

**TESTIMONY OF RICHARD SARLES BEFORE THE SUBCOMMITTEE ON HOUSING,  
TRANSPORTATION, AND COMMUNITY DEVELOPMENT**

June 3, 2009

Chairman Menendez, Ranking Member Vitter and distinguished members of the Committee -- my name is Richard Sarles and I am the Executive Director of NJ TRANSIT. NJ TRANSIT is the nation's largest statewide public transportation system providing nearly 900,000 weekday trips on 2000 buses, three light rail lines and 11 commuter rail lines.

Congress and the Obama Administration -- through the American Recovery and Reinvestment Act (ARRA) -- have sent a strong signal to the American public that improving and expanding public transportation is a priority.

It is precisely because we stand at the gateway of a new era in transit investment that it is critical to ensure that, going forward, we have the most expeditious and transparent process to deliver critically needed projects both at the agency and federal levels.

First, let me say that we are very, very pleased to be working with FTA Administrator Peter Rogoff. The Administrator is an extremely knowledgeable transportation expert with considerable experience with New Starts through his work on the Senate Appropriations Committee. He has been a friend to transit for many years and has already hit the ground running, working with us closely in New Jersey to advance New Starts projects. I look forward to his leadership and partnership at FTA.

The FTA has an important, welcomed oversight role in the New Starts process that was designed to realize the benefits for money expended, and to ensure both the competitive nature of the program and the proper usage of Federal funds.

What I hope to address today is the fact that the FTA, like NJ TRANSIT, has limited resources to devote to these valuable oversight responsibilities. FTA must focus its resources to assure that the costs and benefits of a project are fairly presented and that a grantee has in place the requisite organization, funding, processes, controls and personnel to advance and sustain a project. The FTA does not have nor should have the expertise to plan, engineer and construct major projects. Nor should it request or demand reams of documentation with multiple revisions from clearly experienced agencies to prove they know how to plan, engineer and construct a new starts project.

While we have worked through the years on multiple New Starts projects that have yielded tremendous benefits, our experience shows a more recent trend towards layers of oversight that can create risks to project schedules and budgets.

Specifically, NJ TRANSIT has completed four New Starts projects since the program's inception, including the Frank R. Lautenberg transfer station, the Hudson Bergen Light Rail Segments 1 and 2, and the Newark Light Rail extension project. NJ TRANSIT also completed the Riverline Light Rail project with State funds only. The total value of these projects was \$3.9 billion.

Let me share NJ TRANSIT's experience with the New Starts process on two major projects – one in operation, and one about to break ground this month.

The first, the Hudson-Bergen Light Rail (HBLR) project, which is operational today, offers frequent and convenient service through seven cities along the Hudson River waterfront.

And it is important to note that during the project's early stages, that then Mayor Menendez of Union City was not only an advocate of the project, but convinced NJ TRANSIT to add a station in Union City – which now has over 5,000 daily riders. HBLR has been a huge driver for economic development in Hudson County, in fact, in a region where cities are shrinking; Jersey City in the last

quarter-century has gained about 30,000 residents, 27,000 jobs and 18 million square feet of prime office space.

NJ TRANSIT's experience with FTA in securing Full Funding Grant Agreements for the HBLR in the late 1990's was fairly straightforward.

NJ TRANSIT, in partnership with the Port Authority of New York and New Jersey, is also in Final Design and will soon break ground on the Access to the Region's Core (ARC) project – the first new rail tunnel to be built under the Hudson River in 100 years. This \$8.7 billion project will generate some \$45 billion in new regional economic activity while providing riders with more frequent, direct and reliable service. The Tunnel will accommodate a 50 percent increase in the number of daily passenger trips beneath the river, taking 22,000 cars a day off area highways and reducing greenhouse gases and other pollution by more than 66,000 tons per year.

The New Starts process in 2005, when we began submitting information for ARC, had changed substantially from the days of the HBLR. Some changes were positive. For instance, FTA required a fleet management plan for all transit modes operated by NJT, a financial plan, a 2030 rail operating plan, and a land use and economic development analysis. The process enforces a discipline on the logic used to develop and analyze a plan, which is useful so that comparisons can be made between different proposed transit projects and also so that the proposing agencies have the resources and skills they need to implement the project. I welcome the discipline.

