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**BEFORE THE U.S. SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN
AFFAIRS**

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Chairman Johnson, Ranking Member Shelby, and Members of the Committee:

Thank you for the opportunity to appear before you today to discuss the Obama Administration's policy priorities for the next authorization of federal transit programs. We appreciate the Committee's hard work to develop this important legislation. And we believe it is in the best interests of the American people to support a legislative framework that will enable us to strategically rebuild and expand our national transit infrastructure in ways that will create new jobs, enhance competitiveness, and spur economic growth in communities nationwide, while also reducing our nation's dependence on oil.

Almost all Americans—from families to business owners—have been affected by the spike in gas prices lately, as they were in 2008 and back in 1973. But we can't keep proposing policy changes when gas prices rise, only to forget about them once they go back down. President Obama has noted that while there is no silver bullet to address rising gas prices in the short term, there are steps we can take to ensure the American people do not fall victim to skyrocketing gas prices over the long term.

Toward this end, the President has laid out a blueprint to put America on a path toward a cleaner, safer, and more secure energy future. The Administration has pledged that by 2025, we will reduce our net imports of oil by one-third and put forward a plan that produces more oil domestically, reducing our dependence on oil with cleaner fuels and greater efficiency. That is achievable, it is necessary, and for the sake of our future, we will get it done.

To ensure that this strategy succeeds, we are making historic investments in high-speed rail and public transit, because part of making our transportation sector cleaner and more efficient involves offering Americans—urban, suburban, and rural—the choice to be mobile without having to get in a car and pay for gas.

We at FTA have been hearing from transit agencies all over the country, who tell us they are experiencing a surge in ridership that they attribute, at least in part, to the pain people are feeling at the pump. For example, in New Orleans, Louisiana, ridership on the RTA transit system is up more than 20 percent over last year. In Kankakee County, Illinois, local buses have added more than 3,000 new riders this spring. In greater Philadelphia, there's been a 4 percent increase on SEPTA's trains and buses over a recent 8-month period. And in northern Virginia, 7 percent more riders chose to ride the VRE commuter rail in February than the same time last year.

These increases represent millions of new trips taken every day. Many of these trips are taken by hard-working Americans who simply cannot afford to purchase and maintain privately owned vehicles. Suburban commuters who are also concerned about the high cost of gas—and would prefer not to waste gas sitting in traffic—are also turning to transit. According to the American Public Transportation Association, riding public transportation saves individuals, on average, \$10,116 annually, or \$843 a month, compared with driving.

Implementation of our priorities for reauthorization—together with enactment of the President's budget request for fiscal 2012—will ensure that America's transit systems are reliable, desirable, efficient, and safer than ever for the millions who use them every day in our urban, suburban, and rural communities. Our priorities reflect the Administration's dual commitments to expanding transit in areas with little or no transit while also bringing our older, urban transit systems into a state of good repair. But transit service is only as strong as the agency that runs it. Therefore, it's equally important to support workforce training and development within the transit industry as well as temporary, targeted operating assistance for transit providers in distress. To improve FTA's capacity to oversee and manage the billions of dollars we award annually to state and local transportation providers, and ensure that taxpayers' transportation dollars are wisely spent, the Administration is also committed to streamlining and consolidating core programs to improve efficiency and become even more responsive to local transportation priorities. 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. That is why we propose significant changes that will accelerate the development and financing of critically needed projects to expand transportation options in the United States. Additionally, we will reduce the administrative burden now experienced by FTA's grant recipients for programs that offer mobility for older adults, people with disabilities, and low-income individuals. To this end, we will merge and consolidate three separate programs.

A description of FTA's policy priorities for the next authorization follows.

STATE OF GOOD REPAIR

During his State of the Union Address, President Obama laid out an aggressive but achievable plan to out-build, out-innovate, and out-educate our global economic competitors. At the heart of the president's challenge is public transit. The Administration supports making a groundbreaking commitment to not only expand transit options for Americans, but just as importantly, maintain our transit systems in a state of good repair. A September 2010 FTA study found that the nation's transit systems, including bus systems, have a \$78 billion backlog of assets in marginal or poor condition and that our nation's transit systems will require an estimated \$14.4 billion annual investment to continue to maintain a state of good repair once that backlog is addressed.

