

STATEMENT OF
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UNITED STATES HOUSE OF REPRESENTATIVES

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Good morning Chairman Norton, Ranking Member Davis, and Members of the Subcommittee. I would also like to recognize Chairman DeFazio and Ranking Member Sam Graves. Thank you for inviting me to appear before you today to report on the Federal Transit Administration's Capital Investment Grants (CIG) program.

FTA's mission is to improve public transportation for America's communities. Since 1964, FTA has partnered with state and local governments to create and enhance public transportation systems. Today, FTA invests more than **\$13 billion** annually to support and enhance rail, bus, ferry, and other transit services. This investment has helped modernize public transportation and extend service into large and small urban areas as well as rural communities across our nation.

The CIG program began as a loan program for transit projects in the 1960s. Today, the CIG program, authorized at \$2.3 billion a year, is the Department's largest discretionary grant program.

Today's CIG program funds capital investments in heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. These are high-impact, capital-intensive projects that receive substantial local and national attention. In fact, the CIG program accounts for approximately 20 percent of FTA's annual appropriation but generates more scrutiny than all of our other programs combined.

My testimony today focuses on the Department's track record in advancing CIG projects and dispelling misinformation about DOT's current management of the program. First, let me summarize some of the important work FTA has accomplished under this Administration.

Departmental Priorities

In addition to funding projects through the CIG program, we have focused our attention on Secretary Chao's three major priorities: safety, innovation and infrastructure investment.

As Chairman Norton and other Members are aware, FTA certified the Washington Metrorail Safety Commission (WMSC) as one of the 31 State Safety Oversight Agencies for states with rail transit last spring, ahead of the April 2019 statutory deadline. The WMSC certification allowed FTA to transfer direct safety oversight of the Washington Metropolitan Area Transit

Authority's (WMATA) Metrorail system to the WMSC after nearly four years of direct safety oversight authority by FTA. You will recall that the Department assumed direct safety oversight of WMATA in 2015 following serious safety lapses, including a smoke incident in which one passenger was killed and several injured.

FTA issued eight directives with 289 corrective actions; conducted four safety investigations focused on track integrity, stop signal overruns, traction power electrification, and vehicle securement; and completed more than 1,200 inspections. FTA partnered with WMATA General Manager Paul Wiedefeld to bring about significant systemic safety improvements across the WMATA system before transferring oversight to the WMSC. FTA continues to provide annual funding and technical assistance to the WMSC.

When I began my tenure at FTA in August of 2017, there was not one single State Safety Oversight Program certified by FTA. Thanks to the hard work of our team at FTA and action by our state partners, all 31 SSO programs are now certified.

FTA has continued to support transit across the nation, awarding more than \$15 billion dollars in grants, including funding for bus fleet modernization, state of good repair needs, and planning for Transit-Oriented Development.

For example, last fall FTA awarded \$12 million in Bus and Bus Facilities grants to Central Illinois. As Ranking Member Davis is aware, the grants enabled Illinois transit agencies to modernize bus fleets, improve service and enhance safety for riders.

Transit riders in Texas also benefited from an FTA Bus and Bus Facilities grant last year. A \$7 million grant to the Texas Department of Transportation replaced older buses that exceeded their useful life in rural areas throughout the state. The grant, combined with matching funds, will replace more than 250 buses and bring the rural fleet in line with standards for state of good repair.

FTA supports Secretary Chao's priority to advance innovation in transportation through a \$15 million Integrated Mobility Innovation (IMI) discretionary grant program, which will fund some of the most promising new technologies. We expect the IMI program will help deliver new forms of mobility such as car-sharing services and automation to help meet transit rider expectations and increase ridership.

About the CIG Program

The CIG program funds the construction of transit projects that have completed a statutorily defined multi-step, multi-year process. As required by law, a proposed project must be evaluated and receive an overall rating by FTA based on both the project justification and the local financial commitment criteria at several points during the process. A project must receive a

“Medium” or better overall rating to advance to the next step in the process, including before it can be considered for a construction grant agreement.

The CIG program is one of the government’s most complex and rigorous grant programs. Depending on the size and complexity of the project and the degree of local consensus, the process to reach a grant award can take on average two to four years, with the pace primarily depending on actions by the local project sponsor. Adding to the challenge, since 2013 the number of projects seeking funding has increased 112 percent, from 25 to 53. These projects have also increased in cost as well, with 31 percent of New Starts and Core Capacity projects currently in the program requesting more than \$1 billion in CIG funding.

Successes

I have heard concerns expressed about FTA’s current approach toward the CIG program. Some say FTA has slowed the number of signed construction grant agreements compared to previous Administrations.