However, in an environment where investments need to be accelerated to boost the economy and protect the environment, review timetables need to be balanced against the need to progress through the process with a focus on completion.

For example, the current New Starts process has evolved to include many more layers of review, and re-review which are sometimes onerous and can unnecessarily slow an agency's ability to advance

on a reasonable schedule. Even modest changes to a project now result in more process – in fact, I can say with some certainty that if a Mayor requested an additional station for a New Starts project today – a request that would improve the project through increased ridership and economic development -- the result would be project delay and cost increases.

With these experiences in mind, I recommend the Committee consider the following steps with respect to reforming the New Starts process. In order to meet the Administration's objectives while providing appropriate oversight, the program should embody five fundamental principles:

1. Establish a true partnership between the Federal government and State and local governments seeking to improve public transit bound together by mutual respect rather than red tape.
2. Streamline the New Starts process so that predictability of the process is a priority. One way to accomplish this is to make it more of a "procurement" type process.
3. Realign the review process to account for the experience of more established transit agencies.
4. Acknowledge the fact that the FTA has become the minority funding partner and further recognize that a Full Funding Grant Agreement limits the exposure of the FTA to fund more than a specified amount of the proposed project's total cost. At the same time the local agencies bear the risk of cost increases, including those due to delay in decision making.
5. Encourage the expansion of public transit consistent with concerns about production of green house gases and energy consumption. The weight given to evaluation criteria categories should be revisited.

## 1. True Partnership

Transit agencies need to renew partnerships with FTA that are bound together by mutual respect and trust, not one bound together by red tape. Over the years, additional requirements, many to do with the level of detail for reporting information and how different sets of analytic results need to link together, have been added to the New Starts process. The FTA should be aggressive in reviving the spirit of partnership that should exist between transit agencies and the Federal Government and permit more flexibility in project development.

## 2. Streamlined Process

One option worth considering is streamlining New Starts into more of a "procurement" type process. Rather than continuous reviews of projects, reorganize the new starts process as though FTA is "procuring" transit expansion projects. All proposals would be due on a specific date each year and would be evaluated in a process similar to evaluating a design build proposal – a value based proposal. Projects would be scored and the value put against their respective costs. After reviewing proposals from various transit agencies, FTA would execute FFGAs for the best projects that year.

Again, many components of the New Starts process are helpful and necessary – what is needed is predictability. I can't emphasize this enough -- the timetable for the New Starts process, including receiving approvals, should be known and certain. Today the length of time to go through the process is difficult to predict, so the projects become even more difficult to schedule. In the early 1980's, New York City made similar improvements to its land use review process. Today there is a "clock" that moves project review from start to finish in a specified amount of time.

## 3. Established and Experienced Public Transit Agencies

While the FTA is seeking to employ a process it intends to be fair and complete, it should also acknowledge that there is less need to probe the management and operations of more established and experienced transit agencies that have demonstrated the ability to build and operate public transit systems and receive triennial reviews by the FTA. Staff and funding resources are too limited at all transit agencies and the FTA, to spend time on multiple, sometimes unnecessary reports.

#### 4. Federal Funding Participation

Project reporting and oversight by the FTA should reflect its relative commitment of capital funding to the total project cost. Oversight responsibility should reflect the fact that a Full Funding Grant Agreement provides a cap on the Federal funding responsibility and the fact that the FTA is the minority funding contributor.

#### 5. Accounting for New Concerns

Our nation's appropriate new focus on reducing green house gas emissions and the use of petroleum based fuels requires that the criteria used in deciding which projects should receive Federal funding should be changed. There is also a need to recognize the positive value of transit investment in stimulating economic development consistent with the aforementioned concerns. The strong emphasis now given to the Cost Effectiveness Index and how the mathematics behind the Index is organized should be revised to encourage construction of more transit lines as a means of achieving a reduction in green house gas emissions and energy use rather than limiting them.

I deeply appreciate the Committee's leadership on this matter. It is absolutely critical that if we are to achieve the ambitious agenda of building and expanding transit infrastructure across the country, we need to streamline the federal process and work more urgently together as partners at the federal, state, and local level. I am grateful for the opportunity to offer our thoughts today on how we can work together to build a better transportation network.

I would be glad to take your questions.