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KEEPING METRO ON TRACK: THE FEDERAL GOVERNMENT'S ROLE IN BALANCING INVESTMENT WITH ACCOUNTABILITY AT WASHINGTON'S TRANSIT AGENCY

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

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KEEPING METRO ON TRACK: THE FEDERAL GOVERNMENT'S ROLE IN BALANCING INVESTMENT WITH ACCOUNTABILITY AT WASHINGTON'S TRANSIT AGENCY

THURSDAY, JULY 28, 2005

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10:03 a.m., in room 2154, Rayburn House Office Building, Hon. Tom Davis (chairman of the committee) presiding.

Present: Representatives Tom Davis of Virginia, Gutknecht, Foxx, Cummings, Watson, Van Hollen, Ruppersberger, and Norton.

Also present: Representatives Wolf, Moran of Virginia, and Wynn.

Staff present: Melissa Wojciak, staff director; David Marin, deputy staff director/communications director; Keith Ausbrook, chief counsel; Mason Alinger, deputy legislative director; Rob White, press secretary; Drew Crockett, deputy director of communications; Shalley Kim, professional staff member; Teresa Austin, chief clerk; Todd Greenwood, legislative correspondent; Bill Womack, legislative director; Phil Barnett, minority staff director/chief counsel; Kristin Amerling, minority general counsel; Michelle Ash, minority chief legislative counsel; Rosalind Parker, minority counsel; Earley Green, minority chief clerk; and Jean Gosa, minority assistant clerk.

Chairman TOM DAVIS. The committee will come to order.

I want to thank everybody for coming today. The purpose of today's hearing is to highlight the vital role the Washington Metropolitan Area Transit Authority plays in supporting the Federal Government and to begin discussing the need for a reinvigorated Federal commitment to the Metro system, one that helps ensure Metro has what it needs to accommodate current and future ridership growth.

The Federal Government's dependence on the Metro system is undeniable. Hundreds of thousands of Federal employees and contractors rely on the bus and the rail service of WMATA that it provides everyday to get to and from work. In fact, half of Metro's peak riders are Federal employees and contractors. More than 50 Federal agencies are located adjacent to Metro stations. As we know all too well, when Metro shuts down, the Federal Government shuts down.

In addition to Federal employees, every day thousands of visitors from around the world travel to Washington, DC, and rely on the Metro system to transport them to the many sights and landmarks of our Nation's Capital.

Unlike other transportation systems in the country, the Washington Metro system is a national asset. Congress has recognized this fact three times in recent decades by authorizing and appropriating funds for construction and capital improvements to the Metro system. As Congress has recognized in the past, Metro is an entity in which all American taxpayers have an interest.

It is time to recognize that shared national interest, even if we are to protect past investments and prevent the system from collapsing. It is time again for Congress to recognize Metro's importance to Federal operations and commit to a long-term partnership with WMATA and its member jurisdictions.

To help begin the dialog on the need for a renewed Federal investment in Metro, today I have introduced legislation that reaffirms our symbiotic relationship. This legislation amends the National Capital Transportation Act of 1969—which marked the Federal Government's first long-term investment in the Metro system—to authorize $150 million annually over 10 years for capital improvements and critical maintenance needs.

Recognizing that the Federal Government is not the only interested or duty-bound stakeholder in WMATA's long-term health, the legislation stipulates that the Federal investment will be matched by State and local contributions. Specifically, the legislation would require the jurisdictions making up the "WMATA Compact"—Virginia, Maryland, and the District of Columbia—to come up with a true dedicated funding stream to pay for their share of Metro's costs before the Federal funding is authorized.

This is good policy and I think, frankly, it is good politics. We can't get consensus behind a $1.5 billion Federal commitment unless we are absolutely certain that WMATA is not going to continue reeling from year to year, tin cup in hand, jurisdiction to jurisdiction. The current requirement of "stable and reliable" relief is, in reality, anything but. Subjecting the local match to annual appropriations processes rather than having a dedicated stream set in stone is not the wisest way to run a railroad.

In addition to requiring a commitment from State and local governments before the Federal contribution to Metro kicks in, the legislation also recognizes that the well publicized management challenges WMATA has faced in recent years have prompted calls for enhanced oversight and accountability. Acknowledging the need to balance new money with strengthened oversight, the legislation would establish an inspector general to oversee the affairs of the transit system and would require Federal representation on the WMATA board, to be named by the General Services Administration.

These oversight and accountability mechanisms are critical if we are to credibly move forward with the much-needed authorization of funds.

Finally, the bill includes language dealing with the proposed sale or lease of Metro properties in Vienna, Takoma Park, and Largo. These provisions reflect concerns that I, Mr. Van Hollen, and Mr.

Wynn have about the wisdom of these proposed sales, especially at a time when we all agree better accountability and oversight are needed.

I, for one, have yet to see a compelling fiscal case for the sale of the parcel in Vienna, and I have to ask if Metro is getting the best bang for its riders' buck. It is hard for me to make a case for a renewed Federal investment in Metro if property is so easily disposed.

In the Vienna case, WMATA's own project manager has acknowledged that the development would result in significant lost parking that would seriously restrain the Vienna station. I think I have a responsibility to ask if Metro's capabilities and limitations are being properly considered in regional land use planning, and whether Metro has been complicit in illogical land use decisions. I am hopeful, though, that we will be able to work that out. We have had conversations with members of the board and the other stakeholders in that area.

In closing, this is the first inning of a nine inning ball game. Persuading the Federal Government to take on a new long-term relationship with the Washington Metropolitan Area Transit Authority will itself be a long-term investment. But I am committed, as are my colleagues, to invest the time and energy it takes to make it happen, as are other co-sponsors of the legislation. As we work to build support in Congress, I am optimistic that regional jurisdictions will do what needs to be done on their end to establish a dedicated funding stream for a transit system we all so heavily rely on.

I welcome today's witnesses and I look forward to their testimony.

[The prepared statement of Chairman Tom Davis follows:]

Opening Statement of Chairman Tom Davis
House Government Reform Committee Hearing: "Keeping Metro on Track"
July 28, 2005

Good morning and thank you for coming. The purpose of today's hearing is to highlight the vital role the Washington Metropolitan Area Transit Authority plays in supporting the federal government, and to begin discussing the need for a reinvigorated federal commitment to the Metro system -- one that helps ensure Metro has what it needs to accommodate current and future ridership growth.

The federal government's dependence on the Metro system is undeniable. Hundreds of thousands of federal employees and contractors rely on the bus and rail service WMATA provides to get to and from work every day. In fact, half of Metro's peak period riders are federal employees and contractors; more than 50 federal agencies are located adjacent to Metro stations. As we know all too well, when Metro shuts down, the federal government shuts down.

In addition to federal employees, every day thousands of visitors from around the world travel to Washington, D.C., and rely on the Metro system to transport them to the many sights and landmarks of our Nation's capital.

Unlike other public transportation systems in the country, the Washington Metro system is a national asset. Congress has recognized this fact three times in recent decades by authorizing and appropriating funds for construction and capital improvements to the Metro system. As Congress has recognized in the past, Metro is an entity in which all American taxpayers have an interest.

It's time again to recognize that shared national interest, if we are to protect past investments and prevent the system from collapsing. It's time again for Congress to recognize Metro's importance to federal operations and commit to a long-term partnership with WMATA and its member jurisdictions.

To help begin the dialogue on the need for a renewed federal investment in Metro, today I have introduced legislation that reaffirms our symbiotic relationship. This legislation amends the National Capital Transportation Act of 1969 – which marked the federal government's first long-term investment in the Metro system – to authorize $150 million annually over ten years for capital improvements and critical maintenance needs.

Recognizing that the federal government is not the only interested or duty-bound stakeholder in WMATA's long-term health, the legislation stipulates that the federal investment would be matched by state and local contributions. Specifically, the legislation would require the jurisdictions making up the "WMATA Compact" – Virginia, Maryland, and the District of Columbia – to come up with a true dedicated funding stream to pay for their share of Metro's costs – before the federal funding is authorized.

This is good policy and, frankly, good politics. We cannot get consensus behind a $1.5 billion federal commitment unless we're absolutely certain that WMATA is not going to continue

reeling from year to year, tin cup in hand, jurisdiction to jurisdiction. The current requirement of quote-unquote "stable and reliable" is, in reality, anything but. Subjecting the local match to annual appropriations processes rather than having a dedicated stream set in stone is not the wisest way to run a railroad.

In addition to requiring a commitment from state and local governments before the federal contribution to Metro kicks in, the legislation also recognizes that the well-publicized management challenges WMATA has faced in recent years have prompted calls for enhanced oversight and accountability. Acknowledging the need to balance new money with strengthened oversight, the legislation would establish an Inspector General to oversee the affairs of the transit system, and would require federal representation on the WMATA board, to be named by the General Services Administration.

These oversight and accountability mechanisms are critical if we are to credibly move forward with the much-needed authorization of funds.

Finally, the bill includes language dealing with the proposed sale or lease of Metro properties in Vienna, Takoma Park, and Largo. These provisions reflect concerns that I, Mr. Van Hollen, and Mr. Wynn have about the wisdom of these proposed sales, especially at a time when we all agree better accountability and oversight are needed.

I, for one, have yet to see a compelling fiscal case for the sale of a parcel in Vienna, and I have to ask if Metro is getting the best bang for its riders' buck. It's hard for me to make the case for a renewed federal investment in Metro when they dispose so easily of valuable existing assets.

In the Vienna case, WMATA's own project manager has acknowledged that the development would result in significant lost parking that would seriously strain the Vienna station. I have a responsibility to ask if Metro's capabilities and limitations are being properly considered in regional land use planning, and whether Metro has been complicit in illogical land use decisions.

In closing, this is the first inning of a nine-inning ballgame. Persuading the federal government to take on a new, long-term relationship with the Washington Metropolitan Area Transit Authority will itself be a long-term investment. But I am committed to invest the time and energy it takes to make it happen, as are the other cosponsors of this legislation. As we work to build support in Congress, I am optimistic the regional jurisdictions will do what needs to be done on their end to establish a dedicated funding stream for a transit system we all rely so heavily on.

I welcome all of the witnesses to today's hearing and I look forward to their testimony.

Chairman TOM DAVIS. I now recognize Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman.

I begin by thanking you, Mr. Chairman, for calling this hearing and allowing my participation in witness selection. More important, today I thank you for your work in leading us in fashioning a major bill that takes our committee beyond hearings to the stage of acting on what our prior hearings and investigations have revealed.

This committee's many hearings on WMATA have revealed a tangled web of management and financial problems. However, we have spent most of our time and effort investigating the system's management and operational problems. That, of course, is what legislators do. We have held hearings on problems from faulty escalators that Metro seemed unable to fix, to derailments, to costly design flaws in cars Metro never caught that may have contributed to these accidents.

We have commissioned GAO reports on Metro's problems that have faulted management and recommended changes. Hearings and official investigations of such problems can provide fodder for endless hearings, fed by press reports of mishaps, crowding and delays, not to mention phone calls, e-mails and letters from our own constituents.

Today's hearing is something of a departure from hearings that mostly chastise management and workers, and that, frankly, most please the public because people believe that they have been heard and that we have been responsive. You can depend on elected officials to continue today and in the future to put the people in charge of WMATA on the hot seat. Remember, that is what we do. However, today we focus as well on issues of Metro's deteriorating infrastructure that inevitably come with age and use, and the seldom investigated problem of a system overwhelmed by the inadequate funding from the regional partners, the riding public, and the Federal Government.

Today we face the reality that it is no longer possible to neatly separate Metro's management and funding problems into separate columns, because our own investigations and reports show that operations and funding have become inextricably linked. Today we call the question on our own local jurisdictions whose costly parochialism has kept them from finding a dedicated source of funding, as most large systems have done.

And today we turn the table on ourselves, with a bill that would authorize money from the Federal Government—which helped fund the construction of the system initially—not as a gift, but because of the growing regional Federal workforce—now half of all Metro riders—and costly and insufferable road congestion and air pollution that made a new system an imperative.

The Federal Government, of course, has become ever more dependent on Metro, so much so that it has provided valuable progressive incentives to Federal workers to take Metro instead of cars. Ironically, these excellent subsidies to Federal employees, rather than to Metro, may be the chief cause of today's overcrowded cars and for demand that overtaxes the aging system's capacity.

The bill we introduce today is a classic win-win that could mean Federal funding that the region and the system have long sought. However, it will be a lose-lose situation if any of us hang back. This is a step I have worked to achieve for the 15 years I have been a Member of Congress, and it is so important to the District and the region that I am co-sponsoring the bill despite a misgiving about unrelated language that may leave the impression that Congress is intervening into local zoning and housing matters.

I do not have objections to the provisions requiring negotiations with local officials, which is always appropriate, but as is my custom, I do take issue with Federal mandates that appear to be designed to overrule local negotiations or democratically achieved decisions, and particularly where affordable housing is involved in one of the priciest regions in the country. However, Chairman Davis has assured me that any such language is not intended to set a precedent and that he expects resolution before the final bill.

Nothing must take our eye off the ball that has been stuck in hearings, investigations and constituent complaints. Now is the time to clear the field for action. The bill we introduce today takes a step toward the most significant action for transportation in this region since WMATA was established 40 years ago. I am pleased to join Chairman Davis and my regional colleagues in pressing a bill that could revitalize public transportation in the National Capital Region. I welcome today's witnesses, whose insights can be invaluable to us as we make improvements in the bill and head toward voting on the bill in this committee.

Thank you again, Mr. Chairman.

[The prepared statement of Hon. Eleanor Holmes Norton follows:]

Statement of Congresswoman Eleanor Holmes Norton
Government Reform Full Committee Hearing
Keeping Metro on Track: The Federal Government's Role in Balancing Investment with Accountability at Washington's Transit Agency

Thursday, July 28, 2005

I begin by thanking you, Mr. Chairman, not as usual for calling this hearing and allowing my participation in witness selection. More important, today, I thank you for your work in leading us in fashioning a major bill that takes our committee beyond hearings to the stage of acting on what our prior hearings and investigations have revealed.

