Statement of
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Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure
U.S. House of Representatives
FTA Implementation of the New Starts and Small Starts Programs

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Good morning, Chairman DeFazio, Ranking Member Duncan, and Members of this Subcommittee. Thank you for the opportunity to testify today on the Federal Transit Administration's (FTA) New Starts and Small Starts programs, which are among the Federal government's largest discretionary programs. When the New Starts program was last evaluated by the Office of Management and Budget (OMB), the program received the highest rating among 62 competitive Federal grant programs. The Government Accountability Office (GAO) and the Department of Transportation Office of the Inspector General have lauded our management of the program as one of the government's most rigorous.

At this time, FTA also would like to thank GAO for its annual review of the New Starts program. Over the years, we have cultivated a good working relationship with GAO representatives and have taken into account many of the findings and recommendations in past reports as we manage the program.

FTA's management of the New Starts program fosters highly successful Federal-local partnerships that positively impact millions of Americans across the country on a daily basis – both transit riders and users of our Nation's highway system who benefit from additional transportation capacity. Communities across the country count on public transportation systems to provide a reliable alternative to congested highways and highway users who fund large percentages of the costs of public transportation expect these systems to be integrated with highway policies. For example, the Texas Transportation Institute estimates that without public transportation, the cost of lost time and wasted fuel on our Nation's highways would be nearly $20 billion more every year. New Starts and Small Starts investments can be particularly effective when utilized in connection with a highway congestion reduction strategy. In addition, millions of Americans who lack access to an automobile need public transportation for their basic mobility needs. And, public transportation contributes to economic development, air quality, and other local goals and objectives.

Strong Project Management Oversight Program

Since the passage of the Intermodal Surface Transportation Efficiency Act of 1991, FTA has provided nearly $17 billion in New Starts funds to help build 27 light rail, 19 commuter and

heavy rail, and a number of streetcar, bus, and other transit projects with total project costs of approximately $37 billion. Since June 2006, FTA has executed 5 Full Funding Grant Agreements (FFGAs) having a Federal share of $3.42 billion, with total project costs of approximately $10 billion. On April 12 of this year, FTA sent Congress a 60-day notification of our intent to execute an FFGA with the Tri County Metropolitan Transit District for the Portland, Oregon, I-205/Downtown Mall Light Rail Transit project. Even as we execute more FFGA's, FTA has increased its commitment to the sound management of these limited Federal resources. We understand the pressures and anticipation that local communities face as they plan, develop, and construct major transit capital investments. We also know that schedule delays may result in increased costs. However, the costs to taxpayers that result when proper oversight is not provided can be much greater. It is imperative that FTA continue to provide strong and on-going oversight in order to mitigate this risk.

FTA believes it is making good investment choices and our oversight program supports our decision-making process. FTA's current portfolio of projects under construction totals $21.5 billion in project costs, and FTA is managing costs to within 0.5 percent of the FFGA baseline and cost estimates. We have achieved this success through a close working relationship with New Starts project sponsors, and by providing oversight, technical assistance and risk management. FTA helps local sponsors identify risks in cost estimates and schedule assumptions early on, and develop strategies to minimize and manage these risks as projects proceed through design and construction. FTA has made significant investments in oversight resources to carry out these activities. Likewise, we have invested heavily in tools, techniques, and training to help local agencies better estimate the ridership and travel time savings anticipated by their proposed New Starts projects, and to better understand the travel markets that benefit from the proposed investment.

FTA oversight is paying off for the transit program. Travel forecasting methods are much improved. Improving the reliability of project cost and benefit estimates helps ensure that Federal investment in transit is directed to the most worthwhile projects and also improves the information available to support local decision-making. The result is successful projects that ultimately foster Federal and local commitment to additional investment in transit.

New Starts Program Assessment and Resultant Improvements

FTA strives for continuous process improvement, quality, and increased customer satisfaction. As a result, we undertook the further step last summer of engaging an international business and management consulting firm to review our New Starts process. That firm, Deloitte Consulting, LLP, reviewed and assessed every aspect of the New Starts competitive process from organizational structure and operations to improved project delivery. The Deloitte report is organized around four general themes, *i.e.*, streamlining project development and evaluations processes; New Starts process management; FTA's organizational structure; and, improved communications.

