STATEMENT OF

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ON

THE CAPITAL INVESTMENT GRANTS (NEW STARTS) PROGRAM

BEFORE THE
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
U.S. HOUSE OF REPRESENTATIVES

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Chairman Petri, Ranking Member Holmes Norton, and Members of the Committee:

Thank you for the opportunity to highlight the success of the Federal Transit Administration's (FTA) Fixed-Guideway Capital Investment Grants Program (commonly referred to as New Starts). I also want to thank this Committee for supporting authorizing legislation that has helped to strengthen and enhance the efficiency, integrity, and impact of this program over the years, including, most recently, through the Moving Ahead for Progress in the 21st Century Act (MAP-21).

Since its inception nearly four decades ago, the New Starts program has grown into one of the Federal government's most transformational investment partnerships, typically funding roughly half the cost of competitively selected new and extended light rail, commuter rail, heavy rail, and bus rapid transit (BRT) systems built in the United States. Working closely with state and local partners—in response to community-based demand for new and expanded transportation choices—FTA has signed 120 Full Funding Grant Agreements for New Starts projects over the course of the program's history and 20 grant agreements for Small Starts projects since the separate inception of that program (for projects seeking $75 million or less) in 2005. Taken together, these investments support the construction of much needed capital transit systems that improve mobility and access to jobs for millions, while expanding the capacity of our transportation networks and contributing to cleaner, greener neighborhoods, and improving the quality of life for residents and local businesses.

The Administration strongly supports the New Starts program as an important ally in the effort to ensure that Americans willing to work hard in this country are offered a chance to succeed in the 21st century economy; to provide a safe and secure transportation safety net for senior citizens as they age in place; and to help revitalize cities and towns all across the nation that were hit hard by the deepest economic recession since the Great Depression. To achieve these objectives we must build efficient, modern, and connected transportation systems that offer citizens more and better ways to travel between work, home, school, medical care, and recreational activities that are the lifeblood of any community.

Looking toward the future, our nation will require more, not fewer, transportation choices to ensure we can grow and compete in the 21st century and accommodate the nation's changing demographics and preferences. The U.S. Census projects that the country will add roughly 120 million people between now and 2060—expanding the nation's population by about a third. The number of people 65 and older will more than double over the next 50 years, and these aging citizens want to remain mobile and independent for as long as possible. Meanwhile, our nation's most populous cities are continually choking on congestion. The only way we will generate an economy that can create jobs for these additional citizens is by addressing this congestion to better move people and freight. And the FTA New Starts program is part of that solution.

The Administration has sought to increase funding for the New Starts program in its budget proposals each of the last six fiscal years because the President recognizes that in the face of social changes like these, we cannot simply build our way out of our infrastructure crisis with roads alone. We need a balanced approach—an approach that is inclusive, where investments in roadways, bridges, and airports are complemented by flexible public transit options linking suburbs with cities, and rural counties with employment centers. FTA is also approached by communities that not only want to improve public transit options *within* their jurisdiction, but also to promote transit investments that connect one city with another city via regional public transit services, thereby linking major job centers. For example, the Central Corridor light rail system now under construction links downtown Minneapolis with St. Paul; and the initial Sun Rail line will link downtown Orlando with Seminole and Volusia counties in Florida, among others.

The New Starts program also has broad-based support among governors, mayors, local council leaders and their constituents across party lines in every region of the country because they have experienced first-hand what this program delivers. Indeed, New Starts is responsible for introducing major transit systems in cities where high-quality transit was virtually nonexistent a generation ago. In Dallas, for example, residents agreed to a small tax increase to fund alternatives to severe congestion. Today, Dallas operates more miles of light rail transit service than any city in North America—helping to transform one of the most auto-centric cities in the nation and unleash tremendous economic development. The Dallas-based Green Line, funded in part with a $700 million New Starts construction grant agreement, has generated $5.6 billion in economic impact and 48,000 long-term jobs.

In fast-growing Charlotte, North Carolina, construction is under way to extend the LYNX Blue Line light rail service from downtown Charlotte to the city's University of North Carolina campus—effectively doubling the length of the current line, which takes 16,000 riders a day to many of the Fortune 500 employers based in Charlotte, while providing an alternative to sitting in traffic on I-85.

Across the Wasatch Front in Utah, New Starts investments have contributed to the state's ambitious and recently completed plan to build 70 miles of transit rail in seven years, resulting in four new light rail lines and a commuter rail service that have more than doubled the state's transit capacity at a time when the population is growing more than twice as fast as most other states.