This committee's many hearings on WMATA have revealed a tangled web of management and financial problems. However, we have spent most of our time and effort investigating the system's management and operational problems—that, of course, is what legislators do. We have held hearings on problems—from faulty escalators that Metro seemed unable to fix to derailments to costly design flaws in cars Metro never caught that may have contributed to these accidents. We have commissioned GAO reports on Metro's problems that have faulted management and recommended changes. Hearings and official investigations of such problems can provide fodder for endless hearings, fed by press reports of mishaps, crowding and delays, not to mention phone calls, emails and letters from our constituents.

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The bill we introduce today is a classic win-win that could mean federal funding that the region and the system have long sought. However, it will be a lose-lose if any of us hang back. This is a step I have worked to achieve for the 15 years I have been a member of Congress, and it is so important to the District and region that I am co-sponsoring this bill despite a misgiving about unrelated language that may leave the impression that Congress is intervening into local zoning and housing matters. I do not have objections to the provisions requiring negotiation with local officials, which is always appropriate, but as is my custom, I do take issue with federal mandates that appear to be designed to overrule local negotiations or democratically achieved decisions, and particularly where affordable housing is involved in one of the priciest regions in the country. However, Chairman Davis has assured me any such language is not intended to set such a precedent and that he expects resolution before the final bill.

Nothing must take our eye off the ball that has been stuck in hearings, investigations, and constituent complaints. Now is the time to clear the field for action. The bill we introduce today takes a step toward the most significant action for transportation in this region since WMATA was established 40 years ago. I am pleased to join Chairman Davis and my regional colleagues in pressing a bill that could revitalize public transportation in the National Capital Region. I welcome today's witnesses, whose insights can be invaluable to us as we make improvements in the bill and head toward markup.

Chairman TOM DAVIS. Thank you.

Mr. Wolf.

Mr. WOLF. Thank you, Mr. Chairman. Although I don't serve on this committee, I do appreciate your giving me this opportunity. And I also want to publicly, at the outset, thank you for your leadership on this issue.

As you know, WMATA operates the Washington region's transit system, including the 108-mile Metrorail system, which is vital to the mobility in the Nation's Capital and the greater Washington area.

I have been pleased, since coming to Congress in 1981, to support WMATA and the Metro system. The regional bipartisan congressional delegation over the years has worked to ensure that the original 103-mile system was built and worked to keep the system operating and to expand the system to meet the growing needs.

As the former chairman of the House Transportation Appropriations Subcommittee, I was pleased to play a role in obtaining Federal funding to complete the construction of the originally designed Metrorail system. Through that work, I know first-hand the delicate balancing of funding necessary to keep the funding there, and I think that is why you should be congratulated for this bill.

The Metro system has been called "America's subway," and it truly is. Not only do our constituents in the greater Washington area rely on Metro as a commuter system to get to and from work, but it serves hundreds of thousands of visitors. Just stop and look today, as you get on the Metro, at the different people from all over the Nation.

Can you imagine the area without the Metro? If we think we have near gridlock conditions today on our highways here, where would we be without Metro? And clearly we do have gridlock conditions on our highways today in the entire region.

As America's subway, Metro is a unique transit system which operates as a true Federal, State and local partnership. Every level of government benefits from the system and every level has a responsibility to ensure that the system continues to run efficiently.

Sadly, the system is not healthy. A recent four-part series in the Washington Post pointed out the obstacles facing Metro, which I won't elaborate on today. A blue ribbon panel and a Heritage Foundation report have both concluded it is vital for Metro to find a dedicated funding source to keep the system viable.

Again, I want to thank you for the leadership, and I am pleased to support this legislation. I yield back.

[The prepared statement of Hon. Frank R. Wolf follows:]

Statement by Representative Frank R. Wolf
Hearing Before the House Government Reform Committee
July 28, 2005
Washington Metropolitan Area Transit Authority

Mr. WOLF. Mr. Chairman, thank you for giving me the opportunity to participate in today's hearing on WMATA.

As you know, WMATA operates the Washington region's transit system including the 108-mile Metrorail, a system which is vital to mobility in the nation's capital and the greater Washington region.

I have been pleased since coming to Congress in 1981 to support WMATA and the Metro system. The regional bipartisan congressional delegation over the years has worked to ensure that the original 103-mile system was built and worked to keep the system operating and to expand the system to meet the needs of our growing population.

As the former chairman of the House Transportation Appropriations Subcommittee, I was pleased to play a role in obtaining federal funding to complete the construction of the originally designed Metrorail system. Through that work, I know firsthand the delicate balancing of funding necessary to keep the system running.

The Metro system has been called "America's subway," and it truly is. Not only do our constituents in the greater Washington area rely on Metro as a commuter system to get to and from work, Metrorail serves hundreds of thousands of annual visitors to the nation's capital.

Can you imagine the area without the Metro? If we think we have near gridlock conditions today on our highways here, where would we be without Metro?

As America's subway, Metro is a unique transit system which operates as a true federal, state and local partnership. Every level of government benefits from this system and every level has a responsibility to ensure that this system continues to run efficiently. We all must work to achieve a healthy mass transit system.

Sadly, the system is not healthy. A recent four-part series in *The Washington Post* pointed out the obstacles facing Metro, which I won't elaborate on today. A blue ribbon panel and a Heritage Foundation report have both concluded that it is vital for Metro to find a dedicated funding source to keep the system viable.

I am happy to be here today with my northern Virginia colleagues, Chairman Davis and Congressman Moran, to support legislation to reauthorize WMATA and to fulfill the federal government's responsibility in providing its share of funding to make sure Metro continues to operate as America's transit system.

Thank you Mr. Chairman.

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Chairman TOM DAVIS. Mr. Wolf, thank you. And thanks for all the work you have done through the years in getting funding for this system as well.

Mr. Moran.

Mr. MORAN. Thank you very much, Mr. Chairman. I thank my colleagues for being on the panel. I appreciate your inviting me to share this hearing with you, because I know that we are all equally proud of the fact that we have the privilege of representing the National Capital Region in the U.S. Congress, as well as the most efficient and effective Federal workforce that any nation can boast of, and, of course, the seat of the world's greatest democracy.

Metro is the linchpin that literally binds all of those entities and interests together. But Metro is confronting a crisis. Some may be of its own making; years of deferred maintenance and a patchwork of cobbled together State and local funding. But that is understandable when you consider the fact that Metro is the only transit system in the country without a dedicated source of revenue.

Most of its problems are in response to development beyond its control, immense demands on regional growth, proposed expansion of the core system—which I think is absolutely necessary—and a surge in new ridership, for which they are to be congratulated. But all have contributed to inconveniencing riders with service disruptions and raising doubts about Metro's future success.

I know my colleague and friend has crafted legislation to re-establish a new Federal commitment that we desperately need to keep Metro on track. And, in fact, your legislation, Mr. Chairman, goes even further than the recommendations of the recent blue ribbon panel. It will provide incentives to create a dedicated local source of revenue, which I absolutely believe is essential.

But the Federal funds it authorizes will have eight car trains on the system during peak hours of ridership, something that my constituents on the crowded Orange Line know will be very welcome relief. And if this legislation comes with a greater Federal say on Metro's board, I think that is appropriate. If the Federal Government is going to continue to be expected to foot half of the capital costs, then there should be Federal representation. And I think a Federal perspective might help in bringing about the kind of consensus that is necessary among sometimes competing parochial interests.

Mr. Chairman, Metrorail is an indispensable part of the solution to our problems in the National Capital Region. Certain key road systems should be built, obviously. But we cannot pave our way out of our congestion problems. We estimate that there is going to be a need for 800,000 more residential units over the next decade. And that comes from Steve Foler. And we may well see that just in northern Virginia. It is Metro that presents the only way to deal with that massive expansion.

But as you know, Mr. Chairman, from our discussions over the past week—and I understand from Ms. Norton you have had similar discussions with Ms. Norton—I have been reticent to go on this bill. I went on because I agree with 95 percent of what is in the bill. It is a good bill. But the 5 percent I take exception to.

We have worked together on so many issues, and I could give a long list of them. Lorton comes to mind and any number of others.

But, as you know, I think you are wrong on terms of the legislation that restricts Metro from being able to sell its property and restricts Fairfax County from being able to determine its land use and zoning decisions. It is not in my district, I understand that, but it sets a precedent that I think is an unfortunate land use precedent.

The only way, as Ms. Norton suggested, that we can provide affordable housing for our workforce, never mind low-income people, for our workforce, we have to go up. There is no more land. And if we are going to go up and still enable people to get to work and to shop, etc., we have to have public transit where they live, so that they can live, they can shop, they can work without having to get into an automobile. And the only way to do that is to have much higher density around our Metro stations.

The jurisdictions that are not willing to do that, they have to be subsidized by those who are, and ultimately it will be D.C. and Arlington and, to some extent, Maryland suburbs who do that subsidization. I think that is wrong. I do think we ought to be focusing our development around Metro stations with as high a density as we can accommodate. And I don't think the decision that you have made with regard to the Vienna Metro is consistent with that objective. You know that, but I have to say it on the record.

Chairman TOM DAVIS. Well, I have to say on the record I am sure your constituents in Reston will be very happy with the fact that you have come out for much higher densities along that corridor as well, that is going to be the price. We are losing 650 parking places in Vienna under the proposed rule at this point at the terminus of Metro. It is not in your district.

And, you know, this isn't a precedent. You and I worked together in the Lorton area for a land transfer down there. We got into the land use issues. And, frankly, this is staying in the bill until my concerns are addressed. I hope that they will be addressed. But you brought it up, so I am going to just tell you that is the price of poker here.

Mr. Van Hollen.

Mr. VAN HOLLEN. Thank you, Mr. Chairman and colleagues. First of all, let me thank you, Mr. Chairman, for your leadership in putting together the authorization legislation and reaching out to members of the region on a bipartisan basis.

I think we all understand the critical role that Metro pays in the economic health of this region as part of the strategy to reduce congestion and also, at the same time, to try and keep our air clean. We have been through very hot days recently. We know the impact of smog. And obviously to the extent we can get cars off the street and people onto Metro, we both reduce congestion and also can help our air quality in this region.

It is obviously an important lifeline to the Federal Government, given the number of Federal employees that use the Metro system and are a part of working everyday for the people of our country through their service in the Federal Government. And it is essential in so many other ways to this region.

So I want to thank WMATA for its efforts over many, many years. It has faced tremendous challenges and tremendous growth, and we have seen the impact of those challenges, I think, recently

in a number of the stories that we saw in the Washington Post and other areas that has overwhelmed in many ways our capacity to deal with the system on a daily basis.

This bill contains two major components, and they are tied together: one is resources; the other is accountability. On the resources front, I think we all understand that Metro, given its growth and anticipated growth in the future, is going to require additional resources. The dedicated funding provisions in this bill will hopefully provide a predictable and reliable source of revenue. And the Federal component is essential, and I think it is warranted given the fact that the Metro system is essential to the operations of the Federal Government, and we are, of course, in our Nation's Capital here.

That Federal commitment I think can only be justified, however, if we ensure Federal taxpayers that there is the accountability piece to it, No. 1; and, No. 2, that they have some participation on the board. And this bill deals with both those issues: on the accountability side through the creation of the inspector general, and on the board side by allowing Federal representatives.

So I think it is a good package. We face increasing challenges and also threats. In the aftermath of the Madrid and London bombings, we are going to have to obviously be more vigilant than ever, and that is going to require additional resources in the system. I know that we will have a continued oversight over the progress Metro is making in that area and making sure that we provide for the safety of the riders on Metro.

Let me just briefly mention one of the local provisions in this bill that deals with Takoma Park. And I want to make it clear that the provision in this bill does not do anything to stop the development at the Takoma Park Metro station. It is not the intent to stop the development at the Takoma Park Metro station. It is designed entirely to ensure that the community is given a fair opportunity to provide input into that effort and to make sure that a number of concerns are addressed in a fair way.

And I want to thank WMATA representatives for some of their early meetings that have already been had with members of the community, but we want to make sure that we have full and fair participation of the community in that process to make sure that the project is the very best project it can be and meet the interests of everybody in the community.

So with that, Mr. Chairman, I thank you and I look forward to the hearing and the work on the legislation.

Chairman TOM DAVIS. Thank you very much.

I might add our provisions don't stop any development. That is not our goal. Counties make land use. All we can look at is protecting Metro's interests in this as well.

Mr. Wynn, would you care to make an opening statement?

Mr. WYNN. Thank you, Mr. Chairman. At this time I am going to defer, but I do want to take a moment to thank you for calling this hearing and for your initiative with regard to the Metro system. I certainly appreciate it and look forward to the hearing. And I will have some comments perhaps later on. Thank you.

Chairman TOM DAVIS. Thank you very much. It has been a long time since we have had this kind of Federal commitment for fund-

ing Metro, and hopefully, working together with our local partners, we can keep our investment in the system solid and keep this a great system.

We will have our first panel. Members will have 7 days to submit opening statements for the record. Our witness panel: Katherine Siggerud, who is the Director of Physical Infrastructure Issues at the Government Accountability Office; Dana Kauffman, a board chairman for the Washington Metropolitan Area Transit Authority, no stranger to us; and Richard White, the chief executive officer, Washington Metropolitan Area Transit Authority.

And thank you, Dana, for being here.

I might add Dana serves on the County Board in Fairfax and served under Joe Alexander, who is also a former chair. Thanks for being here, Dana.

William Millar, the president of the American Public Transportation Association. Thank you for being here.

Robert Puentes, who is a fellow at the Metropolitan Policy, Brookings Institute; and Pauline Schneider, who is a partner at Hunton and Williams, and a member of the Federal City Council.