That, however, is not true. During the first two years of this Administration FTA advanced more CIG projects than the previous Administration’s first two years in office – an apt comparison given that every new Administration faces a transition period.

During the first two years of this Administration – beginning January 21, 2017 through the end of 2018 – FTA signed 13 CIG construction grant agreements totaling \$3.3 billion in funding. In the same period during the previous Administration – January 21, 2009 through the end of 2010 – 10 construction grant agreements were signed totaling \$1.08 billion in funding.

We are continuing to process projects through the CIG program in accordance with the law and Congressional intent.

In 2017, the FTA executed three construction grant agreements: the Caltrain commuter rail electrification project in San Francisco, the Maryland Purple Line light rail project and the Ft. Lauderdale Wave Streetcar (although, ultimately, the Wave Streetcar project was cancelled by the local sponsor and withdrawn from the CIG program).

In 2018, FTA executed ten construction grant agreements, including eight Small Start agreements: for the Laker Line bus rapid transit (BRT) system in Grand Rapids; the Jacksonville First Coast Flyer BRT; the SMART Regional Rail in San Rafael, California; the Prospect MAX BRT in Kansas City; the Everett Swift BRT line and the Tacoma Link light rail extension in Washington State; the IndyGo Red Line BRT in Indianapolis; and the Albuquerque Rapid Transit BRT in New Mexico.

We ended the year by signing two Full Funding Grant Agreements: for the Santa Ana Streetcar in Orange County, California, and the Lynnwood Link light rail in Seattle. The Lynnwood Link Full Funding Grant Agreement was one of the agency’s largest in recent history, and included

the most funding during my FTA tenure, providing \$1.17 billion dollars to Sound Transit to help expand its light rail system. In addition, the project received a \$658 million USDOT Build America Bureau Transportation Infrastructure Finance and Innovation Act (TIFIA) loan.

Lynnwood Link provides a good comparison to the previous Administration as well. From the time FTA received a complete information package from the project sponsor, it took FTA 133 days to complete the statutorily required evaluations and reviews to execute the Lynnwood Link grant award. That is the same amount of time the previous Administration took to complete the Los Angeles Westside Section 2 subway grant award. Both were large, complicated projects submitted by experienced project sponsors seeking CIG funding and TIFIA loans concurrently.

In 2019, we executed a construction grant agreement for the Minneapolis Orange Line BRT project, and a Full Funding Grant Agreement for Dallas Area Rapid Transit's Core Capacity project.

Overall, since this Administration began through the end of June, FTA has executed 15 CIG grant agreements – for five New Starts and Core Capacity projects and 10 Small Starts projects throughout the nation totaling approximately \$3.5 billion dollars in transit infrastructure investment.

That investment has continued this year, and FTA now has committed approximately \$7.6 billion toward 25 new projects. To detail just this year's investment, in 2019, FTA has allocated funding for the following new projects:

- Phoenix, AZ South Central light rail extension (\$100 million)
- Jacksonville, FL Southwest Corridor BRT (\$16.6 million)
- Reno, NV Virginia Street BRT Extension (\$40.4 million)
- Albany, NY River Corridor BRT (\$26.9 million)
- Portland, OR Division Transit BRT (\$87.4 million)
- Seattle, WA Federal Way light rail extension (\$100 million)
- Spokane, WA Central City Line BRT (\$53.4 million)
- San Francisco, CA Transbay Corridor (\$300 million)
- Los Angeles County, CA Westside Subway Section 3 (\$100 million)

In addition to providing funding, FTA continues to work with project sponsors through the CIG process. For example, FTA has moved 18 projects into the first phase of the CIG program, the Project Development phase, during this Administration (1/21/17 through 6/30/2019); and advanced seven projects into the Engineering phase, including New York's Canarsie power improvements project, Durham, NC light rail, Los Angeles Westside Subway Section 3, Phoenix South Central light rail, Seattle's Lynnwood Link light rail, San Francisco Bay Area's Transbay Corridor subway project and the Dallas platform extensions project that we advanced to a Full Funding Grant Agreement. FTA also approved 22 letters of no prejudice, which allow projects to

proceed with initial construction activities using non-federal funds while retaining eligibility for future reimbursement should a CIG grant be awarded.

It is important to note that the President's FY 2020 budget request supports the CIG Program. The FY 2020 budget proposal contains \$1.5 billion dollars in funding for the CIG Program, including \$500 million for potential new Capital Investment Grant projects that may become ready for funding during FY 2020, including Expedited Project Delivery (EPD) projects. In addition, the FY 2020 request includes \$500 million in Transit Infrastructure Grants that would reinvest in existing transit assets, including fixed-guideway and buses and related equipment. This new funding would come from the General Fund, which competes across the entire government for funding. It also balances the need to expand with the importance of maintaining current systems in a state of good repair and modernizing bus fleets and facilities.