And in Arizona, the New Starts program contributes to the Valley Metro light rail system that connects two of Arizona's fastest-growing metro regions, central Phoenix and the suburbs of Tempe and Mesa, spurring new residential and commercial development along the corridor while providing convenient, reliable access to Arizona State University and Sky Harbor International Airport.

FTA's partners in the New Starts program—state transportation leaders and local transit providers— estimate that transit-related construction on capital projects funded over the last two years alone will generate more than 165,000 good local jobs, while opening the door to many more new permanent jobs generated by new housing, commercial, and retail development that occurs alongside transit corridors.

At the same time, in cities where demand for existing rail transit service has grown significantly in recent years, such as Boston, Chicago, New York, San Francisco, and Washington, D.C., New Starts investments have been critical to extending service and augmenting capacity. Maintaining a Federal commitment to the nation's oldest rail transit systems in the most densely populated regions of the country is vitally important to keeping these major urban economies moving forward, in a sustainable way, in the 21st century—which is why FTA has continually proposed boosting funding not just for the expansion of these systems but for critical investments to keep these essential systems in a state of good repair.

In addition to the many successful rail transit projects funded through New Starts, communities increasingly turn to the program for help building BRT systems that, done right, provide expedited service to major employment centers, while helping to take more cars off local highways and provide a comfortable, convenient ride for commuters. The New Starts program has funded a growing number of BRT projects in cities such as El Paso; Grand Rapids; Cleveland; Seattle; Eugene, OR; Kansas City; Austin; and between Hartford and New Britain, Connecticut. In FY2010, FTA made history by committing Federal funds (through the companion Small Starts program) to the first rural BRT service in the nation, enabling thousands of workers from rural Colorado, near Roaring Fork, to save hundreds of dollars on gas each month and reduce wear-and-tear on commuters driving to jobs in Aspen—roughly 70 miles round-trip. The newly opened service attracted 64,000 riders in September 2013 alone, and has cut commuting times in half.

To preserve the integrity of the New Starts program as its impact grows around the nation, FTA has worked diligently to improve its capacity to oversee and manage the billions of dollars traditionally awarded annually to state and local transportation providers, and ensure that taxpayers' transportation dollars are wisely spent. The Administration has been committed to streamlining and consolidating core programs to improve efficiency and become even more responsive to local transportation priorities—while saving money along the way. Specifically, we recognize it is vitally important to strike the right balance between good stewardship and the need to advance capital transportation projects in a reasonable timeframe. We have never lost sight of the fact that the New Starts program brings taxpayer dollars back to communities to improve the quality of life in neighborhood after neighborhood, and all along Main Street. We must be responsible stewards of those dollars.

That is why, in recent years, FTA has taken additional steps to improve the New Starts program's accountability, to streamline its administration, and to allocate resources to projects that truly make a difference. These efforts are greatly enhanced by provisions in MAP-21 that acknowledge the reality of operating in a highly resource-constrained environment. MAP-21 places new emphasis on improving the efficiency of grant program operations through consolidation of some programs; streamlines some grant processes; and renews focus on improved public transportation access, operating conditions, and safety.

For example, managing project costs is a key area where FTA has made strides, both under the prior authorization, SAFETEA-LU, and under MAP-21. New Starts project sponsors are required to produce an annual *Before and After Study* that assesses the impact of their New Starts projects, compares predicted versus actual construction costs, service levels, project scope and ridership after projects have opened, and provides other performance-based metrics to FTA. These studies are enormously useful in generating "lessons learned" and informing FTA's decisions on future proposed projects under MAP-21. FTA is grateful to the Committee for supporting requirements like these studies, which contribute to the likelihood that New Starts projects will be started on time and finished on budget—without waste, fraud, or abuse of taxpayer dollars. In an effort to provide transparency, previous studies are posted on the FTA's public website.

In a recent analysis of six New Starts projects, all but one generated higher than predicted ridership and completed construction on par with the estimates. These studies have been instrumental in helping FTA refine and implement a valuable new risk assessment approach that builds in unallocated contingency. The information in past and future studies will greatly aid FTA's ability to determine appropriate levels of contingency funding for project budgets; whether predicted operations and maintenance costs fall within a reasonable range; and when, in the Capital Investment Grant lifecycle, it is most advantageous for FTA to conduct detailed reviews, including risk and financial capacity assessments.