It is our policy we swear witnesses in before we testify, so just rise and raise your right hands.

[Witnesses sworn.]

Chairman TOM DAVIS. Thank you very much.

Ms. Siggerud, you have done a lot of work on this. Why don't you start, and then we will move right down the line. Your entire testimony is part of the record and questions will be based on the entire testimony.

Ms. Siggerud, thank you for being with us.

STATEMENTS OF KATHERINE SIGGERUD, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE; DANA KAUFFMAN, CHAIRMAN OF THE BOARD, WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY; RICHARD WHITE, CHIEF EXECUTIVE OFFICER, WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY; WILLIAM MILLAR, PRESIDENT, AMERICAN PUBLIC TRANSPORTATION ASSOCIATION; ROBERT PUENTES, FELLOW, METROPOLITAN POLICY PROGRAM, THE BROOKINGS INSTITUTION; AND PAULINE SCHNEIDER, PARTNER, HUNTON AND WILLIAMS, MEMBER, FEDERAL CITY COUNCIL

STATEMENT OF KATHERINE SIGGERUD

Ms. SIGGERUD. Mr. Chairman, members of the committee, and members of the Washington area delegation, I am pleased to testify before you today on issues related to the Washington Metropolitan Area Transit Authority [WMATA].

Recently, a regional panel reviewed WMATA's funding and found that it faces substantial financial and budgetary challenges. Last month, the Washington Post series article also outlined operational issues that affect the reliability of its transit services.

At the same time, ridership is at an all-time high, making WMATA the second largest rail system and the fifth largest bus system in the country. It is imperative that WMATA remain an adequately funded and well managed organization because it pro-

vides an indispensable transit option for hundreds of thousands of Washington area commuters, including Federal Government employees; also for tourists and others who travel in the region every day.

My statement today is based on the interim results of work that you requested that GAO undertake. I will discuss first WMATA's responsibilities for serving the interest of the Federal Government and the Washington region; second, the current funding challenges facing WMATA and options proposed; and, third, options in providing safeguards and oversight of any additional Federal assistance provided to WMATA should Congress decide to do so.

Turning now to my first topic. Using data from WMATA's 2002 passenger survey, a significant portion of Metrorail riders were Federal employees at that time. Estimates for the peak period times were that 41 percent of the riders are Federal employees and 37 percent in the afternoon peak period. Looking at this issue another way, about 40 percent of Federal employees use Metrorail.

Federal agencies specifically rely on WMATA's services. OPM considers Metro's operating status as to be key to the decisions about closing the Federal Government in times of emergency. The General Services Administration and the National Capital Planning Commission instruct Federal agencies to locate near transit stops as part of an effort to reduce congestion and improve air quality.

WMATA also plays an important role in transporting people to special events that occur because Washington is the Nation's Capital. These include rallies, celebrations on the Mall, and inaugurations.

WMATA has also taken on significant responsibility with regard to security of its passengers and facilities. WMATA trains first-responders in emergency management techniques at its facility in Landover. The Metrorail system is the first in the country to equip selected rail stations with chemical early warning systems. WMATA has stepped up police presence in response to heightened terrorist alerts and incurred significant overtime costs as a result. The Federal Government has paid for a portion of these security-related costs.

With regard to funding, WMATA's challenges are most acute for its capital projects. WMATA is to be commended for the capital planning effort it undertook, in part in response to our 2001 recommendation. Nevertheless, this plan demonstrated that the costs of maintaining and enhancing the system exceed available resources.

A regional panel convened last September and estimated that WMATA would have a total budgetary shortfall of $2.4 billion through fiscal year 2015 if it went forward with the projects in its capital improvement plan. We believe that the budgetary shortfall may be even greater because the estimate did not include the costs of providing paratransit services, as required under the Americans With Disabilities Act, these costs are significant. In fact, the panel estimated these services could result in an additional shortfall for WMATA of about $1.1 billion.

In dealing with its funding challenges, WMATA, unlike other major transit systems, does not have a dedicated source of revenue.

We have noted this as the limiting factor for WMATA in reports dated all the way back to 1979. As a result, the regional panel concluded that the Washington region does need such a source. The panel also concluded that the Federal Government should help to address the budgetary shortfall, particularly for capital maintenance and system enhancement, citing specifically the benefits WMATA provides to the Washington region and to the Federal Government. We would note that any decision to provide additional Federal support should be balanced against competing claims on Federal resources and consider the Federal fiscal constraints.

To the extent that this committee and the Congress as a whole decide to provide additional funding, Congress should also have reasonable assurances that it will be spent efficiently and effectively. Congress has long recognized the benefits of spending safeguards, especially for high-cost transportation infrastructure projects, and of management oversight for the local agencies that receive the funding.

I am pleased to say that, according to my discussions with your staff, several of the safeguards we identified are under consideration. Examples include, first, matching requirements for capital projects. Federal law has historically controlled the use of Federal transportation funds, including instituting matching requirements to ensure local contributions.

Second, Federal oversight through the Federal Transit Administration. This project management oversight program run by FTA reviews transit projects to determine whether they are on time and on budget. This oversight has been useful in monitoring several recent WMATA projects. Third, congressional oversight. This would include specifying the types of eligible projects and also requiring periodic reporting to Congress on plans for using Federal funds and the results of the investment.

Finally, Congress could institute additional oversight for WMATA. Our ongoing work shows that WMATA already has multiple oversight entities, including the FTA program, the Office of Auditor General, and an external auditor to review the financial statements. It has also recently sought reviews from the American Public Transportation Association.

Nevertheless, should the Congress decide that a different approach to oversight is necessary, we hope it would be structured in a way to complement and integrate the existing current oversight and to inform WMATA management and its board of overall management and operational challenges.

This concludes my statements. I am happy to take questions.

[The prepared statement of Ms. Siggerud follows:]

United States Government Accountability Office

GAO

Testimony
Before the Committee on Government Reform, House of Representatives

For Release on Delivery
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MASS TRANSIT

Preliminary Views on Options for Additional Fiscal Oversight of the Washington Metropolitan Area Transit Authority

Statement of Katherine Siggerud, Director
Physical Infrastructure Issues

GAO-05-922T

July 28, 2005

GAO

Highlights

Highlights of GAO-05-922T, a testimony before the Committee on Government Reform, House of Representatives

MASS TRANSIT

Preliminary Views on Options for Additional Fiscal Oversight of the Washington Metropolitan Area Transit Authority

Why GAO Did This Study

In recent years, the Washington Metropolitan Area Transit Authority (WMATA) has faced serious financial and budgetary problems as well as continuing challenges related to the safety and reliability of its transit services. At the same time, ridership is at an all-time high, and WMATA continues to provide critical services and considerable benefits to the Washington region and to the federal government.

This statement discusses (1) WMATA's responsibilities for serving the interests of the federal government, including the agency's role in transporting federal employees and visitors to the nation's capital and in supporting homeland security for the Washington metropolitan region; (2) the current funding challenges facing WMATA and the options proposed to address these challenges; (3) preliminary information on some of the entities that currently provide oversight of WMATA and the focus of their recent reviews; and (4) some considerations and options in instituting spending safeguards and oversight of any additional federal assistance provided to WMATA, should Congress decide to provide such assistance.

GAO discussed this testimony with WMATA and FTA officials, who provided comments and additional information that GAO incorporated as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-05-922T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Kate Siggerud at (202) 512-2834 or siggerudk@gao.gov.

What GAO Found

WMATA transports a substantial share of the federal workforce and provides an important means of transportation to special events that occur in Washington, D.C., as the nation's capital. WMATA's Metro Transit Police assists federal law enforcement agencies by providing expertise in civil disturbance management and explosives detection and by training first responders in emergency management techniques specific to transit environments. WMATA's Metrorail and Metrobus are the preferred means of transportation in an emergency scenario requiring evacuation, and both the regional and the District of Columbia emergency transportation plans rely heavily on them.

A regional funding panel estimated WMATA's budgetary shortfall at $2.4 billion for fiscal years 2006 through 2015 if WMATA were to fund many of the projects in its 10-year capital improvement plan. This shortfall may be even greater because the panel's shortfall calculation did not include the costs of providing specialized transportation for persons with disabilities, as required under the Americans with Disabilities Act. To deal with WMATA's funding shortfall, the regional panel concluded that the region needs to develop a dedicated source of revenue for WMATA (e.g., local sales tax) and that the federal government needs to provide significant contributions because of the benefits it receives from WMATA. However, given the large federal budget deficit and competing claims on federal resources, GAO believes WMATA may also need to reexamine its own spending priorities.

As part of its ongoing work on WMATA's oversight entities, GAO found that WMATA is subject to oversight from multiple entities that, since 2003, have issued hundreds of reports—which vary in scope—on a broad range of topics. These entities include WMATA's Auditor General, an independent external auditor, the Federal Transit Administration (FTA), and industry peer review panels. The entities have made recommendations to WMATA, which WMATA has generally implemented or plans to implement. As part of its ongoing work, GAO plans to analyze these reviews in more detail to determine if they comprehensively identify and address WMATA's overall management and operational challenges. GAO's ongoing work will also cover other FTA reviews and safety reviews of WMATA's operations.

Congress, the administration, and GAO have long recognized the benefits of having spending safeguards and management oversight for entities that receive federal funding. If Congress decides to provide WMATA with additional federal funding, there needs to be reasonable assurance that the funds will be spent effectively. We identified several options for additional oversight that could be incorporated into legislation that provides additional federal funding to WMATA, including having WMATA officials periodically report to Congress on how the funding is being spent; specifying the types of projects for which federal funds could be used; and requiring that any additional federal funding be subject to FTA's oversight programs.

Mr. Chairman and Members of the Committee:

We are pleased to testify before you today on issues related to the Washington Metropolitan Area Transit Authority (WMATA) and the federal government. In recent years, WMATA has faced financial and budgetary problems, as well as continuing challenges related to the safety and reliability of its transit services. At the same time, ridership is at an all-time high, and WMATA continues to provide critical services and considerable benefits that support the Washington region's economy and the federal government. For example, WMATA operates a transit system that provides an indispensable commuting option for hundreds of thousands of Washington-area workers, including federal government employees, tourists, and others who visit the region each day.

Our statement today is based on the interim results of our work on WMATA. We will discuss

- WMATA's responsibilities for serving the interests of the federal government, including the agency's role in transporting federal employees and visitors to the nation's capital and in supporting homeland security for the Washington metropolitan region;

- the current funding challenges facing WMATA and the options proposed to address these challenges;

- preliminary information on some of the entities that currently provide oversight of WMATA and the focus of their recent reviews; and

- some considerations and options in providing spending safeguards and oversight of any additional federal assistance provided to WMATA, should Congress decide to provide such assistance.

Our work is based on our review of WMATA's documentation of the transit services it provides to federal employees and others; its budgetary and other financial documentation; our analysis of reports on WMATA's financial problems that we and others have issued; and interviews with officials at WMATA, the U.S. Department of Transportation (DOT), other federal agencies that rely on WMATA's services, and officials with expertise in the transit industry, transportation planning, and transportation finance. We reviewed selected reports issued by entities that oversee WMATA—including WMATA's Auditor General, an independent external auditor, and the Federal Transit Administration (FTA). We also reviewed prior GAO reports on various oversight issues related to mass transit and other areas of surface transportation. We conducted our work from March 2005 through July 2005 in accordance with generally accepted government auditing standards. We obtained oral comments on this statement from WMATA and DOT officials, who generally agreed with the information and provided technical comments, which we incorporated as appropriate. We also provided selected portions of the statement to the District of Columbia Department of Transportation, the General Services Administration, the Office of Personnel

Management, the National Capital Planning Commission, the U.S. Capitol Police, and the U.S. Secret Service. Some of these agencies provided technical comments, which we incorporated as appropriate. Details of our scope and methodology are provided in appendix I.

In summary:

- WMATA transports a substantial share of the federal workforce and provides an important means of transportation to the special events that occur in Washington, D.C., as the nation's capital and its "seat of government." WMATA's Metro Transit Police also plays an important role in assisting federal law enforcement agencies by providing expertise in civil disturbance management and explosives detection and by making Metrobuses available for perimeter security and for redirecting traffic at high-security federal events. Additionally, WMATA trains first responders in emergency management techniques specific to transit environments at its tunnel facility in Landover, Maryland, and through its training course on managing Metrorail emergencies. The Metrorail system is equipped with chemical and radiological early warning systems to alert first responders to potential hazardous materials incidents. In addition, both the regional and the District of Columbia emergency transportation plans rely heavily on Metrorail and Metrobus for transportation in an emergency scenario requiring evacuation.

- Over the years, WMATA has faced funding challenges, and the options proposed to address those challenges generally include both a dedicated revenue source and a federal contribution. A regional panel, convened in September 2004, estimated that under its current revenue structure, WMATA would have a total budgetary shortfall of $2.4 billion during fiscal years 2006 through 2015 if it went forward with the projects remaining in its 10-year capital improvement plan, except for those that involved expanding the current system. We believe that WMATA's anticipated shortfall may be even greater because, in calculating the shortfall, the panel did not include the costs of providing paratransit services as required under the Americans with Disabilities Act (ADA).[1] These costs are significant; in fact, the panel estimated that these services could result in a shortfall for WMATA of about $1.1 billion over the 10-year period from fiscal year 2006 through fiscal year 2015, thus raising the total anticipated shortfall to $3.5 billion for that period. In dealing with its funding challenges, WMATA—unlike most other major transit systems—does not have a dedicated source of revenue, such as a local sales tax whose receipts are automatically directed to the transit authority. As a result, the regional panel and others have concluded that the Washington region needs to develop a dedicated source of revenue for WMATA. In addition, the panel has concluded that the federal government needs to participate "significantly" in addressing WMATA's budgetary shortfall, particularly for capital maintenance and system enhancement, because WMATA has provided numerous benefits to the Washington region and the federal government over the years. To the extent that the federal government cannot provide significant

[1] Paratransit most often refers to wheelchair-accessible, demand-response van service for individuals who are unable to use the regular transit system independently because of a physical or mental impairment.

additional support to WMATA because of competing claims on federal resources, and WMATA's current revenue structure continues to be insufficient to support its planned capital projects, WMATA may need to reexamine its spending priorities, including how it will meet its ADA obligations.