The Deloitte report first discusses **streamlining project development and evaluation** processes, *i.e.*, how FTA can move projects faster, reduce reporting requirements, and shorten, or at least standardize, review times. On this front, we are happy to report on some short-term measures that we are prepared to implement in the coming weeks, and some longer-term

opportunities we intend to flesh out in the near future. As first outlined in our February 2007 *Proposed Policy Guidance on New Starts and Small Starts*, FTA proposed eliminating a number of New Starts reporting requirements, including, for many projects, the need to re-report any criteria on an annual basis. New Starts stakeholders voiced support for this idea through the public comment process, and we will address their comments in the final New Starts *Policy Guidance*, which we will issue in the very near future. In terms of improving FTA response times, the Deloitte group endorsed the Project Development Agreement – or PDA – a concept that we have encouraged the industry to consider for some time. Under a PDA, the New Starts project sponsor and FTA would agree to a delivery schedule, a review of key project development deliverables, and clarify FTA and local expectations for demonstrating project development progress. Both parties to the agreement would be held accountable for the advancement of candidate New Starts projects. FTA looks forward to working with project sponsors on such agreements.

In addition, FTA is looking at ways to more efficiently address project development risk, such as the potential for cost overruns and schedule delays. One way is to incorporate risk management into the project development process, and we are happy to report to you that in the next several weeks FTA will be unveiling a robust program of guidance and training in project risk management. A second way is to encourage alternative project delivery methods, including various public private partnership delivery methods commonly utilized in the highway sector around the world such as design build, design build operate and maintain agreements, and long term concessions. FTA's Public-Private-Partnership Pilot Program – or Penta-P – acknowledges this transfer of risk from the public to the private sector with the advantage of streamlined FTA oversight requirements. Under Penta-P, FTA will remove the private sector investment in a proposed New Starts project from its cost effectiveness calculation to the extent the terms of such investment provide powerful incentives for more efficient operations and management of a project. The investment of private capital in major transit capital projects is likely to improve the accuracy of cost and ridership projections used to justify public investment in such projects. We believe Penta-P will be a successful extension of the Federal-local partnership, resulting in more efficient Federal investments in new major capital projects.

A second theme found in the Deloitte report is **New Starts process management**. In this regard, Deloitte recommended that FTA develop and better integrate meaningful program performance measures into its strategic business plan, which we are actively considering. Deloitte also recommended that FTA improve upon its industry guidance. The development of major transit capital investment projects is a complex endeavor, often among the largest and most technically challenging public infrastructure efforts undertaken in many urban areas. FTA possesses considerable technical expertise in this area and has developed a number of guidance documents available on its website, as well as training opportunities in such topics as alternatives analysis, travel forecasting, and construction management. In addition to the risk management initiative, FTA is developing technical guidance on capturing previously unmeasurable benefits in local travel forecasting procedures. Both efforts will result in better New Starts project cost and benefit estimates.

Deloitte further recommended that FTA develop guidance that clarifies and simplifies its procedural requirements for advancing projects through the New Starts project development

process. FTA agrees, and is responding to this recommendation. In addition to the New Starts *Policy Guidance* and updated *New Starts Criteria Reporting Instructions*, FTA plans to publish Preliminary Engineering and Final Design "checklists," clarifying, in one source document, the distinct requirements for advancing projects into each project development stage. Also, in the coming weeks, FTA will clarify guidance on the New Starts baseline alternative, including substantial streamlining in the baseline development and approval process; issue final guidance on the Before and After study and the first set in a series of New Starts "fact sheets" – one page synopses geared to local policymakers and agency staff alike - of the guiding principles supporting the myriad of New Starts activities, including project development, evaluation, technical competencies, and FTA requirements. The industry can expect even more guidance in the months ahead.

To further improve the New Starts management process, FTA is implementing more efficient and transparent management systems to facilitate project development delivery reviews. Technology will play a large role in this endeavor. FTA is engaged in its own "alternatives analysis" of several internet-based case management systems designed to respond to the need for project tracking, tracking of project deliverables, FTA review periods, FTA comments and direction, and accountability for that direction – in essence, the writing of a project development history, at least in terms of FTA involvement and its significant milestone approvals. Importantly, this system will be open and available to project sponsors, so that they can be assured that FTA is delivering timely reviews and technical assistance.

The third theme in the Deloitte report focuses on **FTA's own organizational structure**. FTA has dedicated staff serving both a national program in Washington, DC and its implementation arm(s) in 10 regional and 5 metropolitan offices across the country. As part of our stewardship responsibilities, we work hard to ensure that all New Starts project sponsors are provided the same level of agency support, and that their projects compete on a level playing field. We endeavor to optimize employee skill sets in program administration. We also strive to improve upon the stakeholder service that we take such pride in. To that end, FTA is implementing the "New Starts Team" concept, designed to bring together technical and programmatic resources to deliver responsive technical assistance and to bring a "problem-solving" attitude to the implementation of our program. Essentially, New Starts project sponsors are paired with a "New Starts Team," whose primary point of contact resides in the FTA Regional Office. Both the project sponsor and the FTA Regional Office can rely on transit planners, environmental specialists, engineers, and other resources in headquarters to provide timely technical support, reviews and responses to questions. FTA is developing internal standard operating procedures for the New Starts Teams and then will issue guidance on the range of New Starts Teams' services and the process for working with the Teams.

