STATEMENT

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ON

THE CONDITION, PERFORMANCE, AND INFRASTRUCTURE INVESTMENT NEEDS OF PUBLIC TRANSPORTATION

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Chairman Menendez, Ranking Member Moran, and Members of the Subcommittee,

Thank you for inviting me here today to discuss the urgent need to address our nation's serious public transportation infrastructure deficit and to highlight the Obama Administration's plan to bring our aging rail and bus systems and facilities into a state of good repair as part of the GROW AMERICA Act. Transit ridership is at its highest level in generations—exceeding 10 billion trips annually for seven years in a row. This trend is likely to continue, as the United States' population increases up to an estimated 400 million people by 2050; as a large segment of aging Americans seek to remain independent and mobile without the use of a car; as more people choose to settle in urbanized areas where private automobiles are less necessary; and as younger Americans continue to generally spend less time behind the wheel and more time taking public transportation.

It is absolutely essential for our nation to invest in safe, modern, reliable, efficient and affordable public transportation networks that tens of millions of Americans increasingly depend on every day to reach jobs and job training, education, health care and other opportunities. This means striking a responsible balance between investing in new capital transit construction while also preserving and modernizing existing infrastructure—portions of which were built over a century or more ago—and which continues to serve the public on a daily basis.

On the preservation side of this ledger, we have clearly documented an urgent need to address a transit maintenance and replacement backlog that stands conservatively at $86 billion (in 2010 dollars)—10 percent higher since the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA) last reported in March 2012 (using 2008 data). This backlog is expected to grow by $2.5 billion each year – unless we make the investments now to slow or

stop the growing maintenance deficit. This updated backlog is based on an analysis conducted for the *2013 Status of the Nation's Highways, Bridges and Transit: Conditions and Performance* (known as the C&P report), issued jointly by FTA and FHWA in February, 2014.

While transit remains one of the safest ways to travel, the nation's aging transit infrastructure carries hidden costs that we cannot and should not ignore. Aging transit assets compromise system resiliency. In the wake of Hurricane Sandy, for example, the damaged PATH commuter rail system, which operates critical service between New York and New Jersey, had to replace antiquated circuit breakers and other parts that are no longer manufactured, in order to restore service between Journal Square and Newark Penn Station. PATH literally had to truck in parts from the Chicago Transit Authority—which also uses comparably aged parts in its system. This example serves to illustrate that there are significant costs to maintaining equipment that has exceeded its useful life, with sacrifices made in flexibility, fuel efficiency, and reliability.

Above all, the transit industry's serious deferred maintenance and replacement backlog directly affects average transit riders every day—including transit systems in states represented by members of this subcommittee. For example:

- In New Jersey, roughly a third of county-wide community transit vehicles (over 300 vehicles) have each logged at least 175,000 miles—a point at which repair bills mount and breakdowns occur more frequently.
- In downstate Illinois, nearly 600 buses and paratransit vehicles that serve riders with disabilities are operating well past their recommended retirement date.
- In West Virginia, 11 locally operating transit systems rely on vehicles that exceed FTA's recommended retirement date, with more than half the vehicles in two of these agencies in this condition, and the others well on the way.
- In State College, Pennsylvania, if funding is not secured to replace 66 buses running on compressed natural gas (CNG) that have exceeded the FTA-recommended retirement date (many of them upwards of 18 years old), then the Centre Area Transportation Authority will need to install new CNG tanks that cost more than the value of these aging buses.
- In Kansas, the City of Paola provides nearly 45,000 rides per year on a single 10-year-old bus, while in Ottaway County, 10,400 passengers annually depend on two buses that are each more than 14 years old.
- In Cleveland, Ohio, 100 percent of the Greater Cleveland Regional Transit Authority's heavy rail vehicles are 30 years old. And in Butler County, Ohio, the local Regional Transit Authority is cannibalizing broken buses for parts to keep a small fleet of buses operating—in the face of rising demand for bus service.

- In Oakland, California, nearly a quarter of the transit buses are 14 years old—past FTA's recommended retirement date.
- Nationwide, about 28 percent of the facilities used by local transit agencies to house their operations staff and service their vehicles are in a marginal or poor state of repair. Inadequate capital funding to replace this type of infrastructure affects maintenance efficiency and the welfare of the workforce.