- As part of our preliminary review of WMATA's oversight entities, we found that WMATA is subject to oversight from multiple entities that, since 2003, have issued hundreds of reports and made dozens of recommendations. These entities include WMATA's Office of Auditor General, which has issued nearly 500 reports, including internal and investigative audits and reviews of contracts and pricing proposals, and an independent external auditor, which annually reviews WMATA's financial statements and related internal controls. Additionally, FTA oversees WMATA's major capital projects through the project management oversight program; FTA has issued 125 monthly monitoring reports on seven of WMATA's major projects through this program since 2003. FTA also reviews WMATA's compliance with a wide range of administrative and statutory requirements through its Triennial Review. In 2005, at WMATA's request, panels assembled by a transit industry association conducted peer reviews of WMATA's bus and rail operations. The peer review panels developed recommendations to improve the effectiveness and efficiency of bus and rail operations in multiple areas, including staffing, organization, maintenance, and technology. WMATA has generally implemented or plans to implement the recommendations resulting from the various oversight reviews. As part of our ongoing work, we plan to analyze these reviews in greater detail to determine whether, taken as a whole, they identify systemic problems and are adequate to address WMATA's overall management and operational challenges. Our ongoing work will also include FTA's in-depth reviews of program or system compliance, as well as safety reviews conducted by external and internal entities.

- To control costs and ensure results—especially for high-cost transportation infrastructure projects—Congress, the administration, and GAO have long recognized the benefits of spending safeguards and management oversight for the state and local governments and transportation agencies that receive federal funding. For example, certain federal laws have historically controlled the uses of federal transportation funds, including instituting "matching" requirements to ensure the use of some local funds for capital infrastructure projects and prohibiting the use of these funds for operating expenses. Several ongoing, planned, and past efforts illustrate the benefits of management oversight and the ways it can be carried out. At the local level, in the 1980s, New York City's ailing Metropolitan Transit Authority was subject to increased oversight legislated by the state. This oversight, along with increased revenue, was followed by improvements in the performance of the authority's subway system. We have also reported that safeguards should accompany any increased federal funds provided to the District of Columbia to address the structural imbalance between its costs and revenue-raising capacity. At the federal level, FTA's project management oversight program is designed to help ensure that grantees building major capital projects have the qualified staff and procedures needed to successfully plan and carry out those projects. Finally, the House and Senate versions of the surface transportation reauthorization bill currently before Congress include provisions that

enhance management oversight for major capital projects receiving federal funds. We have not fully analyzed the applicability of these oversight options to WMATA or evaluated their relative merits. However, we believe that should Congress decide to provide WMATA with additional federal funding in recognition of its support of the federal government, Congress should have reasonable assurances that the funds would be spent efficiently and effectively. Accordingly, we identified several options for writing safeguards into legislation that provides any additional federal funding to WMATA. These options include having WMATA officials periodically report to Congress on how the funding is being spent; specifying the types of projects for which federal funds could be used; and instituting additional oversight bodies for WMATA.

Background

WMATA was created in 1967 by an interstate compact that resulted from the enactment of identical legislation by Virginia, Maryland, and the District of Columbia, with the concurrence of the U.S. Congress.[2] WMATA began building its Metrorail system in 1969, acquired four regional bus systems in 1973, and began the first phase of Metrorail operations in 1976. In January 2001, WMATA completed the originally planned 103-mile Metrorail system, which included 83 rail stations on five rail lines. The transit system encompasses (1) the Metrorail subway system, which now has 86 Metrorail stations on five rail lines and a fleet of about 946 rail cars; (2) the Metrobus system, which has a fleet of about 1,447 buses serving 350 routes; and (3) the MetroAccess ADA complementary paratransit system, which provides specialized transportation services, as required by law, to persons with disabilities who are certified as being unable to access WMATA's fixed-route transit system.

Congress and the executive branch have supported considerable federal funding for WMATA since its inception in the 1960s, citing several reasons including (1) the federal government's large presence in the area, (2) the attraction of the nation's capital for tourists, (3) the overlapping needs of adjacent jurisdictions, and (4) the limitations faced in raising other revenue for transit needs. This federal funding has taken several forms over the years.[3] First, WMATA relied on federal funding to pay for nearly 70 percent of the costs to build its Metrorail subway system. From 1969 through 1999, the federal government provided about $6.9 billion[4] of the approximately $10 billion that WMATA spent to construct the original 103-mile system, according to WMATA officials.[5] Second, WMATA has also relied on federal funding to cover more than 40 percent of its capital improvement costs during the last 10 fiscal years. Of about $3.5 billion that WMATA

[2] Washington Metropolitan Area Transit Authority Compact, Pub. L. No. 89-774 (1966).
[3] See GAO, *Mass Transit: Information on the Federal Role in Funding the Washington Metropolitan Area Transit Authority*, GAO-05-358T (Washington, D.C.: Feb. 18, 2005).
[4] In our February 2005 testimony (see GAO-05-358T), we reported information, provided by WMATA officials, showing that the federal government's contribution from 1969 through 1999 was $6.2 billion. In commenting on a draft of today's testimony statement, WMATA officials told us that they had provided us with incomplete information in February 2005 and that, in fact, the total federal contribution during those years was $6.9 billion.
[5] All dollar figures presented in this statement are in nominal dollars (not adjusted for inflation).

received from all sources for capital improvements during fiscal years 1995 through 2005 (as of February 2005), about $1.5 billion, or about 43 percent, came from the federal government, with the remaining $2 billion, or about 57 percent, coming from the state and local jurisdictions that WMATA serves and from other sources. Most of this federal funding has come through grants administered by FTA. Finally, WMATA received about $49.9 million for congressionally designated projects, including a new Metrorail station at New York Avenue in the District of Columbia, during fiscal years 1995 through 2005.

WMATA operates in a complex environment, with many organizations influencing its decision-making and funding and providing oversight. WMATA is governed by a board of directors—composed of individuals appointed by each of the local jurisdictions WMATA serves—which sets policies and oversees all of WMATA's activities, including budgeting, operations, development, expansion, safety, procurement, and other activities. In addition, a number of local, regional, and federal organizations affect WMATA's decision-making, including (1) state and local governments, which subject WMATA to a range of laws and requirements; (2) the National Capital Region Transportation Planning Board of the Metropolitan Washington Council of Governments, which develops the short- and long-range plans and programs that guide WMATA's capital investments; (3) FTA, which provides oversight of WMATA's compliance with federal requirements; (4) the National Transportation Safety Board, which investigates accidents on transit systems as well as other transportation modes; and (5) the Tri-State Oversight Committee, which oversees WMATA's safety activities and conducts safety reviews.

WMATA's combined rail and bus ridership totaled about 343.8 million passenger trips in fiscal year 2005. WMATA operates the second largest heavy rail transit system and the fifth largest bus system in the United States, based on passenger trips, according to WMATA. WMATA's fiscal year 2005 budget is $1.29 billion. Of the total amount, about 76 percent, or $977.9 million, is for operations, including maintenance activities, and the remaining 24 percent, or $314.1 million, is for capital improvements. WMATA obtains its funding from a variety of sources, including the federal, state (Virginia and Maryland), District of Columbia, and local governments; passenger fares; and other sources. In general, WMATA relies on passenger fares and subsidies from its member jurisdictions to cover the majority of its operating costs.[6] Its capital funds are obtained from other sources, including the federal government and the state and local jurisdictions that it serves. Of all WMATA's funding, less than 2 percent is from a dedicated source.

WMATA Supports Federal Government Operations by Providing Transportation and Security and by Supporting Emergency Preparedness

As the major transit agency in the national capital area, WMATA provides transportation to and from work for a substantial portion of the federal workforce and is also integral to the smooth transportation of visitors to the nation's capital. WMATA also assists federal law enforcement agencies by providing security for high-profile events and other

[6] Metrorail has the second highest cost recovery ratio (revenues from fares per total operating expenses) of any heavy rail system in the nation, according to 2002 data, whereas Metrobus's cost recovery ratio is ranked 17th out of the largest 20 bus systems.

security-related expertise and services. Furthermore, the emergency transportation plans of the District of Columbia and the Washington region both rely heavily on Metrorail and Metrobus for transportation in an emergency scenario requiring evacuation.

WMATA's Transit Services Affect Daily Federal Government Operations

According to estimates prepared by WMATA, a substantial share of Metrorail's riders, particularly at peak commuting periods, are federal employees.[7] Using data from its 2002 passenger survey (the most recent data available), WMATA estimates that approximately 35 percent of all Metrorail riders were federal employees in 2002.[8] WMATA's estimates are higher for peak[9] period times, when the system faces capacity constraints: according to the survey, approximately 41 percent of the morning peak period riders and approximately 37 percent of the afternoon peak period riders are federal employees. The federal employees who ride Metrorail to and from work each day represent a substantial share of federal employees in the Washington, D.C., region. Using an estimate based on its 2002 passenger survey data on the number of federal employees who are Metrorail passengers, together with data from OPM on the number of civilian federal employees in the Washington, D.C., region, WMATA estimated that in 2002, approximately 40 percent of federal employees used Metrorail.

WMATA's operating status is an important factor in OPM's decisions about the day-to-day operations of the federal government. OPM officials told us that WMATA is a key stakeholder in OPM's decision to have an early dismissal, late arrival, or closure of the federal government, since a substantial portion of the federal workforce rides WMATA's transit system to and from work. Those officials said that they are aware of WMATA's operating constraints and take them into account when deciding to close the federal government. However, the officials told us that OPM makes the final decision and uses the safety of employees as the sole factor in its decision. OPM officials further noted that the functioning of the federal government is not dependent on WMATA's operating status and that employees have other options, such as flexible work schedules and teleworking, available should they not be able to get to their usual workplace.

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[7] WMATA's estimates do not include federal contractors and do not consider the extent to which federal employees use Metrobus or MetroAccess services.

[8] Like other estimates, WMATA's estimates are subject to various forms of possible error that might cause the actual percentage of Metrorail riders that are federal employees to differ from the estimated percentage. One form is sampling error. Because WMATA surveyed a large sample of riders, the sampling errors associated with its estimates are small. All the estimates that we cite from WMATA's 2002 passenger survey have sampling margins of error of less than plus or minus 0.5 percentage points at the 95 percent confidence level. As a result, based on sampling error alone, the chances are 95 out of 100 that the actual percentage of Metrorail riders that were federal employees in 2002 lies between 34 and 35 percent. However, the practical difficulties of conducting any survey can introduce errors from other sources, commonly referred to as nonsampling errors, which may reduce one's level of confidence in the estimates. In particular, the WMATA survey had an overall response rate of less than 28 percent. As response rates decrease, so does the likelihood that the characteristics of the survey respondents represent those of the entire universe of Metrorail riders.

[9] WMATA defines the morning peak period as 5:30 a.m. through 9:29 a.m. and the afternoon peak period as 3:00 p.m. through 6:59 p.m.

Federal Guidance Provides Incentives for Federal Employees to Use Mass Transit

Executive Order 12072, issued on August 16, 1978,[10] instructs federal agencies to consider such factors as the availability of public transportation and parking as well as accessibility to the public when evaluating and selecting federal facilities. The General Services Administration (GSA)—which has overall responsibility for reviewing and approving the acquisition of federal facilities—created a *Site Selection Guide*[11] for federal agencies that implements the provisions of this executive order, as well as other public laws and executive orders. Within the National Capital Region, the National Capital Planning Commission also has review and approval authority over federal building construction, renovations, and transportation plans in the District of Columbia, and it has review authority only over federal sites in the Virginia and Maryland areas of the region. Both GSA and the commission instruct federal agencies to locate their facilities near mass transit stops whenever possible.

The Federal Employees Clean Air Incentives Act of 1993[12] also encourages the federal use of mass transit, with specific provisions for the National Capital Region.[13] The purpose of this act was to authorize agencies to create programs for federal employees to encourage their use of alternatives to single-occupancy vehicles for commuting. Under the act, the heads of agencies were authorized to establish programs for agency employees that would provide, for example, transit passes, space for bicycles, and nonmonetary incentives.

WMATA Provides Transportation to Special Events in the Nation's Capital

WMATA's services are integral to the smooth operation of the myriad of special activities that occur in Washington, D.C., as the nation's capital and its "seat of government." According to a visitor transportation survey administered for the National Park Service, 61 percent of visitors used Metrorail during their visit to Washington, D.C.[14] In several instances, ridership has been highest on days when events (1) were sponsored by the federal government, such as the first and second inaugurations of President George W. Bush and the grand opening of the National Museum of the American Indian or (2) occurred in Washington because it is the seat of government, such as political rallies. On June 6, 2004, the date of former President Ronald Reagan's state funeral ceremony, WMATA marked its highest ridership day ever, with more than 850,000 riders.

The federal government also relies on WMATA to provide transportation services outside its normal hours and routes. Some examples follow:

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[10] 43 F.R. 36869.
[11] U.S. General Services Administration, *Site Selection Guide* (Washington, D.C.: March 2003).
[12] Codified at 5 USC § 7905.
[13] Executive Order 13150, issued on April 21, 2000, implemented the act by mandating that federal agencies establish a "transit pass" program for federal employees in the National Capital Region and offer a program that allows federal employees to exclude a portion of their income from taxes for commuting costs, where such commuting includes mass transportation and vanpools. Federal employees in the National Capital Area may personally claim up to $1,260 per year in transit benefits for commuting purposes.
[14] National Park Service, *Visitor Transportation Survey* (Washington, D.C.: Nov. 2003).