The fourth theme evident in the Deloitte report is the need for **improved communications** with program stakeholders. At this juncture, I would like to note our close working relationship with Congress on the New Starts process and the status of individual projects. We have a monthly New Starts conference call with House and Senate Committee staffs during which we provide individual project updates and discuss notable problems or policy changes. We have found this to be an invaluable tool in keeping Congress apprised of project status and policy updates.

In addition, we communicate with Congress in writing before each New Starts project proceeds to the next stage of development. Before a project proceeds into Preliminary Engineering, Final Design, or Project Development, we provide Congress with a 10 day notice and a short description of the project. Prior to signing an FFGA, we provide Congress with a 60 day notice, an in-depth briefing and a copy of the agreement and supporting documentation. It is certainly our desire to make the New Starts process as transparent as possible and having a close working relationship with Congress is a key component of that goal.

Aside from our discussions with Congress, many of FTA's initiatives mentioned in my testimony, such as enhanced guidance, training on FTA procedural and technical requirements and expectations, a transparent New Starts case management system, and clearer lines of FTA responsibility for key aspects of the program, certainly contribute to improved communications. We also will perform more stakeholder outreach, which will include the popular "New Starts Roundtable" discussions with transit agency staff.

Small Starts

The Small Starts program is a significant departure from the traditional New Starts program, which has long required as a defining feature of eligibility a "fixed guideway," that is, either an exclusive or semi-exclusive transit right-of-way or in-street rail operations. Communities with low population densities are often unable to successfully compete in the New Starts process because travel markets inherent to such areas generally do not justify investment in complex fixed guideway systems. And yet, certain transit investments in these communities often require more funding than can be generated locally or provided under FTA's discretionary bus program. In addition, we have found that project sponsors often avoided less-costly public transportation projects because New Starts funds were limited to fixed guideway investments. For these reasons, SAFETEA-LU established the Small Starts program to advance lower-cost fixed guideway and non-fixed guideway projects such as bus rapid transit, streetcars, and commuter rail projects through an expedited and streamlined evaluation and rating process.

Subsequent to the passage of SAFETEA-LU, FTA introduced a project concept called "Very Small Starts." These projects are simple, low-risk projects that qualify for a highly simplified project evaluation and rating process by FTA. A project must be a bus, rail or ferry project, contain certain features and have a total project cost of less than $50 million. Such projects, by their nature, have sufficient benefits to rate well without further analysis.

Interest in the Small Starts program is growing, but until recently there were not enough eligible projects to justify the authorized funding levels. That looks to be changing, however. In addition to the four projects that the Administration recommended for funding in the President's FY 2008 budget request, FTA is working with several potential Small Starts project sponsors on preparing a request for entry into project development. FTA may recommend any one of these projects for FY 2008 funding. With your support, Mr. Chairman, and the support of the Subcommittee members, I am confident that we can administer a robust Small Starts program during this reauthorization period.

Guidance and Regulations

In early 2006, FTA issued an Advance Notice of Proposed Rulemaking (ANPRM) on the Small Starts program and draft policy guidance on the New Starts program to seek public input for later development of a notice of proposed rulemaking (NPRM). Over the next several months, FTA held a number of outreach sessions to discuss these two documents. Given the complexity of the issues involved and the level of interest in both the New Starts and Small Starts programs, the comments we received were extensive. FTA has worked diligently to review and reconcile the comments, and we hope to soon issue an NPRM for both the New Starts and Small Starts programs.

In the meantime, FTA issued final New Starts Policy Guidance in May 2006 and an Interim Guidance on the Small Starts program, including Very Small Starts, in July 2006. Both documents are intended to guide the development and advancement of New Starts and Small Starts until issuance of a final regulation or subsequent policy guidance in the next few months, followed by a final rule sometime in 2008.

Conclusion

Chairman DeFazio, Ranking Member Duncan, and Members of this Subcommittee, FTA is committed to the New Starts and Small Starts programs. The Deloitte report provides FTA with an independent process review and assessment of the programs and we are implementing many of the firm's recommendations. We are committed to streamlining project delivery while providing strong project management oversight. We strive to bring good projects in on-time and within budget. We are enhancing customer service through improved communications and are eager to provide program guidance and establish regulatory requirements for both these programs. We look forward to working with Congress on these and other issues facing our Nation's public transportation system. I will be happy to respond to your questions.