In these states, and many more, millions of transit dependent senior citizens, veterans, individuals with disabilities, and others take transit to work and school, and to seek the services and care they require on a daily basis—and as those transit vehicles age, their dependability decreases and gaps in service grow larger, leaving many riders stranded, unable to reach the doctor's office or the grocery store. For riders who take transit by choice, transit systems thrive when they are able to offer a convenient and reliable alternative to driving to work and other destinations. Maintaining and preserving these systems is critical to ensuring they live up to their potential to serve their communities and meet the needs of future riders.

We recognize that the Senate Banking Committee has generally been responsive to FTA's needs for adequate resources to help capitalize the construction of the nation's transit assets. It is important to bear in mind, nevertheless, that the transit industry's marginal or poor infrastructure condition exists today *despite* FTA's ongoing financial support of rehabilitation and replacement activities, primarily through the former Section 5309 Fixed Guideway Modernization funds (replaced under MAP-21 with State of Good Repair Formula Grants) and Section 5307 Urbanized Area Formula Grant funds. Yet the scope of the infrastructure deficit persists, and additional resources are needed to address the challenge in a meaningful way. Consider, for example, Chicago's transit environment. Chicago's transit systems (CTA, Metra, and Pace) received about $2.2 billion in federal funding from FY 2009 to FY 2013, largely through the above-mentioned FTA programs. These operators also received about $242 million from the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub.L. 111–5), which helped to replace buses and conduct overdue preventive maintenance and subway rehabilitation. Despite this level of investment from multiple sources, according to CTA, these transit systems collectively face a $24 billion backlog over 10 years, requiring a sustained annual investment of $2 billion to address the need.

We believe the data in the latest C&P Report makes a clear case for a sustained, and sustainable, investment plan to address the deteriorating condition of our nation's transit assets and ensure the safety and viability of public transportation nationwide for future generations.

FTA's Consistent Call for Transit Asset Improvements

It was before this subcommittee almost five years ago, in August 2009, that Federal Transit Administrator Peter Rogoff testified on the need for public transit agencies to achieve and

maintain a state of good repair in order to provide safe and reliable service to tens of millions of daily riders.

At that time, FTA pledged to make transit infrastructure repair a policy priority and a key component of the agency's annual budget request. FTA's initial state-of-good-repair initiative included encouraging the industry to share ideas on recapitalization and maintenance; asset management practices; and innovative financing strategies. Over the course of 2008 and 2009, FTA formed a working group with the transit industry, convened a state-of-good-repair roundtable, and published a seminal Rail Modernization Study in 2009 in response to the conference report accompanying the FY 2008 Transportation-HUD Appropriations Act and at the request of a dozen senators. That initial study found that more than one-third of the assets at the seven major rail transit systems analyzed (Chicago's CTA, Boston's MBTA, New York's MTA, New Jersey Transit, San Francisco's Bay Area Rapid Transit System, Philadelphia's SEPTA system, and Washington, D.C.'s WMATA system) were in marginal or poor condition. Many of these systems' assets were near or had exceeded their expected useful life and collectively faced an estimated $50 billion maintenance and repair backlog. Given that these systems account for about 80 percent of the nation's rail transit ridership, the need for action was clear. An expanded version of the study released in 2010 estimated the cost of bringing *all* of the nation's rail and bus transit systems into a state of good repair at $77.7 billion—a snapshot in time that further confirmed that serious, targeted investments in this deteriorating infrastructure had to be made as soon as possible. Though the numbers differ slightly, this estimated need is consistent with the C&P Report's estimate—different numbers, same story.

FTA's Rail Modernization Study also found the transit industry's asset management practices were far weaker than they should be. Practices such as the use of decision support tools that rank and prioritize reinvestment needs, and conducting comprehensive asset condition assessments, were largely absent from the industry's regular strategic planning processes.