- In May 2004, WMATA, along with other regional transit agencies, provided buses to shuttle attendees from Metrorail stations to the World War II dedication ceremony on the National Mall.[15]

- Metrobuses ran overnight between RFK Stadium and the U.S. Capitol for 2 nights in June 2004 to enable people to pay respects to former President Ronald Reagan.[16]

- On Inauguration Day, in January 2005, WMATA opened Metro 2 hours early and closed it 3 hours later than normal, at the request of the Presidential Inaugural Committee.

WMATA Assists Federal Law Enforcement Agencies in Providing Security for High-Profile Government Events

WMATA's Metro Transit Police supports the U.S. Secret Service by making available its officers who have expertise in areas such as explosives detection and civil disturbance management to help ensure a safe and secure environment before and during events involving the President, the Vice President, or high-level foreign dignitaries. For example, when events are held in venues located above Metrorail stations, Metro Transit Police's explosive ordnance detection team inspects the stations to ensure they are free from explosives. The Metro Transit Police deployed its civil disturbance team at the 2005 presidential inaugural parade at the request of the Secret Service, which had received specific intelligence that protestors might attempt to breach the parade route. The Metro Transit Police received $299,371 in Department of Homeland Security (DHS) Urban Area Security Initiative (UASI) grants for overtime associated with providing security for the 2005 presidential inauguration. In commenting on the importance of the Metro Transit Police's security expertise, Secret Service officials told us that they consider the Metro Transit Police to be a full law enforcement partner, along with the District of Columbia's Metropolitan Police Department, the U.S. Capitol Police, and the U.S. Park Police.

The Metro Transit Police also provides enhanced security throughout the Metrorail and Metrobus system when DHS raises the threat level, which is communicated through the Homeland Security Advisory System.[17] Since DHS implemented the color-coded system in March 2002, the Metro Transit Police has spent about $2.7 million on overtime related to increased threat levels, for such activities as increasing patrols of Metrorail stations, trains, and buses. WMATA received $632,356 through a DHS UASI grant for overtime costs in 2004; this grant was WMATA's first reimbursement for costs associated with increased threat levels, according to a Metro Transit Police official.

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[15] The American Battle Monuments Commission and Transportation Management Services paid WMATA $223,320 for the use of 240 buses. WMATA charged these organizations the standard charter bus rate of $310.50 for the first 3 hours plus $34.50 for each additional 30 minutes.

[16] The Ronald Reagan Presidential Foundation paid WMATA $16,110 for the use of 20 buses. WMATA charged the foundation the standard charter bus rate.

[17] The Homeland Security Advisory System is a threat-based system that DHS uses to communicate to public safety officials and the public the likelihood of a terrorist attack.

WMATA also supports federal law enforcement efforts by providing Metrobuses to the U.S. Capitol Police to establish security perimeters, block intersections, and reroute traffic for events that take place on the grounds of the U.S. Capitol, such as presidential inaugurations and State of the Union addresses, and at other locations where presidential and vice presidential events occur. The Secret Service also uses Metrobuses periodically to establish temporary security perimeters; for example, it did so along the 2005 presidential inauguration parade route. The law enforcement agencies that use Metrobuses are charged the same standard charter rate that WMATA charges all parties to rent its Metrobuses for special events.

WMATA Supports Emergency Preparedness by Providing First Responder Training, Early Warning Sensors, and Emergency Evacuation Infrastructure

WMATA supports homeland security efforts for the Washington region and the federal government through a variety of efforts. It provides training for local and federal first responders at its tunnel training facility and has deployed early-warning systems to detect chemical and radioactive contamination in some of its underground Metrorail stations. WMATA's infrastructure is key to emergency evacuation of the region, including the evacuation of workers in federal buildings concentrated in downtown Washington, D.C.

First Responder Training

WMATA's emergency response training facility in Landover, Maryland, provides a realistic setting for fire, police, emergency, and transit personnel to learn how to respond to events such as collisions, fires, and weapons of mass destruction incidents that occur in a transit or tunnel environment. The facility includes a 260-foot tunnel that houses two subway cars positioned to resemble a wreck, as well as simulated electrified third rail, cabling, and lighting that appear identical to those in a real tunnel. Emergency personnel from across the region train at the center. The training center's federal clients include the Federal Bureau of Investigation's Hostage Rescue Team, the Federal Protective Services, and the U.S. Marines' Chemical-Biological Incident Response Force. Additionally, according to WMATA officials, FTA's Transportation Safety Institute plans to use the Emergency Response Training Facility as a host site for the counterterrorism training it plans to provide to transit agencies' law enforcement and safety personnel. WMATA funds this training facility entirely out of its regular operations budget.

WMATA is also introducing a training course on managing Metrorail emergencies, which will address emergency management concepts, techniques to respond to weapons of mass destruction attacks, and emergency traffic control. The course, which WMATA is funding with a $335,261 DHS UASI grant, will be available to first responders from the region, transit agencies nationwide, and FTA.

Early Warning Sensor Systems

Metrorail is equipped with a permanent chemical detection system to help detect hazardous substances in selected stations in the Metrorail system. This system, known as the Program for Response Options and Technology (PROTECT), acts as an early warning to safeguard first responders, employees, and Metrorail customers and is installed in selected locations in underground Metrorail stations. WMATA had assistance from the U.S. Departments of Transportation, Energy, and Justice in developing the sensor system. It received $15 million in federally appropriated funds in fiscal year 2002 and $1.4 million in additional funds in fiscal year 2004 through a direct grant from DHS's Office of Domestic Preparedness to pay for the installation of the sensors.[18]

Additionally, Metro Transit Police has distributed pager-sized devices to about 100 officers to wear in the Metrorail system to detect radiation. According to the Metro Transit Police, these pagers are worn mostly by officers in the downtown core because this area is considered to be at higher risk for attack. WMATA paid for about half of the radiological pagers, and the Department of Energy furnished the remainder.

These early warning devices are important to the area's first responders because if a high reading of a chemical or radioactive substance is detected, it is considered a potential hazardous materials or "hazmat" incident. In such an event, the portion of the Metrorail system involved could be temporarily closed, affecting traffic in the area, and local emergency management agencies would be notified and become responsible for coordinating any additional response.

Emergency Evacuation

The local emergency response officials we interviewed generally prefer using Metrorail and Metrobus in an emergency scenario that requires evacuation because mass transit can move large numbers of people efficiently and help keep roadways clear for first responders and other emergency vehicles. To assist in coordinating evacuation planning across jurisdictions, the region's metropolitan planning organization, the Metropolitan Washington Council of Governments, has developed guidance on emergency evacuation that includes the use of Metrorail and regular Metrobus routes as well as Metrobuses on special evacuation routes. The District of Columbia's emergency evacuation plans also rely heavily on WMATA. Additionally, because the federal presence in the District is so large, the District Department of Transportation consulted with federal agencies in developing its emergency transportation plans.

[18] Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States for Fiscal Year 2002, Public Law No. 107-117, Div. B, Ch. 4, 115 Stat. 2230, 2304.

Options for Addressing Anticipated Future Funding Shortfall Would Likely Include both Local and Federal Contributions

Over the years, WMATA has faced funding challenges, and options have been proposed to address them. Although WMATA has taken steps to improve its management, such as prioritizing its planned capital improvements, it lacks a dedicated funding source and must rely on variable, sometimes insufficient contributions from local, regional, and federal organizations to pay for its planned capital improvements. A report published by a regional funding panel estimated that, over the next 10 years, under its current revenue structure, WMATA will face a $2.4 billion budget shortfall, due largely to expenditures planned for capital improvement projects—an estimate that may not fully reflect the magnitude of the anticipated budget shortfall. Proposed options would provide a dedicated funding source, such as a local sales tax, and would increase federal funding for capital improvements.

Estimated Costs of WMATA's Planned Capital Projects Exceed Anticipated Funding

Over the years, WMATA has faced funding challenges, and WMATA and others have projected continuing shortfalls in its capital and, to some extent, its operating budgets. For example, in 2001, we reported that WMATA faced uncertainties in obtaining funding for planned capital spending for two of its capital programs, discussed below, the Infrastructure Renewal Program (IRP) and the System Access and Capacity Program (SAP).[19] At that time, WMATA anticipated a shortfall of $3.7 billion in the funding for these programs over the 25-year period from fiscal year 2001 through fiscal year 2025.

Since that time, in response to recommendations that we and others made, WMATA created a strategic plan, which it issued in October 2002. In November 2002, it documented and prioritized its planned capital projects in a 10-year capital improvement plan that called for spending $12.2 billion over the period from fiscal year 2004 through fiscal year 2013. Then, in September 2003, WMATA launched a campaign called "Metro Matters" to obtain $1.5 billion in capital funding over a 6-year period to avert what WMATA believed was a crisis in its ability to sustain service levels and system reliability and to meet future demands for service. In response, WMATA and its member jurisdictions approved a $3.3 billion funding plan for fiscal years 2005 through 2010 to help pay for WMATA's most pressing short-term capital investment priorities.[20]

As concerns about WMATA's anticipated funding shortfall grew, a regional funding panel known as the Metro Funding Panel—cosponsored by the Metropolitan Washington Council of Governments, the Greater Washington Board of Trade, and the Federal City

[19] See GAO, *Mass Transit: Many Management Successes at WMATA, but Capital Planning Could Be Enhanced*, GAO-01-744 (Washington, D.C.: July 3, 2001) and *Mass Transit: WMATA Is Addressing Many Challenges, but Capital Planning Could Be Improved*, GAO-01-1161T (Washington, D.C.: Sept. 21, 2001).
[20] The $3.3 billion included $1.8 billion in previously pledged funding and $1.5 billion in new commitments called for in Metro Matters. The $1.5 billion is largely funded by the local jurisdictions; however, it also includes a request for about $260 million in federal appropriations over the 6-year period, to be used for rail cars. WMATA officials told us that the federal government has not acted on the additional funding request.

Council[21]—was convened in September 2004 to study the magnitude of the shortfall, identify sources of funding, and evaluate options for generating additional revenues to address that shortfall. The panel estimated that under its current revenue structure, WMATA would have a total funding shortfall of about $2.4 billion for fiscal years 2006 through 2015 for maintaining and upgrading its existing system, assuming that Metro Matters was fully funded. As shown in table 1, the panel attributed nearly 80 percent of the total estimated shortfall of $2.4 billion to WMATA's capital activities (IRP and SAP) and the remainder to operations activities associated with future capital projects as they are completed.

Table 1: Components of the Metro Funding Panel's Estimate of WMATA's Budgetary Shortfall, Fiscal Years 2006 through 2015

Dollars in millions

WMATA projects or activities	Shortfall in fiscal years	Total amount of shortfall	Percentage of total
Infrastructure Renewal Program (IRP) projects	2011 through 2013	$430.1	18
System Access and Capacity Program (SAP) projects	2008 through 2015	$1,450.5	61
Operations activities associated with future operation of capital projects—not including system expansion projects	2006 through 2015	$500.8	21
Total		**$2,381.4**	**100**

Source: GAO analysis of information in *Report of the Metro Funding Panel*, January 2005.

Funding for the following projects and activities is included in the shortfall estimate:

- *IRP projects*: The IRP projects occur in fiscal year 2011 through 2013, after the Metro Matters funding agreement expires. These projects, which provide ongoing maintenance and renewal of the Metrorail and Metrobus systems, include replacing and rehabilitating buses and rail cars, rehabilitating escalators and elevators, rehabilitating Metrorail stations and parking lots, renovating rail car and bus maintenance facilities, and rehabilitating electrical systems, among other things.

- *SAP projects:* These projects, which are intended to increase the capacity of the current Metrorail and Metrobus systems to handle increased passenger levels, include the purchase of 130 new rail cars and 275 new buses; a variety of improvements to four maintenance facilities, two storage facilities, two new bus garages, and one replacement bus garage; enhancements at Metro Center, Union Station, and Gallery Place Metrorail stations; the construction of pedestrian connections between two pairs of Metrorail stations (between Farragut North and Farragut West and between Metro Center and Gallery Place); and 140 miles of bus corridor improvements, such as signal priority for buses, route delineation techniques using pavement materials and painted markings, and passenger waiting area enhancements.

[21] The formal name of the panel is "Panel on the Analysis of and Potential for Alternate Dedicated Revenue Sources for WMATA." See PB Consult, Inc., *Report of the Metro Funding Panel* (Washington, D.C.: Jan. 6, 2005).

- *Operating activities:* Finally, the panel included a relatively small portion of WMATA's operating budget in the shortfall estimate. This portion consists of some additional operating costs associated with some of the capital projects. According to WMATA, these are mostly preventative maintenance projects, such as bus engine overhauls, bus tire replacements, bus parts, rail parts, and labor costs.

Appropriately, the panel's budgetary shortfall estimate did not include the portion of WMATA's capital improvement plan that involves expanding the system—by adding new rail lines, for example. The projects in this portion of the plan, known as the System Expansion Program, are estimated to cost roughly $6 billion. WMATA officials told us that these projects would be paid for by the local jurisdictions and businesses where they would be built, as well as by federal grants for new transit expansion.

In preparing its estimate of WMATA's budgetary shortfall, the panel did not evaluate the need for, or priority of, individual projects in SAP and IRP. Likewise, we did not independently assess the suitability of including these projects, as a whole or individually, in the shortfall estimate. However, when WMATA developed its 10-year capital improvement plan in 2002, the projects were approved by its board of directors, which includes representatives from all of WMATA's member jurisdictions. In addition, the IRP projects and some of the projects in SAP have been incorporated into the region's Constrained Long-Range Plan for transportation improvements over the next 20 years by the Transportation Planning Board of the Metropolitan Washington Council of Governments.

