaged over 20 months.

One California transit operator was unable to initiate an Urban System-funded project for the purchase of 25 buses because he did not know how to prepare and process the application. The transit operator sought help in submitting his application from the Highway Administration's and UMTA's field offices but, according to the operator, was unable to obtain adequate guidance.

The transit operator finally got assistance from another community that had successfully processed a project application, but the transit operator was late in submitting the project application to a local selection committee and the application was not considered.

DELAYED ISSUANCE OF OTHER REGULATIONS

Previously we reported on delays by the National Highway Traffic Safety Administration in issuing regulations covering motor vehicle safety standards and tire grading systems. (Report to the Committee on Commerce, United States Senate, "Improvements Needed In Planning And Using Motor Vehicle Safety Research," Sept. 16, 1974, B-164497(3), and Report to Senator Gaylord Nelson, "Delay In Establishing A Uniform Quality Grading System For Motor Vehicle Tires," Mar. 28, 1975, RED-75-344.) In both instances we reported on the need for closer coordination among the agency's staff.

In August 1976 we reported to the Highway Administrator on the need to issue regulations implementing section 157 of the Federal-Aid Highway Act of 1973. The notice of proposed rulemaking was not issued because of problems in obtaining a consensus within the Highway Administration and UMTA.

CHAPTER 4

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

CONCLUSIONS

To increase the capacity of the Nation's urban roads for carrying people, the Congress 3 years ago authorized local communities to use their Urban System highway funds for mass transportation projects. Since that time few communities had taken advantage of the authorization, and only 15 projects had been approved as of June 30, 1976. Most communities have continued using their Urban System funds for local roads. In general, this decision has been the result of the availability of other funds for mass transit projects and a large backlog of highway needs.

The local decisions to use Urban System funds for highway projects were influenced by many other factors.

- Urban System funds are allotted to the communities, whereas UMTA capital grants are available to individual applicants. Therefore, communities obtain the maximum amount of Federal money when they use Urban System funds for highway and UMTA funds for mass transit.
- For 42 States Federal cost-sharing ratios are greater under the UMTA program than they are under the Urban System funds. Therefore, it takes less local money for a project funded through UMTA than one funded with Urban System money. In addition, several States have sharing programs of their own which often favor highway projects.
- Some communities prefer highway projects because they contribute to local employment.

The interim guidelines for approval of Urban System mass transit projects required that each project be approved by State, Federal Highway Administration, and UMTA officials. This in effect creates two review levels, the State and Federal Highway Administration, which are not included in the UMTA capital grants program.

When a program requires the coordination of two or more agencies within the Department, interim guidelines understandably represent a patchwork of the processes

used by the agencies. However, we believe that 3-1/2 years is too long for such guidelines to remain in effect and that final regulations should be issued. This situation may have discouraged some communities from diverting their Urban System funds from highway work to mass transit projects.

If new grant programs are to get started effectively and benefit the intended recipients, implementing regulations must be issued expeditiously. We recognize the difficulty in establishing a standard governing the issuance of regulations implementing Federal laws. However, we believe that after legislation has been passed, it should be reviewed and target dates should be established for issuing final regulations.

RECOMMENDATIONS TO THE SECRETARY OF TRANSPORTATION

The Secretary of Transportation should (1) establish procedures for setting target dates for issuing regulations which implement Department of Transportation programs, especially those requiring coordination by Department agencies and (2) require implementing agencies to report periodically to the Secretary on their progress.

To improve the administration of the Urban System program, the Secretary should direct the Federal Highway and UMTA Administrators to issue, as soon as possible, final regulations on the use of highway funds for mass transit projects.

RECOMMENDATION TO THE CONGRESS

The Urban System provision of the Federal Highway Act does not provide local communities sufficient incentive to use Urban System money on mass transit projects. As a result, communities use this money for roads in preference to mass transit projects. If the Congress wants more Urban System funds to be used for mass transit, we recommend that it amend Section 142 of Title 23 of the United States Code to provide further incentives to local communities.

