

**Written Submission from
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**For a Field Briefing hosted by the Subcommittee on Transportation and Public Assets,
Committee on Oversight and Government Reform,
U.S. House of Representatives**

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**5th Floor Board Room
347 Madison Avenue
New York, NY 10017**

Mr. Chairman, Ranking Member, Members of the Subcommittee, and other guests:

Thank you for the invitation to appear with you today to discuss public transit projects in the New York City metropolitan area.

For over a century, the vitality of the New York City region has been bound to its public transportation systems. The ambition and ingenuity of megaprojects in the late 19th and early 20th centuries has allowed this city to exist and function as we see it today. In 2015, people rely upon the region's extensive public transportation network and gain tremendous benefits from it. The region's transit systems provide over 4 billion annual trips to the 18 million urbanized area residents. That is an average of over 220 transit trips per person, nearly double the next closest metropolitan region in the United States. At FTA, we believe that our current ambition and ingenuity should match our predecessors, as we seek to maintain and expand critical transit assets and service to meet increasing demand.

State of Good Repair

Before highlighting the importance of transit expansion projects, it is important to describe how reinvesting in current public transportation infrastructure is central to transit's future success. The New York City Metropolitan Transportation Authority (MTA) has a nearly trillion dollar asset base, the most extensive and valuable of any Federal Transit Administration (FTA) grantee. Perhaps the greatest challenge facing the MTA and other public transportation providers is the extensive backlog of asset reinvestment required to reach a state of good repair and then maintain those assets - while simultaneously building projects like East Side Access and Second Avenue Subway to meet the demand for new service.

Returning transportation assets to a state of good repair is a strategic goal for the U.S. Department of Transportation (DOT) and a high priority for FTA. Well-maintained infrastructure investments can have long-term safety and economic benefits, but those benefits are not fully realized in the New York City region and Nationwide because of years of underinvestment and neglect.

The current investment shortfall is evident in the DOT's most recent Conditions and Performance Report to Congress, which found an \$86 billion maintenance backlog of rail and bus assets that are in marginal or poor condition. The backlog continues to grow at an estimated rate of

\$2.5 billion per year under current investment levels. The Nationwide gap between the investment required to keep public transit in a state of good repair and actual investment is as much as \$8.0 billion per year.

When New York City region transit providers invest in newer and more reliable vehicles, track, signal systems, maintenance facilities and stations, it helps ensure the safe, dependable and accessible transit service demanded by the American public.

In the New York City region, FTA's core funding programs will provide over \$1.7 billion in Fiscal Year 2015 for restoring and maintaining existing transit assets. However, the combined state, local and federal support falls short of recapitalization investment requirements. The MTA's challenges securing funding for its multi-year capital investment plan highlights this shortfall. Additionally, state of good repair means recovering from Hurricane Sandy, and FTA is providing more than \$10 billion to assist the region's recovery from the storm and make the system more resilient in the future.

More work is required to address the maintenance backlog found in the New York City region and Nationwide. To that end, the Obama Administration's GROW AMERICA Act requests \$18.4 billion in FY 2016 (an increase of \$7.4 billion, or 67 percent, over the FY 2015 enacted level) to strengthen transit safety oversight, bring our Nation's bus and rail transit infrastructure into a state of good repair, and provide new and expanded transit systems to communities. All of these actions, taken together, reflect the U.S. Department of Transportation's strategic commitment to address the infrastructure deficit in a holistic fashion.

System Expansion: Capital Investment Grants

Like many U.S. metropolitan areas, the New York City region's transit ridership has been reaching record levels, and demand for public transportation service is growing. Since the 1970s FTA has partnered with state and local government through the Capital Investment Grants program (49 U.S.C. 5309) – commonly referred to as New Starts and Small Starts – to support projects building new systems or extensions to rail and bus rapid transit lines. Since 2012, FTA also invests in capacity-expanding projects in existing transit corridors, known as Core Capacity projects, and the MTA's Canarsie Line heavy rail power improvements project is among the projects currently seeking FTA funding.

The New Starts and Small Starts programs are notable successes with over 1,000 miles of new rail and bus rapid transit having been constructed. Since 1992, FTA has recommended funding in the annual Federal budgets for 88 Full Funding Grant Agreements (FFGA) to support New Starts projects such as heavy rail, commuter rail and bus rapid transit lines, including a number of projects in the New York City region. Today, 82 of the projects are either in service or under construction, a 93 percent success rate.

The FTA currently has two active FFGAs with the MTA to construct the two largest transit capital projects in the United States: the Long Island Rail Road East Side Access commuter rail project and the Second Avenue Subway Phase I heavy rail project. The benefits of these projects will be profound and were clearly demonstrated during the statutory project justification process prior to FTA's award of a FFGA.

East Side Access - In December 2006, FTA and MTA signed a FFGA for the construction of the Long Island Rail Road's (LIRR) East Side Access project, which will construct a new, direct commuter rail extension from existing LIRR lines in Long Island and Queens to Grand Central Terminal on Manhattan's East Side. Currently, all LIRR trains disembark at Penn Station on Manhattan's Western Side forcing over 100,000 commuters who work on the East Side to double back to reach their final destinations.

Once complete, the East Side Access project will shorten commute times, address tunnel congestion - doubling peak hour tunnel capacity from 37 trains to 61 trains into Manhattan - provide route options, and increase capacity at Penn Station for New Jersey Transit and Amtrak trains. The opening year ridership forecast will approach 170,000 daily trips.