Estimates of the Magnitude of WMATA's Funding Shortfall May Not Be Comprehensive

In estimating WMATA's budgetary shortfall, the panel did not include a major cost category and, thus, may have significantly underestimated the shortfall. The panel did not include the costs of providing paratransit services as required under ADA. Compliance with the act's requirements may result in significant costs over the next 10 years. The panel recognized that including these costs, which are included in WMATA's operating budget, would result in a greater budgetary shortfall. In fact, the panel estimated the shortfall from MetroAccess, WMATA's paratransit system, at about $1.1 billion over the 10-year period from 2006 through 2015, thus raising the total anticipated shortfall to $3.5 billion for that period. However, the panel stated that funding for these services should be provided through a creative packaging of social service, medical, and other nontransportation resources in the region, rather than by WMATA. We believe that any estimate of WMATA's funding shortfall should include the costs associated with MetroAccess because WMATA is required by ADA to provide paratransit services.[22]

[22] The Metropolitan Washington Council of Governments is currently evaluating how well the National Capital Region delivers paratransit services to local constituents and the extent to which local agencies have coordinated the provision of these services. In particular, the study will seek more cost-effective ways to provide the service.

Options for Addressing WMATA's Funding Challenges Would Generally Establish a Local Dedicated Revenue Source and Include a Federal Contribution

In our 2001 report and testimony,[23] we noted that WMATA's funding comes from a variety of federal, state, and local sources, but that unlike most other major transit systems, WMATA does not have a dedicated source of nonfarebox revenue, such as a local sales tax, whose receipts are automatically directed to the transit authority. As far back as April 1979, we reported on concerns about the lack of a revenue source dedicated to pay the costs of mass transportation for the Washington region.[24] Concerns about WMATA's lack of dedicated revenues surfaced again in reports issued by the Brookings Institution in June 2004[25] and by the Metro Funding Panel in January 2005.[26] According to the Brookings report, WMATA's lack of dedicated revenues makes WMATA's core funding uniquely vulnerable and at risk as WMATA's member jurisdictions struggle with their own fiscal difficulties. The Brookings report and the Metro Funding panel report both state that the Washington region needs to develop a dedicated source of revenue, and they evaluate the advantages and disadvantages of a menu of revenue options that could support the dedicated revenue source—specifically, gasoline taxes, sales taxes, congestion charges, parking taxes, land-value capture,[27] and payroll taxes.

Observing that WMATA has provided numerous benefits both to the Washington region and the federal government over the years, the Metro Funding Panel also concluded that WMATA will require a commitment of new revenue sources to sustain those benefits. Accordingly, the panel recommended, among other things, that (1) WMATA's compact jurisdictions of Virginia, Maryland, and the District of Columbia mutually create and implement a single regional dedicated revenue source to address WMATA's budgetary shortfalls and (2) the federal government participate "significantly" in addressing WMATA's budgetary shortfalls, particularly for capital maintenance and system enhancement.

In the current situation of large budget deficits, any additional federal funding for WMATA would need to be considered along with the many other competing claims for federal resources. To the extent that the federal government cannot provide significant additional support to WMATA, and WMATA's current revenue structure continues to be insufficient to support its planned capital projects, WMATA may need to reassess its capital improvement plan to determine which projects could be undertaken within a more constrained funding level. WMATA also may need to consider how it will meet its obligations under ADA.

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[23] GAO-01-744 and GAO-01-1161T.

[24] GAO, *Issues Being Faced by the Washington Metropolitan Area Transit Authority*, CED-79-52 (Washington, D.C.: Apr. 10, 1979).

[25] Robert Puentes, *Washington Metro: Deficits by Design* (Washington, D.C.: Brookings Institution Series on Transportation Reform, June 2004).

[26] *Report of the Metro Funding Panel* (2005).

[27] Land-value capture is a tax arrangement under which incremental growth in property tax receipts generated in the Metrorail service areas would be shared with WMATA.

WMATA Is Subject to Oversight from Multiple Entities Whose Reviews Address a Wide Range of Issues

WMATA is subject to oversight from multiple entities that have issued numerous reports on the agency since 2003. The scope of the reports varies and includes compliance reviews of specific statutory requirements, monthly assessments of major construction projects, and reviews of WMATA's overall bus and rail operations. Specifically, WMATA's Office of Auditor General has issued nearly 500 reports, including internal and investigative audits and reviews of contracts and pricing proposals. In addition, an independent external auditor, which reports to WMATA's board of directors, annually reviews WMATA's financial statements and related internal controls. FTA oversees WMATA's major capital projects through its project management oversight program and assesses its compliance with a wide range of requirements through its Triennial Review process. In 2005, at WMATA's request, transit industry panels conducted peer reviews of WMATA's bus and rail operations. Details on these entities and the types of oversight they provide are presented in table 2. All of these entities included recommendations in their reports, and, in general, WMATA implemented them or has plans to implement them. As part of our ongoing work, we plan to analyze these reviews in greater detail, together with other specialized FTA reviews and safety reviews conducted by external and internal entities.

Table 2: Selected Entities Providing Oversight of WMATA

Oversight entity	Type of oversight	Subject of review	Number of reports*
WMATA's Auditor General	Internal audits	Cash processes and revenue sources, reliability and effectiveness of WMATA's paratransit contractor, workers' compensation and benefits programs, escalator and elevator maintenance contracts, inventory management, and internal controls related to the budget and fixed assets	39
	Investigative audits	Preventing or detecting mismanagement, waste, fraud, or abuse within WMATA	18
	Information technology audits	Information technology systems that are under development; electronic collection of revenue (e.g. Smart Card, MetroCheck sales, and Internet sales)	7
	Contract audits	Cost reasonableness of sole-source contracts, contract modifications and cost-reimbursable tasks and contracts, oversight and review of engineering firms	404
	Control self-assessments	Quality of customer service within WMATA (designed to improve working relationships among departments within the agency)	20
Independent external auditor	Single Audit Act	WMATA's financial statements and internal controls related to these statements and to major federal programs	2
FTA	Project management oversight program	Monthly reports on various aspects of major capital projects, including scheduling, budget, and performance	125
	Triennial Review	Compliance with statutory and administrative requirements in 23 areas	1
American Public Transportation Association (APTA)	Peer reviews	WMATA's overall bus and rail operations	2
Total			**618**

Sources: GAO analysis of data from WMATA, FTA, and APTA.

*Numbers are for reports issued since January 2003, except for the Triennial Review, which was most recently completed for WMATA in September 2002.

WMATA's Auditor General

WMATA's Auditor General is responsible for planning and implementing operational, financial, and information system audits, as well as for carrying out investigations to prevent or detect mismanagement, waste, fraud, or abuse. The Office of Auditor General also conducts audits of contracts to ensure they are being done in accordance with WMATA policy and cost-effectively. The Auditor General reports directly to the General Manager/Chief Executive Officer and briefs the audit committee of the board of directors quarterly. The Auditor General prepares an annual audit plan that covers most aspects of the agency.

When deficiencies in a program are found, the Office of Auditor General makes recommendations for corrective actions to be taken and follows up on the implementation status of recommendations with the executive manager responsible for the program or office to which the recommendations were directed. If the recommendations are not implemented in a timely fashion, the Chief Executive's office may intervene to ensure that appropriate corrective action is taken. For the most part, WMATA management implements these recommendations.

The following are examples of audit reports issued by the Office of Auditor General in recent years:

- *Contract/Procurement Oversight.* Since January 2004, the Office of Auditor General has issued five internal audit reports on contracting processes and the documentation of contracting activities. Recommendations were made to improve the documentation process, improve the administration of the cost-estimating process, and develop procedures to document the cost-estimating process.

- *Information Technology (IT) Renewal Program.* The IT Renewal Program is a multiyear, multimillion-dollar initiative to renew WMATA's IT systems for the next generation of service. The Office of Auditor General has issued six reports during the past 3 years on the implementation of this program, with suggestions for improving communication and ensuring that appropriate security measures are in place.

- *Audit of Cell Phone Usage.* This review of employee cell phone plans and usage made recommendations for more efficient and effective cell phone use, which resulted in potential savings of approximately $300,000 per year. Additional recommendations were made to improve the administration of the cell phone program.

Single Audit Act

WMATA is subject to federal financial reporting requirements under the Single Audit Act as amended.[28] Under this act, nonfederal entities that expend more than specified amounts of federal awards (currently $500,000) are subject to either a single audit or a program-specific audit, which must be performed by an independent external auditor in accordance with generally accepted government auditing standards.[29] The purpose of the Single Audit Act[30] was to streamline and improve the effectiveness of audits of federal awards and to reduce the audit burden on states, local governments, and nonprofit entities receiving federal awards by replacing multiple grant audits with one audit of a recipient as a whole (or, for entities receiving federal awards under one program, an optional audit of that program only).

[28] 31 U.S.C. §§ 7501-7507.
[29] GAO, *Government Auditing Standards*, GAO-03-673G (Washington, D.C.: June 2003).
[30] The Office of Management and Budget's Circular No. A-133, *Audits of States, Local Governments, and Non-profit Organizations* provides implementing guidance for the act's requirements and sets forth standards for obtaining consistency and uniformity for the audits of nonfederal entities expending federal awards.

In conducting WMATA's annual audits under the act's requirements, an independent auditor is required to (1) provide an opinion on WMATA's financial statements and the Schedule of Expenditures of Federal Awards, (2) report on WMATA's internal controls related to the financial statements and major programs, and (3) report on WMATA's compliance with laws and regulations that could have a material effect on WMATA's financial statements and major federal programs.

For fiscal years 2003 and 2004, WMATA's independent external auditor[31] found no reportable conditions or material weaknesses in WMATA's internal controls over financial reporting and the major programs receiving federal assistance.[32] The independent auditor's reviews of WMATA's financial statements and internal controls did, however, note several areas of noncompliance related to requirements for grants for both years. When such areas of noncompliance are found, the auditor recommends steps for WMATA to take to correct the noncompliance. WMATA generally concurred with the auditor's recommendations and agreed to implement them. The following are examples of noncompliance and recommendations for corrective action found at WMATA during fiscal years 2003 and 2004:

- Property records for equipment purchased with a federal grant did not include serial numbers or prices for the equipment—as required by federal law.[33] The auditor recommended that WMATA revise the records to include the required information, and WMATA agreed to do so.

- WMATA did not correctly submit federal grant expenditure status reports. The auditor recommended that WMATA revise and resubmit its financial status reports to include total expenditures, which WMATA agreed to do.

FTA's Project Management Oversight Program

FTA oversees the progress of WMATA's major capital projects through the project management oversight (PMO) program, which we discuss in greater detail later in this statement. To receive financial assistance, FTA's grantees must develop and implement a project management plan that address each project's scheduling, budget, performance, and other issues. FTA retains engineering firms to review and recommend approval of the plans, monitor the progress of each project against its plan, and issue monthly

[31] See KPMG LLP, *Washington Metropolitan Area Transit Authority, Single Audit Report, Year Ended June 30, 2003* (Washington, D.C.: Sept. 26, 2003) and KPMG LLP/F.S. Taylor & Associates, P.C., Certified Public Accountants, *Washington Metropolitan Area Transit Authority, Single Audit Report, Year Ended June 30, 2004* (Washington, D.C.: Sept. 28, 2004).

[32] A reportable condition is a significant deficiency in the design or operation of an internal control that could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

[33] See 49 C.F.R. 18.32(d)1.

monitoring reports. The purpose of the monthly PMO monitoring reports is to determine whether the projects are proceeding in accordance with the terms of the federal grant agreements, including whether they are meeting standard project management requirements, such as having a project management plan and a quality assurance plan, meeting schedule milestones, and being on budget.

WMATA's major capital projects that are subject to PMO review collectively represent a substantial portion of WMATA's capital budget. We reviewed PMO reports that were issued from January 2003 through May 2005. During that time, WMATA had seven capital infrastructure projects that were subject to the requirements of the PMO program, including IRP, which, as discussed earlier, provides ongoing maintenance and renewal of the Metrorail and Metrobus systems; the rail car procurement program; and the construction of the New York Avenue Metrorail station.[34] The total cost of the projects under review was about $5 billion, according to data provided by WMATA.

The monthly PMO monitoring reports that we reviewed identified concerns and recommended corrective actions for each of WMATA's major projects under review. The concerns most commonly cited in the reports were related to schedules, project management plans, and quality assurance activities. Details on these concerns—which WMATA has taken steps to address—follow:

- *Schedules.* The reports cited concerns pertaining to schedules for some of the contracts within three of WMATA's projects. For the New York Avenue Metrorail station and the Largo Metrorail extension, the reports stated that individual components of the projects were behind schedule; however, the two projects—as a whole—were both completed ahead of schedule. The PMO reports also found that components of the rail car procurement program, including the rehabilitation of the 2000/3000 Series rail cars and the delivery of new 5000 Series rail cars, were behind schedule.

- *Project management plans.* The reports stated that WMATA needed to submit or update project management plans for three of its projects—the rail car procurement program, Metro Matters, and the Infrastructure Renewal Program.

- *Quality assurance activities.* The reports stated that procedures related to quality assurance required updating for three projects: Dulles Corridor rapid transit, the Largo Metrorail extension, and the Branch Avenue storage and maintenance yard. Some examples of quality assurance activities include having (1) written procedures that describe how to conduct reviews of contractor's quality programs and (2) quality control coordination meetings with contractors.

[34] The other projects that were under review were Metro Matters, Dulles Corridor rapid transit (which has received funding only for the preliminary engineering phase and is being done in cooperation with the Virginia Department of Rail and Public Transportation), the Addison Road to Largo Town Center Metrorail extension, and the Branch Avenue storage and maintenance yard.