The following are several options, along with some advantages and disadvantages, from which the Congress could choose:

- Equalize the Federal share of mass transit project costs under the Urban System and UMTA programs, except in States where the Federal share under the Urban System program exceeds the Federal share under the UMTA program. States, however, could continue providing local officials financial incentives to use Urban System funds for highways by varying the proportion of State-provided matching funds. Other factors such as the maximization of Federal assistance and highway construction employment will continue to provide some communities incentives to use the funds for highways.

- Increase the Federal share of mass transit project costs under the Urban System program so that it exceeds the sharing provision of the UMTA capital grants program. This could offset those factors which would continue to provide communities incentives to use the funds for highways in the above alternative but would reduce local options and flexibility.

- Require that a specific percent of the Urban System funds be spent on mass transit projects. This alternative would eliminate the local flexibility provided in the current legislation and in the two preceding alternatives; however, it would make sure that the funds are spent for mass transit projects.

AGENCY COMMENTS AND OUR EVALUATION

The Department of Transportation (see app. III) agreed with the substance of our recommendations, and stated that in the future it would approve agency target dates for developing and implementing the regulations necessary under new legislation. The Department also agreed to monitor agency progress to assure that the regulations are issued on a timely basis.

The Department does not believe, however, that the lack of final regulations for the Urban System program was a major problem because a number of urban areas had funded mass transit projects. Nevertheless, the Department expressed a concern about the delays some smaller communities suffered in obtaining project approval and will investigate the causes of the delays. Further, the Department stated the final regulations, when issued, will make clear that UMTA procedures and format are to be used for Urban System transit projects and that the

State and the Highway Administration are to receive timely notification to permit a determination on availability of funds.

Our intent was not to single out the lack of final procedures as a major cause for the limited use of Urban System funds for mass transit projects. Rather, we intended to illustrate the need for a process to insure the timely issuance of regulations. We believe the Department's promised actions, when implemented, should result in more timely issuance of regulations in the future.

The Department acknowledged that meeting transit operating costs was a problem, but stated that if it were prevalent nationwide, use of UMTA's capital assistance funds would have declined. California State officials also believed that transit costs, while a problem, were not a serious deterrent to use of Urban System funds for mass transit projects.

The Department's and California's comments, however, refer to the rehabilitation or replacement of transit facilities and equipment, which could result in some increased efficiencies. However, the issues addressed by local officials during our review related to system expansions which would add to operating costs. Furthermore, in commenting on this report, New York and Illinois State officials advised us that they were becoming more concerned with transit expansions because of its rapidly increasing operating costs.

The following are the Department's reactions to the options presented to the Congress for providing further incentives to use Urban System funds for mass transit:

- Disagreed that a specific percentage of urban System funds be set aside for mass transit because this would create a new categorical program.
- Could not endorse making the Federal share under the Urban System program greater than the UMTA.
- Did not comment on making the Federal share of mass transit project costs equal under the Urban System and UMTA programs.