The New Starts process has also been significantly improved as a result of streamlining efforts and a change in the way project benefits are evaluated. In January 2010, for instance, then-Transportation Secretary Ray LaHood sought to change how major transit projects were selected to receive Federal financial assistance from FTA. As part of this initiative, FTA rescinded restrictions issued in March of 2005, in order to place more emphasis on the full range of factors that would be considered when evaluating transit projects seeking Federal matching dollars. By giving greater emphasis to evaluation criteria concerning environmental benefits and local economic impact, we made it possible for FTA to consider a variety of projects that might better meet a community's needs, including streetcars and rapid bus services.

Congress has also called on FTA to reduce the time required to get capital transit projects constructed and reduce the administrative burden on project sponsors. We've taken numerous steps over the last five years to achieve these goals, laying a solid foundation for additional improvements under MAP-21. In January 2012, about nine months prior to the enactment of MAP-21, President Obama called on Federal agencies to cut red tape in construction projects. Accepting that challenge, then-Transportation Secretary Ray LaHood proposed to streamline the process and make funding decisions more responsive to local needs. FTA fully recognized that its process for selecting big capital projects, while historically successful, was generally more complicated than might be necessary. We therefore pursued a number of common-sense changes that will help local project sponsors potentially shave six months or more off the time that is now required to move major projects through the New Starts pipeline.

This streamlining effort marked the culmination of more than two years of public outreach to identify ways to cut red tape, reduce regulations for communities seeking Federal funds, and help get critical transit projects under construction more quickly without compromising a stringent project review process. The changes are estimated to save project sponsors almost $500,000 annually by requiring less time-consuming paperwork, eliminating the need for the sponsor to compare their project to a hypothetical baseline alternative that the community does not want, and allowing certain projects to pre-qualify for automatic ratings. Such changes will make a big difference to communities throughout the United States that need more mobility, and better access to jobs, sooner rather than later. And we anticipate additional efficiencies and the benefits of accelerated project delivery will be realized as a final rule implemented in January 2013 triggers additional improvements.

Since MAP-21 went into effect, FTA has continued to improve processes related to New Starts planning. For example, FTA recently rolled out a new tool to help project sponsors estimate transit trips on proposed projects. The new method, known as Transit STOPS, is expected to reduce the length of time needed to develop ridership forecasts from as much as two years to as little as two weeks—and save project sponsors as much as $1 million on consulting and administrative costs normally incurred during this process.

Another significant change in MAP-21 that will impact the New Starts program's effectiveness is the greater emphasis placed on performance based planning. In brief, this effort to impose greater levels of accountability and discipline on the metropolitan planning process will require communities to prioritize and justify their commitments to projects competing for increasingly limited resources. Additionally, under MAP-21, states are expected to significantly strengthen the performance and financial rigor of their transportation plans and programs, and increase their collaboration with small urban areas (fewer than 200,000 in population), and non-metropolitan areas, whose transportation needs and priorities are incorporated as part of the statewide transportation planning process.

These areas of continuous improvement are coupled with a consistently rigorous application of oversight activities that include risk assessments, triennial reviews and financial management reviews of New Starts projects and project sponsors. As a result, FTA has compiled an outstanding record as a responsible steward of Federal dollars. Over the past 10 years, four of every five New Starts and Small Starts projects were completed well within their cost estimates and baseline schedules or are well on the way. And a recent independent review of the FTA Capital Investment Grants Program by Deloitte Consulting found that FTA had zero improper payments in the billions of dollars of Federal grant funds awarded in the two years that were sampled, 2010 and 2012, meaning that virtually every Federal dollar committed to a New Starts project during that period was used in a responsible manner, for eligible purposes.

FTA's ongoing efforts to scrutinize New Starts investments to ensure they are fiscally sound, and entail acceptable levels of risk, are especially important as local demand for these projects rises. In FY2011 and FY2012 combined, FTA signed more capital construction grant agreements for transit projects than in any two-year period in the agency's history. And in FY2012 alone, FTA's New Starts/Small Starts program provided more than $2 billion for capital projects to help build light rail, heavy rail, commuter rail, and BRT projects—a level of investment in keeping with prior years.

Unfortunately, recent budget cuts and spending reductions imposed by sequestration take a real toll on infrastructure construction—reducing construction-related job starts and imposing additional financial and social burdens on low-income families, seniors, and other transit-dependent populations that genuinely rely on transit as a life line to reach jobs, medical care, and other vital services.

In FY2013, FTA had more than 30 New Starts projects in the pipeline—backed by local project sponsors hoping to receive construction funding to support projected ridership levels exceeding half a million people daily. These proposed projects would collectively add more than 320 new miles of transit service to communities that need more robust transportation choices to address congestion, mobility, and the need for new economic growth. In Boston, for example, the proposed MBTA Green Line extension to the nearby city of Somerville would put 80 percent of Somerville residents within walking distance of a transit station—connecting thousands of residents to academia, jobs, and healthcare services.