Every year since the release of these assessments quantifying the nation's transit state-of-good repair needs, FTA has worked diligently to help transit agencies improve their transit asset management practices—which is integral to keeping transit safe—and to make a clear case for additional resources for state-of-good-repair needs through the annual appropriations process. Our success culminated in the inclusion of FTA's first formula-based State of Good Repair (SGR) Formula Grant Program as part of the Moving Ahead for Progress in the 21st Century (MAP-21) Act, which is set to expire on September 30, 2014. This program was an important step forward because it provided for the first time two years of predictable funding to help transit agencies replace and rehabilitate existing assets or undertake capital projects required to maintain their systems in a state of good repair. The SGR formula program under MAP-21 grew by over $500 million compared to the former fixed guideway modernization program. On the other hand, funding for bus and bus facility replacement and repair went from $984 million under SAFETEA-LU to $428 million in MAP-21, which caused a devastating blow to transit providers' ability to replace aging buses and rehabilitate facilities because of a lack of funds.

FTA's Current Activities to Improve the State of Good Repair of Transit Infrastructure

Under MAP-21, transit agencies are required to develop a transit asset management plan to help them strike a better and more informed balance between preservation and expansion needs—in the context of a safety-first performance culture. To this end, FTA is actively implementing a new National Transit Asset Management System through the rulemaking process, supplemented by technical assistance and outreach to grantees. This approach represents an innovative and important step toward helping the transit industry to obtain better metrics, through performance-based planning, which will yield a more accurate picture of true need—and thereby enable local decision makers to allocate resources more effectively and efficiently system-wide. An Advanced Notice of Proposed Rulemaking that aligns the transit asset management process with the need for strengthening transit safety was published in October 2013. FTA is now reviewing the extensive comments received and plans to publish a Notice of Proposed Rulemaking guided by this input by early 2015. The purpose of a National Transit Asset Management System is to:

- Define a state of good repair.
- Establish a state of good repair performance measure, and require funding recipients to set state of good repair performance targets.
- Require recipients and subrecipients to develop a transit asset management plan.
- Add the reporting of capital asset inventories and conditions to the National Transit Database.

MAP-21 provided FTA additional tools to help the transit industry come to grips with its state-of-good-repair challenges. We fully recognize that to address the scope and complexity of this challenge, we need a range of policy tools at our disposal, including not only transit asset management, but also public-private partnerships such as the Denver Eagle project and innovative financing mechanisms, such as the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Railroad Rehabilitation & Improvement Financing Program (RRIF).

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—and to help the industry employ better metrics that enable them, in turn, to be better stewards of their assets. However, under MAP-21, our efforts still do not go far enough. The current State of Good Repair Formula Grant Program focuses on rail and bus rapid transit (BRT) systems that are at least seven years old. The preservation needs of non-BRT bus services are not addressed in MAP-21. The need for additional investments and innovative policies that address the backlog for *all* bus and rail maintenance still exists, and much more work remains to be done—as the data in the C&P

Report indicates, and as the President's FY 2015 Budget and GROW AMERICA Act proposal make clear.

2013 C&P Report Substantiates Need for Further Investment

The 2013 C&P Report, which is based on 2010 data, makes a case rooted in facts that our nation is falling behind on its obligation to maintain, preserve, and protect the transit assets serving thousands of communities nationwide today. The report finds that:

- **Significant funding commitments are needed.** As much as $24.5 billion in capital spending is needed per year from FY2011-FY2030 to improve the condition of transit rail and bus systems *and* support expansion to meet growing ridership needs. This is a nearly 50 percent increase over current capital spending levels from all government sources (federal, state, and local).
    - Removing expansion investment from the equation, we need $18.5 billion in average annual investments (from all government sources) during the same period just to eliminate the current $86 billion maintenance backlog.
    - A minimum of $2.5 billion annually is needed just to maintain the status quo, that is, to prevent the current backlog from escalating further.
    - Our *current* rate of reinvestment (about $10.3 billion from all sources) is not sufficient to reduce the backlog in any meaningful way.
- **Rail systems are heavily affected by the backlog.** Rail systems collectively account for about 63 percent of the total state-of-good-repair backlog. Some transit systems are still operating rail cars that are over 30 years old, but the report also highlights that over 75 percent of the need for repairs affects other facets of transit rail infrastructure, such as rail stations, trestles, and power substations. Indeed, non-vehicle rail assets pose the biggest challenge to achieving a state of good repair.
- **State and local governments bear the burden.** State and local governments are shouldering more than half the cost of annual investments to preserve and grow the nation's transit systems. Indeed, public funds made up nearly 75 percent of dollars expended on investments in capital projects and transit operations in 2010, with state and local sources leading the way.
- **Preventive maintenance expenditures increasingly consume federal grant funds.** From 2000 to 2010, federal funding for transit operating needs increased 360 percent. More than half of that—56 percent—was driven by capital grant funds used for preventive maintenance needs.