APPENDIX I

APPENDIX I

STATUS OF FEDERAL-AID URBAN SYSTEM FUNDS
APPORTIONED TO STATES FOR FISCAL YEARS 1974-1976
AS OF JUNE 30, 1976

State	Fiscal years 1974-1976 <u>apportionments</u> (note a)	Net transfers to (from) other highway programs	Obligations		Unobligated balance as of 6/30/76
			nonhighway mass transit	highway- related	
Alabama	\$ 28,288,278	\$3,024,095		\$20,531,923	\$ 4,732,260
Alaska	11,302,959			6,507,508	4,795,451
Arizona	20,451,309			16,133,323	4,317,986
Arkansas	12,787,538	1,750,000		6,942,497	4,095,041
California	267,847,184	(3,273,000)	\$ 2,363,144	123,400,999	145,356,041
Colorado	25,219,752	1,341,118		19,133,229	4,745,405
Connecticut	34,480,564			16,504,728	17,975,836
Delaware	11,302,959			10,617,325	685,634
Dist. of Col.	11,423,446	578,000		5,678,251	5,167,195
Florida	77,984,428	4,134,517		72,925,087	924,824
Georgia	38,235,333	5,033,000		23,723,640	9,478,693
Hawaii	11,302,959			4,103,366	7,199,593
Idaho	11,302,959	1,381,254		9,502,540	419,165
Illinois	134,673,417	84,500,000	3,422,197	40,001,000	6,750,220
Indiana	48,165,776	7,000,000		23,928,215	17,237,561
Iowa	21,998,156			11,199,576	10,798,580
Kansas	29,209,238			8,841,330	11,367,908
Kentucky	23,539,449			15,095,629	8,443,820
Louisiana	34,014,874	1,748,524		10,594,362	21,671,988
Maine	11,302,959			3,138,552	8,164,407
Maryland	44,720,366	29,000,000		5,857,863	9,862,503
Massachusetts	70,624,367	7,313,382		49,023,255	14,287,730
Michigan	95,347,654	5,000,000		74,025,026	16,322,628
Minnesota	35,878,147	461,337	1,511,639	18,730,804	15,174,367
Mississippi	13,177,002			5,054,362	8,122,640
Missouri	46,922,246	3,000,000		14,332,686	29,589,560
Montana	11,302,959	743,244		3,442,813	7,116,902
Nebraska	12,926,943	1,351,279		9,535,007	2,040,657
Nevada	11,302,959			7,795,596	3,507,363
New Hampshire	11,302,959	900,000		5,148,268	5,254,691
New Jersey	94,835,077			18,276,788	76,558,289
New Mexico	11,302,959			4,620,602	6,682,357
New York	230,359,388	5,000,000	62,264,286	51,873,663	111,221,439
North Carolina	31,443,553			24,061,581	7,381,972
North Dakota	11,302,959		30,800	8,676,424	2,595,735
Ohio	117,651,966		700,000	28,960,103	87,991,863
Oklahoma	24,292,359			12,154,868	12,137,491
Oregon	19,626,837	2,202,800	2,295,260	8,582,842	4,818,235
Pennsylvania	121,394,382	8,065,765		39,546,418	73,782,199
Rhode Island	12,316,789	1,363,837		5,512,226	5,440,726
South Carolina	16,581,205			9,834,154	6,747,051
South Dakota	11,302,959			8,814,665	2,488,294
Tennessee	32,688,444			12,487,366	20,201,078
Texas	128,400,328		1,093,400	54,899,261	72,407,667
Utah	12,255,363			7,275,836	4,979,527
Vermont	11,302,959			70,901	11,232,058
Virginia	42,908,178			32,182,590	10,725,588
Washington	35,599,397	779,820		12,287,256	22,532,321
West Virginia	11,302,959	1,442,862		1,163,431	8,696,666
Wisconsin	41,485,136			27,930,630	13,554,506
Wyoming	11,302,959			9,554,726	1,748,233
Puerto Rico	21,596,507			2,559,399	19,037,108
Totals	<u>\$2,260,591,802</u>	<u>\$173,841,834</u>	<u>\$ 73,680,726^{c/}</u>	<u>\$1,022,774,489</u>	<u>\$ 990,294,753</u>
(note b)					

^{a/}Excludes 1½ percent highway planning and research funds

^{b/}May not add due to rounding

^{c/}Excludes about \$3.9 million in passenger facility and fringe parking projects which are classified as highway projects under 23 U.S.C. 142(e)