Through a new State of Good Repair program, one that would replace the existing fixed guideway modernization and discretionary bus programs, formula grants would be provided to transit agencies over the next six years to enable them to improve the condition of their existing capital assets. We will work closely with this Committee to develop a reformulated two-tiered formula for both bus and rail that closely reflects the capital needs of transit agencies. This formula should allocate funds based on the relative cost to restore public transportation assets to a state of good repair. We also recommend that the formula give priority to transit agencies with

the most pressing capital investment requirements. The formula should not inequitably reward public transportation agencies that have failed to adequately maintain their capital assets. We should require transit agencies to use asset management techniques to target their state-of-good repair investments. Also, it should assure equitable treatment of the relative needs of rail and bus systems and provide an incentive to transit agencies for developing and implementing structured asset management techniques.

SAFETY

Secretary LaHood has regularly stated that “safety is our highest priority and we are committed to keeping transit one of the safest modes of transportation in the nation.” Our commitment to safety is demonstrated by the Administration’s repeated requests that Congress enact new authority for FTA to ensure the safety of rail-transit riders across America.

In December 2009, Secretary LaHood transmitted to Congress legislation that would establish national rail transit safety standards. This was the first piece of legislation that any President, in any Administration, transmitted to Congress that was solely about public transportation, and appropriately, it was about safety.

We’re also very grateful that this Committee unanimously passed a safety bill in June 2010. While it differed in some respects from the Administration’s proposal, it includes the core components that will put us all on a better path for improved safety.

I want to thank all the Committee members that have worked on that legislation. I can promise you, FTA will continue to work with the leadership in Congress until public transportation safety legislation is enacted as a stand-alone bill or as a part of the reauthorization of the Federal Public Transportation Assistance Programs. I am grateful to the American Public Transportation Association (APTA) for their recommendations on how to improve safety legislation as well as their support of this much needed legislation as it moves through the process.

To achieve the goal of putting safety first, it is imperative that Congress rescinds an antiquated 1960s era law that forbids the federal government from issuing even the most basic safety regulations now. When Secretary LaHood and I testified before the Subcommittee on Housing, Transportation, and Community Development on December 10, 2010, we expressed concern about warning signs regarding the frequency of derailments, collisions, and passenger casualties and reported on a number of accidents serving as the basis of our concern. While transit is a safe way to travel, we continue to see too many preventable accidents. For example, on March 13 of this year, a BART train derailed as it approached a station, causing the evacuation of 65 passengers. Four people were injured, and the accident resulted in \$800,000 in damage. And, on April 20, 2010, 20 people were injured because of a fire in a tunnel just outside the MBTA's Downtown Crossing Station. The cause of the fire was due to trash near an electrical cable.

Clearly, FTA needs the tools to ensure that public transportation remains safe as our systems age and experienced employees retire in increasing numbers. Enactment of this commonsense safety legislation is long overdue; we request that Congress move quickly to provide those necessary tools to us to help keep the public safe.

TEMPORARY AND TARGETED OPERATING ASSISTANCE

The Administration's proposed flexibility to use Section 5307 Urbanized Area Formula Grant funds for operating expenses is an important recognition that some of our public transportation agencies need help addressing their operating shortfalls in the short run. In smaller urban areas and in rural areas, FTA formula funds can already pay for operating assistance. But now we are proposing that FTA funding be available for temporary operating assistance specifically in economically distressed urbanized areas with a population of over 200,000.

This flexibility would phase out over three years. In the first year, grantees in these targeted areas would be permitted to use up to 25 percent of their urbanized area apportionment for operating expenses and declining portions during the second and third years. To prevent the substituting of Federal funds for local dollars, each transit agency would have to certify to FTA that its local funding partners did not reduce the proportion of local funding dedicated to transit and that service levels are maintained and not cut below previous levels.

PROGRAM STREAMLINING AND DELIVERY

I. Capital Investment Program

The Administration supports transforming the New Starts program (Section 5309), into a Capital Investment Program that would feature a simpler and more streamlined process for funding the construction of new fixed guideway projects and extensions to existing fixed guideway projects, such as heavy rail, light rail, commuter rail and bus rapid transit. Currently, FTA follows a rigorous, time-consuming process based on requirements set by the law when reviewing grant applications for program funding. This process focuses on awarding federal dollars to the highest rated projects. However, sometimes project timelines are sacrificed along the way, resulting in higher project costs.