The original FFGA cost estimate for the project was \$7.4 billion, with \$2.6 billion (36 percent) coming from the federal government via FTA's Capital Investment Grant program. FTA has previously notified the Congress that the project is over the original cost estimate and behind schedule. FTA is currently working with MTA on an amended FFGA for the East Side Access project to accurately reflect the changes in cost and schedule. The MTA's cost estimate is \$10.17 billion. As the FFGA contract clearly indicates, the amount of Federal Capital Investment Grant funding will not increase. The local project sponsors must cover the cost overruns and deliver the project. The MTA's target for revenue service operations is 2021. FTA will continue working with the MTA to validate the cost and schedule.

Second Avenue Subway - In November 2007, FTA and MTA signed a FFGA for the Second Avenue Subway Phase I project, which will add an additional north-south transit connection on the eastern side of Manhattan by constructing 2.3 miles of new subway from 96th Street to 63rd Street, connecting with the existing Broadway Line at the 63rd Street Station. The existing parallel Lexington Avenue Line is the busiest transit line in North America, with nearly 3,000 passengers at one station during a 15-minute period during the morning. The heavy passenger load causes significant delays due to excessive overcrowding on platforms and queueing on stairways. The addition of another north-south corridor option through the construction of this project will alleviate severe congestion. More than 200,000 daily trips are forecast when the line opens, emphasizing the demand for this project.

The original cost estimate for the project was \$4.9 billion, with \$1.3 billion (26 percent) coming from the federal government via FTA's Capital Investment Grant program. The project was originally scheduled to open June 30, 2014.

In February 2015, FTA and the MTA executed an amended FFGA for the Second Avenue Subway Phase I project reflecting the changes in cost and schedule to the project. The amended FFGA includes a cost of \$5.57 billion, and a revenue service date of February 28, 2018. As in the original FFGA, the amount of Federal Capital Investment Grant funding remains unchanged, with the local project sponsor covering the cost overruns.

FTA Project Management Oversight Monitoring

Under FTA statute, recipients of FTA financial assistance must prepare and carry out a detailed project management plan approved by FTA. FTA conducts oversight as a continuous review and

evaluation of grantee and FTA processes to ensure compliance with statutory, administrative, and regulatory requirements. FTA's Regional Offices, working with FTA's Office of Capital Project Management, perform monitoring of grantee project management - focused on the management of major investments (Capital Investment Grants, etc.). These oversight activities begin early in project implementation, usually at project development.

FTA staff and Project Management Oversight contractors monitor projects, following guidelines established by FTA. The contractors with engineering and project management expertise serve to supplement the FTA technical staff to evaluate grantee project management and technical capacity and capability to successfully implement these major transit projects. They also monitor the projects to determine whether they are progressing on time, within budget, and in accord with approved grantee plans and specifications. FTA's Project Management Oversight contractors report on projects on a monthly basis, providing detailed reports on project progress and activities to both FTA and the project sponsor. The process includes detailed reviews of cost, scope, and schedule throughout the project's lifetime, including highly sophisticated risk reviews to establish sufficient contingency budgets and identify and mitigate against risks which could cause delays or cost increases.

Since 2010, FTA has monitored 37 projects with a total project cost of \$51 billion and a planned Federal investment of \$18 billion. Demonstrating the benefits of strong Federal oversight throughout the project development process, these projects are progressing well, with 31 of the 37 within 5 percent of the original cost estimates, and with at least thirteen trending below the original cost estimate. Of the 30 projects five are reported behind schedule, and sixteen are currently expected to be completed ahead of schedule.

In the case of the two New York City projects, both completed the risk review process, and identified contingency funding as part of the FFGA development process. However, the significant cost increases and schedule delays associated with both projects were due in part to the commodity price increases of 2006-2008, an unusually active construction market in New York City, difficulty with delivery of the tunnel boring machine, lengthy vacancies in key MTA project management positions, and delays due to changes in design and procurement strategies by the projects' sponsor. FTA remains committed to performing the project management oversight of the East Side Access and Second Avenue Subway projects, and will continue to work with the MTA to support delivery of these important transit projects.

Conclusion

Public transit systems nationwide improve mobility and access to jobs for millions, while expanding the capacity of our transportation networks and improving the quality of life in our communities. New York City requires strong public transit systems to ensure people's quality of life and the entire region's economic competitiveness. These two megaprojects will bring profound benefits to the New York City region, and investing in maintaining and expanding our transit infrastructure nationwide requires foresight and big-picture thinking, as this Administration has proposed in the GROW AMERICA Act.

Thank you again for the opportunity to join you in New York City to discuss these critical issues for the region and country. I look forward to answering your questions.



Matthew Welbes – Executive Director

Matt Welbes serves as Executive Director of the Federal Transit Administration (FTA) in Washington, D.C., directing the daily operations of the agency in support of public transportation services in communities across the United States. He supports the FTA Administrator in providing leadership and establishing direction on public transportation policies, budgets, and strategic priorities. He guides the management of the agency's nearly \$11 billion annual budget and the over 500 people who work with FTA's stakeholders.

Prior to joining the Office of the Administrator as a Senior Advisor in 2001, Mr. Welbes worked in FTA's Office of Budget & Policy. His work there included development of agency policies, legislation, budgets to Congress, investment studies, and performance measures for public transportation benchmarking. During 2007-8 he served as FTA's Acting Associate Administrator for Research, Technology & Innovation and in 2001-2 as the Acting Director of FTA's Washington, D.C. Metropolitan Office. He began his federal career as a Presidential Management Fellow in 1992, working in the Office of Management and Budget, Office of the Secretary of Transportation, and the FTA.

He has a M.P.A. from the University of Minnesota's Humphrey Institute of Public Affairs. In 2000 he received a German Marshall Fund fellowship to study transportation, environmental, and land use policies in Europe. He has been recognized with the Presidential Rank Award of Meritorious Service for long-term accomplishments and commitment to excellence in public service and he has received the Secretary of Transportation's gold medal for Outstanding Service.