But FTA was unable to make new funding commitments for any of these 30 projects—and for any new transit rail or BRT projects anywhere—for the first time in roughly 20 years. The final FY2013 appropriation for New Starts was $380 million below the President's request. The reductions were partially attributed to the automatic spending reductions under sequestration. As a result, FTA reduced the FY2013 payout level of all existing construction grant agreements for major capital projects. Sequestration also adversely impacts local jurisdictions' budgets as unanticipated finance charges accrue on major capital projects for which local governments must continue to build and pay invoices, while the Federal payments that local project sponsors had anticipated receiving are slowed down by late appropriations, and then reduced by sequestration. These delays in Federal payments often increase financing costs for state and local governments.

Current and future program cuts could also jeopardize Core Capacity projects. This new category of eligible projects—part of the Capital Investment Grants Program under MAP-21—must expand capacity by at least 10 percent in existing fixed-guideway transit corridors (such as subways and commuter rail) that are already at or above capacity today, or are expected to be at or above capacity within five years. There is tremendous pent-up demand for these targeted capacity expansions, but currently no additional funds have been provided for the program to help advance these projects. The need for these core capacity investments is demonstrated by the fact that four billion trips are made each year on transit systems in just six regions with rail service: New York; Washington, D.C.; Chicago; Boston; San Francisco; and Philadelphia. These are not only the highest-demand transit systems; they are also among the oldest and most congested in the country. Improving these existing corridors to increase capacity to allow even a small increase of only three percent in transit trips would equate to more than 120 million trips annually. That gain in ridership would be equivalent to nearly half the ridership gains expected from New Starts projects in FTA's pipeline today.

The Administration seeks to restore momentum to the Capital Investment Grants Program, and provide sufficient funding for the new Core Capacity eligibility under the program, in the proposed FY2014 budget. The President requests $19.91 billion in this budget to strengthen transit safety oversight, bring bus and rail transit infrastructure into a state of good repair, and provide new and expanded transit systems in communities nationwide. The President's request highlights $9 billion for immediate transportation investments, including $500 million to fund the Core Capacity Program; $6 billion to address transit state-of-good-repair needs; and $2.5 billion for urban and rural transit programs. This budget request represents a strong commitment to effective implementation of MAP-21. In this proposed budget, FTA recommends funding 19 ongoing New Starts/Small Starts projects under construction in 10 states, completing the FTA funding commitment on five of these—some of which should have been completed in FY2013 but could not be because of the reduced appropriation. The budget also recommends funding for eight new projects not yet under a construction grant agreement that were proposed for funding in prior years, but which did not receive funds under the reduced FY2013 appropriation.

But these plans to restore progress on New Starts projects are far from certain in the current fiscally austere climate and in the face of additional, and potentially deeper, sequestration cuts. Therefore, the New Starts program is now at a crossroads. While the Administration remains committed to supporting the program, demand for these resources, coupled with reduced appropriations, continues to far exceed FTA's ability to contribute on a predictable path. We have been proactive in allocating resources as judiciously as possible. We have reduced the Federal share of projects from 60 percent to 50 percent, on average, over the last 20 years. A Government Accountability Office report published late last year found that for 25 New Starts projects examined between 2004 and 2012, state and local funding exceeded total Federal funding contributions, with the local share accounting for $18.6 billion, or more than half, of $33.8 billion in total project funding.

For the very largest projects (with total costs of $1 billion or more), the Federal share has fallen even further, to an average of about 33 percent per project. As a result, the Federal government is now leveraging nearly $3 billion annually in state and local funds for new fixed guideway projects and extensions—far more than the $300 million shouldered by local sponsors two decades ago. These investments reflect a willingness on the part of localities to fund important priorities. But it also raises questions about the ability of states with many competing financial priorities to continue doing so without additional Federal support.

In conclusion, our economy cannot continue to grow and compete without programs like New Starts. It has proven to be an effective catalyst for bringing taxpayer dollars back into communities for the infrastructure they need to attract new job-creating businesses, improve access to existing jobs, revitalize an aging downtown core, shorten commuting times for hard-working families, and give future generations a reason to settle down and build productive lives.

We look forward to working with Congress to obtain the funding levels needed to fully realize the potential of MAP-21, continue funding important major capital projects through our Capital Investment Grants Program, and ensure that millions of Americans have access to good transportation choices that create ladders of opportunity for our nation today and for generations to come.