U.S. DEPARTMENT OF TRANSPORTATION
Federal Highway Administration

Sliding Scale Rates of Federal-aid Participation in Public Lands States

Rates for Non-Interstate Programs
Pursuant to Title 23 U.S.C. 120(a) Clause B

Effective July 1, 1976

<u>State</u>	<u>Ratio of designated public land area 1/ to total area of State</u>	<u>Percentage of cost payable by Federal Government</u>
Alabama	.0197	70.59
Alaska	.9394	95.00 ^{2/}
Arizona	.7072	91.22
Arkansas	.0743	72.23
California	.4332	83.00
Colorado	.3644	80.93
Connecticut	-	-
Delaware	-	-
Florida	.0743	72.23
Georgia	.0235	70.71
Hawaii	.0659	71.98
Idaho	.6388	89.16
Illinois	.0070	70.21
Indiana	.0079	70.24
Iowa	.0001	70.00
Kansas	.0031	70.09
Kentucky	.0275	70.83
Louisiana	.0200	70.60
Maine	.0040	70.12
Maryland	.0046	70.14
Massachusetts	.0051	70.15
Michigan	.0886	72.66
Minnesota	.0693	72.08
Mississippi	.0410	71.23
Missouri	.0344	71.03
Montana	.3226	79.68
Nebraska	.0090	70.27
Nevada	.8734	95.00 ^{2/}
New Hampshire	.1148	73.44
New Jersey	.0034	70.10
New Mexico	.4078	82.23
New York	.0011	70.03
North Carolina	.0459	71.38
North Dakota	.0467	71.40
Ohio	.0062	70.19
Oklahoma	.0332	71.00
Oregon	.5268	85.80
Pennsylvania	.0179	70.54
Rhode Island	-	-
South Carolina	.0308	70.92
South Dakota	.1483	74.45
Tennessee	.0324	70.97
Texas	.0096	70.29
Utah	.6793	90.38
Vermont	.0413	71.24
Virginia	.0715	72.15
Washington	.3188	79.56
West Virginia	.0619	71.86
Wisconsin	.0525	71.58
Wyoming	.5047	85.14
Dist. of Col.	.1642	74.93
Puerto Rico	.0128	70.38

^{1/} Area of non-taxable Indian Lands and reserved and unreserved public domain lands inclusive of national forests and national parks and monuments.

^{2/} Maximum amount.

NOTE: Based on latest available area data furnished by the Department of the Interior.



ASSISTANT SECRETARY
FOR ADMINISTRATION

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

January 17, 1977

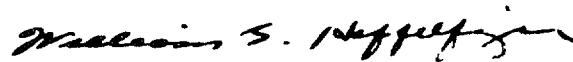
Mr. Henry Eschwege
Director
Community and Economic Development Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your letter of October 26, 1976, requesting comments on the General Accounting Office (GAO) draft report entitled, "Why Federal-Aid Urban System Funds Were Seldom Used for Mass Transit." We have reviewed the report and prepared a Department of Transportation (DOT) reply, and two copies are enclosed herein.

In addition to the enclosed reply, we offer the following comments on one recommendation contained in the report. We concur with the substance of the GAO recommendation that the Secretary establish procedures whereby all legislation will be reviewed for the purpose of establishing target dates for issuing implementing regulations. Thus we will henceforth review new legislation in order to approve target dates and schedules established by those DOT elements responsible for developing and implementing the regulations. Further, we will monitor the progress to assure that implementing regulations are issued on a timely basis.

Sincerely,


William S. Heffelfinger

Enclosures

DEPARTMENT OF TRANSPORTATION REPLY
TO
GAO DRAFT REPORT
ON
WHY FEDERAL-AID URBAN SYSTEM
FUNDS WERE SELDOM USED FOR MASS TRANSIT

SUMMARY OF GAO FINDINGS AND RECOMMENDATIONS

The GAO conducted a review of the use of Urban System funds to finance mass transit projects. Through the 1973 Federal-Aid Highway Act, the Congress gave local communities the flexibility of using their Urban System Highway Funds for mass transportation projects. The GAO report states that since that time only 15 mass transit projects had been approved as of June 30, 1976, with most communities having elected to continue using their Urban System funds solely for local roads. The GAO found that in general, this decision has been the result of the availability of alternate funds for mass transit projects and a large backlog of highway needs.