FTA's Triennial Review

At least every 3 years, FTA is required to review and evaluate transit agencies receiving funds under its Urbanized Area Formula Grant program. The reviews focus on compliance with statutory and administrative requirements in 23 areas, and if grantees are found not to be in compliance, their funding can be reduced or eliminated.[35] In 2002, FTA found that WMATA was deficient in the following three areas:

- *Technical.* Grantees must implement the Urbanized Area Formula Grant Program of Projects[36] in accordance with the grant application master agreement. WMATA had not been updating the milestones in its Milestone Progress Reports, nor had WMATA been reporting all required information for its Job Access and Reverse Commute grants.

- *Buy America.* Certain products used in FTA-funded projects must be produced in the United States. WMATA's procurement files for buses and rail cars did not include required certifications indicating that these procurements complied with Buy America requirements.

- *Half-fare.* Grantees must offer reduced fares to elderly or disabled riders or to those who present a Medicare card. WMATA's system maps specified the base fare but did not indicate that a half-fare was available.

FTA made recommendations for addressing the specific areas of noncompliance; WMATA implemented the recommendations, and the findings were closed in 2004.

Transit Industry Association Peer Reviews

The American Public Transportation Association (APTA) offers peer reviews as a service to transit agencies to help enhance the efficiency and effectiveness of their operations. At the request of transit agencies, the association convenes panels of experts from within the transit industry, who travel to the transit agency under review to physically tour the operations, meet with staff and senior management, and review documentation in order to develop findings and recommendations on the transit agency's operations. Following the site visit, the peer review panel issues a written report to the transit agency under review.

At WMATA's own request, APTA conducted peer reviews on WMATA's bus and rail operations earlier this year, and WMATA is currently considering its response to the

[35] The 23 areas include legal, financial, technical, equal employment opportunity, safety, security, and others.
[36] The Urbanized Area Formula Grants Program provides transit capital and operating assistance to urbanized areas with populations over 50,000. A "program of projects" is a set of related projects with a common strategic goal or aim.

recommendations made in the peer review reports.[37] The peer review panels developed recommendations to improve the effectiveness and efficiency of bus and rail operations in multiple areas, including staffing, organization, maintenance and technology. For example:

- Findings and recommendations in the rail peer review report focused on
    - the selection, training, and certification of employees, with recommendations on improving training for track and train employees and implementing a new reporting structure for the training department;
    - operations, with recommendations on increasing reliance on line supervisors in dealing with in-service problems and restructuring the current organization to create distinct line ownership functions and responsibilities; and
    - track maintenance, with recommendations on recertifying track walkers annually and increasing the number of track walkers to reduce the daily inspection distance to industry standards.
- Findings and recommendations of the bus peer review report focused on
    - operations and service, with recommendations for increased street supervision and re-evaluation of bus route service;
    - facility maintenance, with recommendations on consolidating bus shop maintenance and improving follow-up procedures for bus defects;
    - staffing and training, with recommendations on eliminating high vacancy rates and improving training; and
    - safety, with recommendations on adhering to basic safety programs and enforcing personal protective equipment policies.

Additional GAO Work Remaining on WMATA's Oversight

As part of our ongoing work, we plan to analyze these reviews in greater detail to determine whether, taken as a whole, they point to any systemic problems and are sufficiently comprehensive to identify and address overall management and operational challenges. We will also broaden the scope of our analysis to include additional oversight reviews; specifically, we plan to analyze FTA's in-depth reviews of program or system compliance. These include, for example, financial management oversight

[37] See American Public Transportation Association, *Rail Operations Review for the Washington Metropolitan Area Transit Authority* (Washington, D.C.: March 2005) and *Bus Operations Review for the Washington Metropolitan Area Transit Authority* (Washington, D.C.: June 2005).

reviews, which assess grantees' financial management systems and internal controls; procurement system reviews, which evaluate grantees' compliance with federal procurement requirements; and drug and alcohol oversight reviews, which assess grantees' compliance with FTA's regulations on substance abuse management programs and drug and alcohol testing for transit employees. We also plan to review safety audits of WMATA that were conducted by internal and external entities, including the following:

- *WMATA's Office of System Safety and Risk Protection.* This office, which reports to the Department of Audit and Safety Oversight, performs internal safety reviews of WMATA's operations.

- *Tri-State Oversight Committee.* This committee, which is the designated state safety oversight agency for WMATA, requires WMATA to develop and implement system safety and security program plans, report accidents and unacceptable hazard conditions, and conduct safety reviews. The committee meets with WMATA quarterly to discuss safety issues and has the authority to mandate corrective action.

- *APTA.* APTA's bus and rail safety audits review the adequacy of transit agencies' system safety program plans and the extent to which the plans have been implemented.

- *FTA.* FTA performs audits of the Tri-State Oversight Committee to determine whether the state oversight agency is carrying out its safety oversight program and to examine ways in which the overall program can be improved.

- *National Transportation Safety Board (NTSB).* NTSB has the authority to conduct investigations of accidents and make recommendations. The NTSB is currently investigating a November 2004 crash involving two Metrorail trains; it expects to issue a report on the results of this investigation in the fall of 2005.

In addition, we plan to review the role of WMATA's board of directors in providing oversight of WMATA's management and operations. As noted earlier in this statement, WMATA is governed by a board of directors—composed of individuals appointed by each of the local jurisdictions WMATA serves—which sets policies and oversees all of WMATA's activities, including budgeting, operations, development, expansion, safety, procurement, and other activities.

Spending Safeguards and Management Oversight Have Helped Recipients of Federal Transportation Assistance Control Costs and Ensure Results

To control costs and ensure results—especially for high-cost transportation infrastructure projects—Congress, the administration, and GAO have long recognized the importance of instituting spending safeguards and management oversight for the state and local governments and transportation agencies that receive federal funding. For example, certain federal policies have historically controlled the uses of federal transportation funds, prohibiting the use of these funds for operating expenses and

requiring that the federal funds be matched to ensure the use of some local funds for capital infrastructure projects. In addition, a number of past, ongoing, and planned federal and local efforts provide insight into the benefits of management oversight and how it can be carried out. For example, in the 1980s, state legislation enhanced opportunities for New York City's ailing Metropolitan Transit Authority to generate additional revenue while providing increased oversight to ensure accountability. Furthermore, FTA's PMO program is designed to help ensure that grantees building major capital projects have the qualified staff and procedures needed to successfully plan and carry out those projects. We have also reported that safeguards should accompany any increased federal funds provided to the District of Columbia to address the structural imbalance between its costs and revenue-raising capacity. Finally, the surface transportation reauthorization bills currently before Congress include provisions to enhance management oversight controls for projects receiving federal funds, including establishing a new program to monitor the use of federal highway funds. Although we have not evaluated the application of these oversight mechanisms to WMATA, we believe they provide a number of options for Congress to consider as it weighs the question of providing additional federal funding to WMATA.

Federal Programs Restrict Use of Funds for Operations and Encourage State and Local Spending through Matching Requirements

The federal government has generally discouraged federal transit grants from being used to fund transit operating expenses, although policy in this area has shifted over time.[38] Landmark legislation in 1964 established a program of federal capital expenditure grants to state and local governments.[39] At that time, no grant money could be used for operating expenses because of concerns that such grants would discourage efficient operations of transit agencies and might even have the perverse effect of rewarding inefficient operations with funding assistance. However, that act was amended in 1974 to authorize federal subsidies to pay transit operating expenses, reflecting the alternative concern that limiting federal assistance to capital grants created incentives for local governments to inefficiently waste capital, such as by prematurely replacing buses.[40]

During the 1990s, views on how federal transit grants could be used shifted again, and limits were placed on the total amount of transit formula grants that could be used for operating expenses. In 1998, with the passage of the Transportation Equity Act for the 21st Century (TEA-21), transit agencies serving urban populations of 200,000 or more could no longer use funding from FTA's Urbanized Area Formula Grants for operating expenses. According to FTA officials, this prohibition was instituted in part because federal policymakers believed that the federal government should pay only for the construction and maintenance of mass transit systems, not for their operation. However, TEA-21 did allow capital funds to be used for preventive maintenance, which included routine maintenance on rail cars and buses—activities that were previously classified as operations activities. After the events of September 11, 2001, we recommended a

[38] For transit agencies that serve urbanized areas with populations of 200,000 or more.
[39] Urban Mass Transportation Act of 1964, Public Law No. 88-365, 78 Stat. 302.
[40] The National Mass Transportation Assistance Act of 1974, Public Law No. 95-503, 88 Stat. 1565.

legislative exception to the prohibition on operations funding that would allow transit agencies to use Urbanized Area Formula Grants for security-related operating expenses.[41] Transit agencies can spend 1 percent of formula funds on security-related operating expenses.

The federal government has also historically used matching requirements in its transit and other transportation programs to stimulate local investment in transportation infrastructure and equipment. Currently, major capital transit investment programs—including the New Starts and Rail and Fixed Guideway Modernization programs—provide grants that fund up to 80 percent of a project's total costs while requiring a local match of at least 20 percent.[42]

Assistance to the New York City Transit Agency in the 1980s Was Tied to Oversight Requirements

During the late 1970s and early 1980s, the New York State Metropolitan Transit Authority (MTA), which includes New York City Transit's subway and bus systems and the Long Island Rail Road, was in a state of fiscal crisis and operational decay. To help salvage the system, the state legislature passed legislation[43] that provided MTA with the flexibility to generate additional revenue—through issuing bonds and notes and through the creation of a special tax district—needed to rebuild its aging infrastructure. The legislation also established several oversight bodies—which are still in place at MTA today—to help ensure that MTA's funds would be well spent. They are as follows:

- *The Metropolitan Transportation Capital Review Board.* Appointed by the governor and composed of two members recommended by the New York State legislature and one each recommended by the governor and the mayor of New York City, this board reviews and approves, once every 5 years, MTA's capital program plans for transit and railroad facilities. The plans include goals and objectives for capital spending, establish standards for service and operations, and include estimated costs and expected sources of revenue.

- *The MTA Committee on Capital Program Oversight.* This standing committee of MTA's board of directors has various oversight responsibilities, including monitoring the (1) current and future availability of funds to be used in the capital program plans and (2) contract awards made by MTA. The committee issues quarterly reports on its activities and findings.

[41] GAO, *Mass Transit: Federal Action Could Help Transit Agencies Address Security Challenges*, GAO-03-263 (Washington, D.C.: Dec., 2002)

[42] However, FTA continues to encourage project sponsors to request a federal New Starts funding share that is as low as possible.

[43] Metropolitan Transportation Authority and New York City Transit Authority—Highways—Appropriations, ch. 314 (1981); N.Y.S. Public Authorities Law, § 1279 (1983); Metropolitan Transportation Authority and N.Y.C. Transit Authority—Operating and Capital Needs, ch. 929 (1986); Mass Transportation and Highways—Financing—Credit Against Mortgage Recording Tax, ch. 13 (1987).

- *The MTA Office of the Inspector General.* This office was created as an independent oversight agency to investigate allegations of abuse, fraud, and deficiencies in the maintenance and operation of facilities. The Inspector General may also initiate other reviews of MTA's operations and can recommend remedial actions to be taken by MTA and monitor their implementation. The Inspector General is appointed by the governor and submits annual reports of findings and recommendations to the governor. MTA is required to report quarterly to the Inspector General on the implementation status of all recommendations made in final reports.

Since these oversight bodies were established, and with increased funding, MTA has improved its on-time performance and reliability. For example, the mean distance between failures has increased from less than 7,000 miles in 1981 to nearly 140,000 miles in 2003, according to MTA.

FTA's PMO Program Helps Protect Federal Funds Spent on Major Capital Projects, Including WMATA's Projects

FTA's PMO program was established in the 1980s to safeguard the federal investment in major capital transit projects, which require large commitments of public resources, can be technically challenging, and often take years to construct. This program provides a continuous review and evaluation of the management of all major transit projects funded by FTA. Through provisions such as the following, the PMO program is designed to help ensure that grantees building major capital projects have the qualified staff and procedures needed to successfully build the projects:

- To receive federal financial assistance, grantees must develop and implement project management plans that address quality, scheduling, the budget, and other issues.

- Contractors monitor grantees' projects to determine whether grantees are progressing on time, within budget, and according to approved plans and specifications.

- The contractors periodically report their findings and recommendations for any corrective actions that may be needed.

In 2000, we reported and testified[44] that FTA had improved the quality of the PMO program since the early 1990s, when we designated it as high risk because it was vulnerable to fraud, waste, abuse, and mismanagement.[46] We concluded that the program had resulted in benefits for both grantees and FTA. Grantees have improved their controls over the cost, schedule, quality, and safety of their projects. FTA has gained a better understanding of the issues surrounding complex construction projects and an increased awareness of potential problems that could lead to schedule delays or

[44] See GAO, *Mass Transit: Challenges in Evaluating, Overseeing, and Funding Major Transit Projects*, GAO/T-RCED-00-104 (Washington, D.C.: Mar. 8, 2000) and *Mass Transit: Project Management Oversight Benefits and Future Funding Requirements*, GAO/RCED-00-221 (Washington, D.C.: Sept. 15, 2000).
[45] The PMO program is no longer designated by GAO as high risk.

cost increases. As contractors have brought cost and schedule issues to FTA's attention, FTA has taken actions to help protect the federal investment and control projects' costs and schedules.

FTA officials told us that any additional federal funding provided to WMATA would be subject to the PMO program's requirements only if those funds were distributed to WMATA through the U.S. Department of Transportation and FTA. Otherwise, WMATA's spending from the additional funding would not likely be subject to any federal program oversight.

We Have Suggested Spending Safeguards for Any Increase in Federal Funds Provided to Address the District of Columbia's Structural Imbalance

In June 2004, we testified on the structural imbalance between the District of Columbia's costs and revenue-raising capability, stating that if the federal government chooses to provide additional funding to the District to compensate for this imbalance, the government should implement safeguards to ensure that the funds are spent efficiently and effectively.[46] In that testimony, we stated that such safeguards should be written into any legislation providing additional federal assistance to the District and could include the following:

- District officials should be required to report to Congress on how they plan to spend the federal assistance and regularly report on how it is being spent.
- Congress may consider further specifying the types of projects for which federal funds could be used or including a matching requirement to ensure that some local funds continue to be used for infrastructure and capital requirements.