We believe that such changes will expand transportation options in the United States by accelerating the development and financing of critically needed projects. Importantly, streamlining the Capital Investment Grants process will be a true catalyst to long-term economic development and job growth surrounding the new rail line.

The goal of streamlining Capital Investment Program is to strike the right balance between stewardship and the need to advance New Starts projects in a reasonable timeframe. To that end, FTA supports eliminating the duplicative Alternative Analysis requirement since it is already required by the National Environmental Policy Act.

We support merging Preliminary Engineering and Final Design into a single Project Development stage under our proposal. Entry into the Project Development phase would require FTA approval. The current six project performance criteria would be reduced to four—transportation effects, environmental effects, economic development and comparison of project's effects to costs.

Streamlining the project development process would permit us to discontinue the current "Small Starts" category—projects requesting less than \$75 million in New Starts funds with a total

capital cost of less than \$250 million. Instead, the program would include two new project categories: the larger Capital Investment Grant projects and Exempt projects, which request less than 10 percent of their funds from this program, and in any case, no more than \$100 million. Exempt projects would be subject only to basic Federal grant requirements and would not be evaluated and rated under the program criteria.

One set of project evaluation criteria would be applied to all non-exempt projects. Projects' sponsors seeking more than \$100 million in Capital Investment Grant Program funds would receive construction funds through a Full Funding Grant Agreement while projects seeking less than \$100 million would receive construction funds through a simplified Project Construction Grant Agreement. We propose to maintain the five-tier project rating system of low, medium-low, medium, medium-high and high for project ratings. We also provide comparable, but not necessarily equal, weight to each of the project performance criteria.

II. Consolidated Specialized Transportation Grant Program

Over time, FTA's grant recipients have had to devote increasing time and resources to administer the various requirements of FTA's programs that offer mobility for older adults, people with disabilities and low-income individuals. To address this burden, the Administration supports creating a Consolidated Specialized Transportation Grant Program to improve mobility and job access for low income persons, and provide transportation options for senior citizens and individuals with disabilities. This program would merge the existing Elderly Individuals and Individuals with Disabilities Program, the New Freedom program, and the Job Access and Reverse Commute program. The objective of this program reform would be to ensure transportation services are made available in urbanized and non-urbanized areas, and are designed to fill gaps in or enhance transportation services available to meet the particular needs of older adults, low-income individuals, and people with disabilities who are not well served by existing public transportation service.

Funds would be distributed by formula and apportioned to urbanized areas and rural areas based on the number of each targeted population in those respective areas. Funds would be used for planning, capital investments, and operating costs of projects derived from a locally coordinated public transit-human service transportation plan.

PERFORMANCE-BASED PLANNING

Over the past few decades, federal surface transportation law has increasingly recognized the importance of transportation planning as the basis of transportation spending decisions by State and local officials. However, States and localities need to better identify and address their planning problems and needs by making full use of performance data, improving coordination among jurisdictions, and integrating economic, housing, and other planning efforts into their transportation decisions. The Administration supports enhancing the effectiveness of States and MPOs in developing and implementing transportation plans and improvement programs while also ensuring transparency and accountability in public investments, and believes that three changes to the current planning provisions would accomplish this.

First, both metropolitan plans and statewide plans are required to include performance based goals, outcomes and targets. These address not only transportation based outcomes, but environmental and economic development considerations, among others. Furthermore, MPOs and States would be required to demonstrate how the outcomes and performance targets contained in their adopted transportation plans—Transportation Improvement Programs and Statewide Transportation Improve Programs (TIPs/STIPs)—directly link plans to investments.

Second, Metropolitan Planning Organizations (MPO) designations are split into a Tier 1, encompassing areas of 1 million or more population; and Tier 2, encompassing areas of 200,000 to 1 million in population. Tier 1 MPOs are held to more rigorous performance based planning requirements. This recognizes that areas with more people, more complex transportation challenges, and more resources to address those challenges should clear a higher bar than smaller areas.

Third, States are expected to significantly strengthen the performance and financial rigor of their plans and programs, and increase their collaboration with small urban (less than 200,000) and non-metropolitan areas whose transportation needs and priorities are incorporated as part of the statewide process.

LIVABLE COMMUNITIES

The Department of Transportation (DOT) has prioritized its Livable Communities Initiative and Partnership for Sustainable Communities with the Department of Housing and Urban Development (HUD) and the Environmental Protection Agency (EPA) and is exploring areas where program funds may be used to promote these efforts. The initiatives aim to help families in all communities—rural, suburban, and urban—gain better access to affordable housing, more transportation options, and lower transportation costs, while protecting the environment in communities nationwide.