More specific reasons cited in the report for the local decisions to use Urban System funds for highway projects were:

1. Urban System funds are allocated to the communities and UMTA capital grants are available to any area which submits individual applications. Therefore, communities obtain the maximum amount of Federal money when they use Urban System funds for highway and UMTA funds for mass transit.
2. Federal cost-sharing ratios are greater for 42 of the States under the UMTA program than they are under the Urban System funds. Therefore, it takes less local money for a project funded through UMTA than one funded with Urban Systems monies. In addition, several States have sharing programs of their own which favor highway projects.
3. Some communities prefer highway projects because they contribute to local employment.

The report also concluded that the interim guidelines for the approval of Urban System mass transit projects were a factor which discouraged some communities from diverting their Urban System funds from highway work to mass transit projects.

This conclusion is based on the fact that the interim guidelines required that each project be approved by State, Federal Highway Administration, and UMTA officials. This in effect creates two review levels, the State and Federal Highway Administration, which are not included in the UMTA capital grant program. The GAO further states that while it is reasonable for the interim guidelines to be a patchwork of the two agencies' processes, three years is too long for such guidelines to remain in effect, and that final regulations should be issued.

Based on its review, GAO recommends that the Secretary of Transportation establish procedures which set target dates for the issuance of regulations to implement legislation in the Department's purview, especially those regulations requiring coordination within the Department. Affected Departmental agencies should be directed to report to the Secretary periodically on their programs. In the specific case of the Urban System program, the Secretary should direct the Federal Highway and UMTA Administrators to issue, as soon as possible, final regulations on the use of Highway funds for mass transit projects.

The GAO also found that the Urban System statutory provisions do not provide local communities sufficient incentive to use Urban System money for mass transit projects. The GAO therefore suggests that should the Congress desire that Urban System funds be used to a greater extent for mass transit, it should consider the following options:

1. Equalize the Federal share of mass transit project costs under the Urban System and UMTA programs, except in States where the Federal share under the Urban System program exceeds the Federal share under the UMTA program.
2. Increase the Federal share of the cost of mass transit projects under the Urban System program so that it exceeds the sharing provision of the UMTA capital grants program.
3. Require that a specific percent of the Urban System funds be spent on mass transit projects.

DEPARTMENT OF TRANSPORTATION POSITION STATEMENT

In general we found the draft report to be basically accurate. The findings, while somewhat more detailed, are generally consistent with those of the recently completed Urban System Study mandated by Section 149 of the Federal-Aid Highway Act of 1976. However, there are two areas in which we have differing views.

First, we believe the lack of final FHWA/UMTA regulations governing the use of urban system funds for mass transit projects, is not a major problem as cited in Chapter 3 of the report. Interim guidelines which were issued in November 1973, shortly after passage of the Act, provided sufficient guidance to enable urban system funded mass transit projects to be programmed in a number of urban areas. The final regulations are in the last stages of Departmental coordination and approval. There may be a misconception in the report about the review of proposed transit projects, as contained in the interim procedures. The procedures do not require FHWA technical review and approval of transit projects; and they call for only the advice and comment of the State. The final regulations will not permit circumventing both the State and FHWA in the programming and approval cycles, because both those agencies have a statutory responsibility under Federal highway legislation in determining whether sufficient Urban Systems funds are available to support any project, be it a highway or transit project.

We are working in the final regulations to make it clear that the Urban System transit project application is to use the UMTA procedures and format, while insuring that the State and FHWA receive timely notification which will allow them to meet their statutory responsibilities.