FTA also made significant progress in implementing the EPD pilot program. The program encourages collaboration between public and private entities to leverage federal expenditures on major transit infrastructure projects. The law limits the total federal contribution to 25 percent or less of the total project cost. With the federal government contribution maxed at 25 percent, the law indicates FTA must perform expedited reviews of project justification and local financial commitment and accelerate grant award decisions.

The law allows the award of up to eight grant agreements, and FTA received expressions of interest from four agencies representing seven projects. We are moving forward with discussions with the Santa Clara Valley Transportation Authority in San José for the BART Silicon Valley Phase II subway project. We are also continuing to work with the other project sponsors as their projects may become ready for an agreement under the program.

A total of \$125 million dollars has been appropriated for the EPD Program in fiscal years 2019 and prior.

Challenges

FTA is moving projects through the CIG program in accordance with the statutory requirements. The timing of construction grant awards depends heavily on project sponsors completing necessary work to meet those statutory requirements. The anticipated schedule for signing construction grant agreements can, and often does, change as project sponsors work to complete the myriad of requirements in law, regulation, and guidance for receipt of CIG funds.

In short, FTA does not sign construction grant agreements committing millions or billions of federal dollars until we have assurance from the project sponsor that all non-CIG funding is committed, all critical third-party agreements are complete, and the project's cost, scope, and schedule are considered firm and final.

Frequently, we see proposed CIG projects delayed by challenges at the local level. Those challenges might include a lack of local consensus on project scope such as disputes over the location of proposed stations or alignments, or whether lines will run above or below ground – decisions that have huge budget implications and can often lead to litigation. For example, the Fort Lauderdale Wave Streetcar and the Durham, NC light rail projects were withdrawn due to challenges at the local level. The Maryland Purple Line construction grant award was delayed for a year by a series of court actions taken by local project opponents.

Another complicating factor is whether the project sponsor can secure all needed non-CIG funding, whether from other federal, state, local, or private sources.

Delays can also occur as part of the project sponsor's procurement process or when a project sponsor changes its approach to construction.

This is a complicated process that relies on a number of actions and approvals at the local level and, as such, it is important to note that schedules for large capital projects can – and do – shift.

Program Policies

The CIG program fosters highly successful federal-local partnerships that positively impact millions of Americans across the country.

Last summer, in an effort to be transparent, FTA issued a Dear Colleague letter to remind project sponsors about the policies underpinning the CIG program and the rationale behind funding decisions. The letter emphasized the need for a firm local financial commitment and project readiness before a construction grant agreement could be awarded and recommended a balanced approach of local and state funding alongside federal grants and loans. We also reminded project sponsors that innovative approaches, including value capture, private contributions and public-private partnerships, could help them meet the matching funds requirements.

Although FTA has never required project sponsors to seek a lower CIG share, we have over the years, across multiple administrations, encouraged project sponsors to consider a more balanced local share to better leverage federal dollars to invest in additional projects throughout the nation. The statute requires that FTA consider the extent to which the project has a local financial commitment that exceeds the required non-government share of the cost of the project.

In short, we want to ensure projects that are funded with taxpayer dollars are sound investments completed on time and within budget.

Also last summer, FTA updated the procedures it uses to review capital cost estimates. The law requires FTA to consider both project readiness and associated risk in evaluating projects for funding through the CIG program. The agency's diligence in administering the program helps ensure that federal funds allocated to projects will be protected from the risks of cost overruns and schedule delays that CIG projects have often experienced.

Undertaking an analysis of project risk earlier in the process permits FTA and project sponsors to identify strategies to mitigate and reduce potential cost increases, ensuring that cost projections are realistic, the public knows what they are supporting, and that taxpayer dollars are spent wisely. The public, our shared constituents, expects us to deliver projects on time and within budget. Effective analysis and the mitigation of risk earlier in the CIG process, before FTA locks in the CIG contribution, provides the best way, short of a guarantee, to meet our public obligation.

Simply put, it's good governance.

Identifying risk earlier in the process also benefits project sponsors because it requires them to develop more realistic financial plans to pay for a project or identify changes to the design or project management to save costs when there is still time to implement such changes.

FTA intends to continue to evaluate each CIG project on its individual merits, consistent with the discretion afforded by law. FTA regularly engages with stakeholders in local communities, across the transit industry, and with our Congressional colleagues on the CIG program.

Conclusion

In conclusion, FTA will continue to process projects through the Capital Investment Grants program in accordance with the law. We remain committed to our mission to improve public transportation for America's communities. I look forward to working with this Committee and each of you. I'm happy to answer any questions you may have.