While all of FTA's programs work to enhance the livability of communities by providing transportation options for people and communities across the country, in further support of the Administration's Livability Initiative, FTA is proposing a new Livability Demonstration Grant Program to support innovative projects that improve the link between public transportation and communities. Projects would be evaluated based on innovative or best practices, and local incentives for integrating transit with the community development in accordance with the DOT-HUD-EPA Partnership for Sustainable Community's livability principles. More specifically, projects would test different design and conceptual approaches to promoting livability in urban, rural, and tribal communities nationwide. This approach would allow FTA to evaluate and compare their relative effectiveness.

WORKFORCE DEVELOPMENT AND LOCAL HIRING PREFERENCE

FTA believes that the nation's transit industry should be equipped with a workforce that has the skill-set necessary to fill future transit jobs by establishing, among other things, workforce development and registered apprenticeship programs.

Such a Workforce Development Program would target training funds at under-represented populations in areas of high unemployment areas using up to 0.5 percent of the amounts made available to carry out FTA's urbanized area formula grant program and would be developed and administered in consultation with the Secretary of Labor.

Currently, FTA is prohibited from allowing local hiring preferences on projects using Federal transit assistance. The Workforce Development Program we support would advance local hiring goals set forth in the Office of Management and Budget's guidance for recovery spending issued April 3, 2009. We believe that local hiring is an effective tool that could be used to maintain and promote the working population by giving local workers a leg up on projects they pay for as taxpayers—projects that are being built in their own backyard. For this reason, the Administration supports establishing standards under which a contract for construction may be advertised that contains local hiring requirements in limited circumstances. This provision would be applied only if construction were being conducted in a designated area of high unemployment (per Department of Labor data) and the contract's total capital cost were over \$10 million. Workforce Development Program funds could be used to train individuals hired under contracts allowing local hiring preferences.

PUBLIC TRANSPORTATION EMERGENCY RELIEF PROGRAM

In many communities public transportation provides critical services to residents to carry on daily activities. A temporary interruption in transit service because of a natural or manmade disaster can be disruptive and even cause economic dislocation to those that rely on it for work, medical appointments, and other activities. Additionally, in the wake of Hurricanes Katrina and Rita, the Government Accountability Office found that existing federal emergency and disaster relief programs were not sufficiently responsive to the public transportation needs of communities.

The Administration believes that an Emergency Relief Program should be established to provide funds necessary to quickly restore transit operations in the wake of a disaster. This new program would fund the evacuation costs and temporary operating expenses of transit agencies during and after a disaster, as well as capital replacement and repair costs.

BUY AMERICA

The Obama Administration is committed to ensuring that projects built using United States tax dollars generate the maximum number of jobs right here in the United States. As such, we request that Congress implement the necessary legal changes to increase the "Buy America" standard for federally funded transit equipment and components over time to 100 percent U.S. content. The Administration proposes to achieve this goal by gradually increasing the percentage of rolling stock components and subcomponents that must be produced in the United States. This increase would take place over a five-year period to enable vehicle manufacturers to enlist a greater number of U.S.-based vendors, and to give vendors time to relocate or commence manufacturing activities in this country. By 2016, 100 percent of the cost of components and subcomponents for rolling stock, including rolling stock prototypes, would have to be produced in the United States and final assembly would have to occur here as well.

CONCLUSION

As high gas prices take a bite out of family budgets, the Obama Administration will continue to work with communities to make sure commuters have affordable, convenient ways to get to work, school or the grocery store. The Administration's policy proposals outlined above are a major step in that direction. In addition, there are other policy proposals that benefit several modes of transportation, including public transit. Examples are the Transportation Leadership Awards Program that will reward States and MPOs that are at the forefront of implementing best practices, including developing innovative ways to connect people to opportunities and products to markets and establishing a National Infrastructure Bank within the DOT as an innovative infrastructure financing mechanism for infrastructure projects of regional and national significance that would otherwise be difficult to fund.

The Administration is eager to work with this Committee to ensure that Congress authorizes the Federal Transit Assistance Programs to assist our nation's transit passengers—both those that use transit every day and those that want to use transit in the future. I will be happy to answer any questions you may have.