There are several other, more relevant deterrents to the use of Urban System funds for mass transit projects. These include legitimate highway needs which local officials are attempting to meet using Federal assistance through the Urban System program. The difference in local matching shares between the Urban System program and the UMTA capital grants program (30% versus 20%) makes it more attractive to use Urban System funds for highways and UMTA capital grants for transit. Because of the discretionary nature of the UMTA program and the apportionment of Urban System funds, local officials can "maximize" Federal assistance by devoting Urban System funds to highways and concentrating transit assistance in the UMTA program.

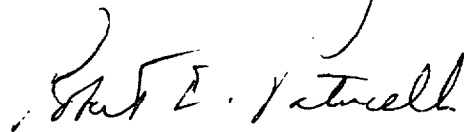
The second area in which we disagree with the GAO findings is the recommendation that a specific percent of the urban system funds be required to be spent on mass transit projects. This would create yet another categorical program contrary to current attempts to reduce categorical restrictions on project funding. Also, we would not endorse the recommendation that the Federal share under the urban system program exceed that under the UMTA capital grant program. These proposals would only serve to further constrain local options and reduce the desired local flexibility.

In a matter not directly related to the GAO's recommendations, UMTA is concerned that the 5 communities surveyed with less than 200,000 population suffered a delay in Urban System project approval when compared to larger cities. We will investigate the causes of the delay. We do know that one applicant from a smaller area has been delayed because the labor protective (13(c)) agreement required for both Urban System and UMT Act funded projects has not been met.

We would like to comment on some of the reasons for not using Urban Systems funds for transit which were given to the GAO by local officials.

The GAO states in Chapter Two, that some local governments prefer to fund Urban Systems highway projects because they have a greater impact on local employment. This is, of course, true when you compare a transit equipment purchase project (the usual Urban System transit project), to a construction project. However, in the August 23, 1974 edition of "Science" magazine an article titled "Energy, Manpower and the Highway Trust Fund," states that rail transit construction generated more employment than highway construction. Research by UMTA staff showed that generally highway and transit construction projects appear to generate the same level of employment. This research was based upon an Office of Technology Assessment report, "Energy, the Economy, and Mass Transit (Dec. 1975)."

Further, the report states that one of the factors influencing local decisions against Urban System funding of mass transit projects is the fear of operating losses which may result from expanding existing transit systems. While problems exist in meeting transit operating costs, it does not follow that local officials should not consider using Federal capital assistance funds for the rehabilitation or replacement of transit facilities and equipment. Capital projects provide a more efficient plant which requires less maintenance than the items replaced. We would tend to discount this reason because of the rather small sample of local officials contacted for this study. If this attitude were in fact, prevalent nationwide, it would have affected UMTA's capital assistance activities nationwide. However, UMTA has made 1,016 grants valued at \$5.8 billion since 1965 for more than 200 of the nation's urbanized areas.



Administrator
Urban Mass Transportation Administration

PRINCIPAL OFFICIALS
RESPONSIBLE FOR ADMINISTERING
ACTIVITIES DISCUSSED IN THIS REPORT

Tenure of office
From To

DEPARTMENT OF TRANSPORTATION

SECRETARY OF TRANSPORTATION:

Brock Adams	Jan. 1977	Present
William Coleman	Mar. 1975	Jan. 1977
John W. Barnum (acting)	Feb. 1975	Mar. 1975
Claude S. Brinegar	Feb. 1973	Feb. 1975

ADMINISTRATOR, FEDERAL
HIGHWAY ADMINISTRATION:

Lester P. Lamm (acting)	Jan. 1977	Present
Norbert T. Tiemann	May 1973	Jan. 1977

ADMINISTRATOR, URBAN MASS
TRANSPORTATION ADMIN-
ISTRATION:

Robert H. McManus (acting)	Jan. 1977	Present
Robert E. Patricelli	Aug. 1975	Jan. 1977
Judith T. Connor (acting)	July 1975	Aug. 1975
Frank C. Herringer	Feb. 1973	July 1975

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