A key question that arises from the C&P Report data is why the transit maintenance backlog continues to grow, despite concerted efforts to chip away at it over the last several years. Various

factors contribute to the continued increase, including the fact that, as transit agencies implement asset management best practices and improve their ability to conduct more detailed and accurate needs assessments, their reported data reveals a more fine-grained analysis of asset replacement needs and their costs. Additionally, the targeted investments made in recent years to address this problem simply do not match the depth of the infrastructure deficit overall, which has built up over decades of under-investment.

The Administration Remains Committed to Addressing the Infrastructure Deficit

In his FY 2015 budget request for the U.S. Department of Transportation and the FTA, President Obama builds on the commitment begun in MAP-21 with a request of $7.7 billion for the existing State of Good Repair Formula Grant Program and the Bus and Bus Facilities Grant Program. This represents an increase of $5.1 billion over the FY 2014 funding levels for these two programs.

The Administration believes, in light of the history and data presented here and the progress made to date, that this increase is essential to help bring our national rail transit infrastructure into a state of good repair—while also enabling transit agencies to replace aging buses and bus facilities. (The increase on the rail side is $3.6 billion, or 164 percent, over FY 2014 enacted levels; the increase on the bus side is $1.5 billion, or 353 percent, over FY 2014 enacted levels.)

The FY 2015 budget is a down payment on a four-year, $302 billion reauthorization proposal, known as the GROW AMERICA Act, which will strengthen surface transportation nationwide. The GROW AMERICA Act commits more than $72 billion over four years to address the urgent transit challenges facing urban, suburban and rural communities. The Act represents a nearly 70 percent increase in authorized transit funding over MAP-21.

In keeping with the momentum of MAP-21, the GROW AMERICA Act would provide $23 billion over four years (FY 2015-FY 2018) to continue efforts to address the transit industry's infrastructure deficit and maintenance backlog. By increasing the level of predictable funding for state-of-good-repair needs, transit agencies—along with state and local governments already shouldering more than half the cost of the annual investments to preserve and grow the nation's transit systems—will be better positioned to provide safe, reliable transportation services to meet rising demand.

In addition, to address the critical need to replace aging bus fleets, which provide transportation to nearly half the transit riders in America, the GROW AMERICA Act would provide $7.8 billion in formula and discretionary funds over four years to ensure that communities have the resources needed to modernize bus fleets and facilities, lower repair bills, improve fuel efficiency, and better serve millions of riders. Nearly 40 percent of the nation's buses and bus facilities are in marginal or poor condition—as the examples cited above illustrate—and significant investment is needed to bring them into a state of good repair. This proposal

remedies an acknowledged shortfall in MAP-21 and helps put bus fleets on the path to modernization.

In closing, the investment in public transportation's future that we need to make is an investment in thousands of good jobs in communities nationwide that help to strengthen middle-class families; an investment in local economic growth and neighborhood revitalization; an investment in reducing roadway congestion that plagues so many metropolitan areas; an investment in lowering our dependence on foreign oil; and an investment in helping our nation compete with the rest of the world as we find new and better ways to move people efficiently and safely.

We recognize that striking an appropriate balance between growing our transportation infrastructure to meet future demand and reinvesting in our current system is not easy to achieve. It will require targeted investments from all sources—federal, state, local, and the private sector—to make meaningful changes.

Mr. Chairman, this concludes my testimony and I would be happy to answer any questions.