Signed Capital Investment Grant (CIG) Funding Agreements, 1/20/2017-7/9/2019

FTA has advanced funding for 25 new CIG projects throughout the nation under this Administration since January 20, 2017, totaling approximately \$7.63 billion in funding commitments.

	Project Name	Project Sponsor	Mode	Date Signed	Total project cost	CIG Funding Commitments
SIGNED AGREEMENTS						
1	Caltrain Peninsula Corridor Electrification Project (CA)	Caltrain	Commuter rail	5/23/2017	\$1,930,670,000	\$647,000,000
2	Purple Line LRT (MD)	Maryland Transit Administration	Heavy rail	8/22/2017	\$2,407,030,286	\$900,000,000
3	Wave Streetcar (FL)	Florida Department of Transportation	Streetcar	10/12/2017	\$195,280,826	\$60,660,000
4	Laker Line BRT (MI)	Interurban Transit Partnership	BRT	2/9/2018	\$70,237,085	\$56,189,668
5	Jacksonville First Coast Flyer BRT East Corridor (FL)	Jacksonville Transportation Authority	BRT	2/23/2018	\$34,009,455	\$16,930,000
6	SMART Regional Rail - San Rafael to Larkspur Extension (CA)	Sonoma-Marín Area Rail Transit	Commuter rail	4/5/2018	\$55,435,057	\$22,533,000
7	Prospect MAX BRT (MO)	Kansas City Area Transportation Authority	BRT	4/9/2018	\$54,160,330	\$29,890,000
8	Everett Swift II BRT (WA)	Community Transit	BRT	4/9/2018	\$73,631,772	\$43,190,000
9	IndyGo Red Line (IN)	Indianapolis Public Transportation Corporation	BRT	5/14/2018	\$96,329,980	\$74,989,685
10	Tacoma Link Extension (WA)	Sound Transit	Light rail	5/15/2018	\$214,613,395	\$74,999,999
11	Albuquerque Rapid Transit (NM)	ABQ Ride	BRT	8/30/2018	\$133,700,000	\$75,035,549
12	Santa Ana Streetcar (CA)	Orange County Transportation Authority	Streetcar	11/30/2018	\$407,759,966	\$148,955,409
13	Lynnwood Link (WA)	Sound Transit	Light rail	12/20/2018	\$3,260,357,587	\$1,172,730,000
14	Dallas DART Red and Blue Line Platform Extensions (TX)	Dallas Area Rapid Transit	Light rail	5/28/2019	\$128,744,912	\$60,760,380
15	Minneapolis Orange Line BRT (MN)	Met Council	BRT	6/19/2019	\$150,700,532	\$74,078,782
TOTAL 1/20/17 - 6/18/19					\$9,212,661,183	\$3,457,942,472

ALLOCATIONS MADE IN ANTICIPATION OF FUNDING AGREEMENTS

				Date of Allocation		
16	Los Angeles Westside Purple Line Extension Section 3 (CA)	Los Angeles County Metropolitan Transportation Authority	Heavy rail	11/28/2018 7/9/2019	\$3,662,992,384	\$1,300,000,000
17	Tempe Streetcar (AZ)	Valley Metro	Streetcar	11/28/2018	\$201,849,332	\$75,000,000
18	Southwest Corridor BRT (FL)	Jacksonville Transportation Authority	BRT	4/9/2019	\$33,200,000	\$16,600,000
19	Virginia Street BRT Extension (NV)	Regional Transportation Commission of Washoe County	BRT	4/9/2019	\$98,500,000	\$40,387,863
20	River Corridor/Blue Line BRT (NY)	Albany Capital District Transportation Authority	BRT	4/9/2019	\$41,400,000	\$26,922,248
21	Division Transit Project BRT (OR)	Tri-County Metropolitan Transportation District of Oregon	BRT	4/9/2019	\$174,800,000	\$87,422,752
22	Central City Line BRT (WA)	Spokane Transit Authority	BRT	4/9/2019	\$72,000,000	\$53,425,000
23	San Francisco, Transbay Corridor (CA)	Bay Area Rapid Transit	Heavy rail	6/20/2019	\$2,771,200,000	\$1,250,000,000
24	Phoenix, Valley Metro South Central Light Rail Extension (AZ)	Valley Metro	Light Rail	7/9/2019	\$1,345,200,000	\$530,000,000
25	Seattle, Federal Way Light Rail Project (WA)	Sound Transit	Light Rail	7/9/2019	\$3,160,700,000	\$790,000,000
Total anticipated funding agreements					\$11,561,841,716	\$4,169,757,863

Updated July 9, 2019

Advanced CIG Funding Since 1/20/2017	\$7,627,700,335
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