Surface Transportation Reauthorization Bill Would Enhance Management Oversight Controls for Projects Receiving Federal Funds

The House and Senate versions of the surface transportation reauthorization bill that are currently in conference committee contain provisions aimed at improving the financial integrity and project delivery times for surface transportation projects that receive federal financial assistance. For example:

- On the transit side, both the House and Senate versions of the bill would increase the amount of funds available to the Secretary of Transportation for management oversight of mass transportation construction projects receiving federal funds.[47] The funds would be used to review and ensure compliance with federal requirements for project management. To support the need for such enhanced oversight, the committee report accompanying the House bill notes that comprehensive agency oversight, compliance review, and technical assistance are necessary for all major

[46] GAO, *District of Columbia: Structural Imbalance and Management Issues*, GAO-04-908T (Washington, D.C.: June 22, 2004).
[47] H.R. 3 109th Cong., Engrossed House, § 3026 (2005); H.R. 3, 109th Cong., Engrossed Senate Amendment, § 6025 (2005).

grant programs.[48]

- On the highway side, both versions of the bill[49] would require the Secretary of Transportation to establish an oversight program for the Federal-Aid Highway Program to promote the effective and efficient use of federal highway funds. As part of this new oversight program, the Federal Highway Administration (FHWA) would (1) review states' financial management systems, (2) develop minimum standards for estimating project costs, and (3) evaluate state practices for awarding contracts and reducing project costs. In addition, highway projects receiving a certain amount of federal assistance—$500 million or more in the House bill and $1 billion or more in the Senate bill—would be subject to an increased level of FHWA oversight, including submitting a project management plan and an annual financial plan to FHWA documenting the project's procedures for managing costs and schedules.

Concluding Observations

WMATA's service to the nation's capital and its associated additional responsibilities need to be considered when determining whether a greater federal role in providing financial assistance to, and oversight of, WMATA is warranted. In the end, it is up to Congress to decide whether or in what form to provide WMATA with additional federal funding in recognition of its support of the federal government. In addition, if Congress decides to provide WMATA with the additional funding, it is important for there to be reasonable assurances that the funds will be spent efficiently and effectively. WMATA is already subject to oversight from multiple entities, but it is unclear whether this oversight is sufficient to provide such assurances. WMATA's existing oversight could be supplemented by including safeguards in any legislation that provides additional federal funding. Our research has shown that a number of options are available for such safeguards, although we have not fully analyzed their applicability to WMATA or their relative merits. The options include the following:

- Require WMATA officials to report to Congress on how they plan to spend the federal assistance and regularly report on how it is being spent. For example, Congress could require officials to submit a plan to Congress on how they intend to spend the federal assistance—before any funds are obligated—and update this plan as circumstances or priorities change.

- Further specify the types of projects for which federal funds could be used or include a matching requirement to ensure that some local funds continue to be used for infrastructure and capital requirements.

- Require that any additional funding provided to WMATA be administered through DOT and FTA and therefore be subject to the PMO program.

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[48] House Report No. 109-12, at 421 and 422 (2005).
[49] H.R. 3, 109th Cong., Engrossed House, § 1105 (2005); H.R. 3, 109th Cong., Engrossed Amendment Senate, § 1802 (2005).

- Institute additional oversight bodies for WMATA, either through or independent of its board of directors.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or the other Members of the Committee may have.

GAO Contacts and Staff Acknowledgments

For further information about this testimony, please contact me at (202) 512-2834 or siggerudk@gao.gov. Individuals making key contributions to this testimony include Seto Bagdoyan, Mark Bondo, Christine Bonham, Jay Cherlow, Elizabeth Eisenstadt, Edda Emmanuelli-Perez, Rita Grieco, Heather Halliwell, Maureen Luna-Long, Susan Michal-Smith, SaraAnn Moessbauer, Katie Schmidt, and Earl Christopher Woodard.

Appendix I

Objectives, Scope, and Methodology

To determine the Washington Metropolitan Area Transit Authority's (WMATA) responsibilities for supporting the federal government, we interviewed a wide array of federal and local officials including those from WMATA, the Federal Transit Administration (FTA), the Office of Personnel Management, the General Services Administration, the National Capital Planning Commission, the Metropolitan Washington Council of Governments, the U.S. Secret Service, the U.S. Capitol Police, and the District of Columbia Department of Transportation. We reviewed federal guidance on employees' use of, and the placement of federal buildings near, mass transit and local and federal emergency planning guidance. We also used WMATA's estimates of federal Metrorail ridership based on its 2002 passenger survey. Through our review of the survey methodology, and use of other corroborating evidence, we determined that the ridership estimates were sufficiently reliable for our purposes.

To determine the current funding challenges facing WMATA and the options proposed to address these challenges, we reviewed and analyzed the budgetary shortfall estimate prepared by the Metro Funding Panel, budget documents from WMATA, and prior GAO reports. We interviewed officials from WMATA and local transportation experts who served on the funding panel.

To determine the entities that currently provide oversight of WMATA and the focus of their recent reviews, we interviewed WMATA officials and reviewed selected reports and audits that have been issued by WMATA's oversight bodies since the beginning of calendar year 2003. Our review included the following:

- WMATA Auditor General reports
- FTA's Project Management Oversight (PMO) program contractor reports
- FTA's most recent Triennial Review[50]
- The independent external auditor's review of WMATA's financial statements and internal controls as required under the Single Audit Act
- The American Public Transportation Association's peer review reports

Although FTA carries out a number of reviews of transit agencies in addition to the Triennial Review and the PMO reports, we selected the Triennial Review because it covers grantees' compliance with a wide range of statutory and administrative requirements, and we selected the PMO reports because this program provides oversight of WMATA's major capital projects, which represent a significant part of WMATA's budget. For this statement, we did not analyze any oversight entities or reports related to safety, such as those of the Tri-State Oversight Committee, the National

[50] The most recent Triennial Review of WMATA was in September 2002.

Transportation Safety Board, or the American Public Transportation Association. We plan to address these, as well as FTA's additional compliance reviews, as part of our ongoing work.

To identify applicable examples of spending safeguards and management oversight of any additional federal assistance provided to WMATA, should Congress decide to provide such assistance, we reviewed prior GAO work on surface transportation funding and management oversight, as well as other documents on transportation planning and finance, and interviewed officials with expertise in the transit industry, transportation finance, and transportation planning.

(542067)

Chairman TOM DAVIS. Thank you very much.

Chairman Kauffman, thanks for being with us.

STATEMENT OF DANA KAUFFMAN

Mr. KAUFFMAN. Thank you. Good morning, Mr. Chairman, members of the committee, and my Congressman and friend, Jim Moran. I am pleased to discuss the policy issues you have raised, as well as the fundamental reforms we, as the Metro Board, are working to implement to help improve the service to our customers.

Before I do that, however, I would like to personally thank you, Mr. Chairman, for your draft bill. It is the first substantive proposal for transit funding that the Washington region has seen in more than a generation, and I look forward to working with you to make it happen, while keeping local land use decisionmaking local.

In your invitation, you asked why Congress should again authorize funding for Metro and why its needs are dissimilar to those of other transit systems. When Congress enacted the National Capital Transportation Act in 1960, it recognized the necessity to create a unique Federal financial support, declaring, "the creation of certain major transportation facilities are beyond the financial capability of local governments in the region." Forty-five years later, Mr. Chairman, this still holds true.

WMATA is unique among transit systems across the Nation in serving two States, the District of Columbia, and the Federal enclave. No other transit system in the Nation has the Federal Government as the primary employer in its service area. Not only is the Federal Government the dominant consumer of Metro daily service, it imposes a multitude of special demands for extraordinarily large events on the National Mall and security needs.

Metro, in fact, was vital in getting people home with our Nation was attacked on September 11th. This unique importance was affirmed in the recent blue ribbon panel report which found, "Over the past 50 years, every administration has supported Metro because of its essential nature to the Federal operations in the National Capital region."

Your second question asked why it is necessary to have State and local dedicated funding and why it doesn't exist. The 1980 Stark-Harris bill, authorizing Federal construction funds for Metro, included a requirement for "stable and reliable" non-Federal funding to meet Metro's ongoing operating and maintenance costs. The blue ribbon panel found that the implementation of "stable and reliable" has fallen short of expectations.

While funding has regularly flowed to Metro, it is subject to the annual budget and appropriations process of two States, the District of Columbia, five local jurisdictions in Virginia, and the Federal Government. Frankly, it is like passing the hat to keep the doors of the Washington Monument open; it is funding by lowest common denominator.

As you well know, this is perhaps the most politically complex region in the country, and devising an equitable approach to dedicated funding has been and continues to be a daunting task. It is now time to bring the region together to reach consensus on a new State-local-Federal partnership with permanent, stable, predict-

able, dedicated funding sources so Metro does not have to reel from one funding crisis to another.

Your next question was about the Board's review of the Metro budget. There are multiple layers of budget review. The Board's Budget Committee reviews the budget in great detail, followed by extensive review by local government staff, formal comment by Maryland, the District, and State and local governments in Virginia. The Board's Budget Committee receives and discusses monthly reports on the execution of the budget, approves all significant contracting actions, and retains authority of all programming funds it incurs after budget adoption.

All that being said, Mr. Chairman, we can do better. For the fiscal year 2007 budget, Budget Chairman Committee Gladys Mack and I are working on adding performance measures and longer term strategic reviews. Our Riders' Advisory Council is also expected to weigh in on Metro's budget.

You posed the question does the Board composition leave it vulnerable to political pressures. Well, anybody that represents the sometimes divergent needs of Maryland, Virginia, and the District, as well as two counties and three cities in Virginia, two counties in Maryland, inevitably will face political tugs and pulls. The range of opinions, backgrounds, and experiences among the stakeholders can make consensus difficult, but, frankly, it is one of our biggest strengths.

The political pressures on our Board are not necessarily vulnerability, but, rather, they ensure that we are sensitive and accountable to the public and the consumers we serve. Also to further ensure our accountability to our riders, we will have in place by the end of this year a Riders' Advisory Council to give the Board real time feedback on the service to our customers.

You asked, with additional Federal funding, would it be appropriate to add Federal representation to the Board. Given the strong Federal investment and interest in maintaining a healthy Metro, many of my colleagues and I would be open to a stronger partnership with the Federal Government, including a seat on the WMATA Board, if that participation is clearly linked to the appropriation of significant additional Federal funds.

Your final question was whether there is adequate oversight and my opinion on the concept of adding an inspector general. WMATA's Office of the Auditor General is robust, with a staff of 27 that provides independent appraisals of WMATA operations and business practices, and monitors compliance with laws and regulations. This group, which unearthed many of the concerns highlighted in recent Post stories, has been given greater procedural authority to ensure action when future concerns are raised.

Also, in the past 4 years, Metro has been subject to 10 FDA reviews, 3 GAO reviews, 2 outside audits, and 2 peer reviews. Finally, the Board, at my request, is currently considering options for even more effective oversight, including the possibility of having an audit function or inspector general reporting directly to the Board.

I would like to close by extending my appreciation on behalf of the Board for the thoughtful and rigorous process you are undertaking to examine Metro's needs and organizational effectiveness, and to advance the discussion of stable funding and new Federal

funding. Like Metro or not, support its expansion or not, even our harshest critics must acknowledge that Metrorail and bus system is integral to any effort to keep this region moving.

This February, when I made my first remarks as Metro chairman, I said the following: "I don't underestimate the enormous challenge all our stakeholders will face to establish the stable and reliable funding we need to keep America's subway in good repair. However, we have been talking about this since 1979. Now we must test to see if anybody is listening."

Thank you, Mr. Chairman, for listening and acting.

[The prepared statement of Mr. Kauffman follows:]

TESTIMONY OF DANA KAUFFMAN
CHAIRMAN OF THE BOARD
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

HOUSE COMMITTEE ON GOVERNMENT REFORM

July 28, 2005

Good morning, Mr. Chairman and Members of the Committee. Thank you very much for inviting me to testify today. My name is Dana Kauffman. I am a Fairfax County, Virginia, Supervisor and the current Chairman of the Board of the Washington Metropolitan Area Transit Authority. I'm pleased to discuss the policy issues you've raised, as well as the fundamental reforms and initiatives the WMATA Board is implementing to improve accountability at WMATA.

You asked why Congress should again authorize funding for Metro and why its needs are dissimilar to those of other transit systems. When Congress enacted the National Capital Transportation Act in 1960, it recognized the necessity of creating unique federal financial support, declaring that the "creation of certain major transportation facilities are beyond the financial capability of the local governments in this region." This led to the creation of a regional transit system for the National Capital Region, at a construction cost of $10 billion, of which $6.9 billion, or 69 percent, was provided through special federal funding.

WMATA is unique among transit systems across the nation in serving two states, the District of Columbia and the federal enclave. No other transit system in the

nation has the federal government as the primary employer in its service area. Not only is the federal government the dominant consumer of Metro's daily service, it imposes a multitude of special demands for extraordinarily large events on the National Mall, special security needs and demands based on being located in the national capital. This was reaffirmed by the recent "Blue Ribbon Panel Report" which found "the federal government and federal policy goals derive substantial benefit from the existence of the Metro system. Over the past 50 years, every Administration has supported [Metro] because of its essentiality to federal operations in the National Capital region."

Your second question asked why it is necessary to have state and local dedicated funding and why it does not exist. The 1980 Stark-Harris bill, authorizing federal construction funds for Metro, included a requirement for "stable and reliable" non-federal funding to meet Metro's ongoing operating and maintenance costs. The "Blue Ribbon Panel" found that the implementation of the "stable and reliable" requirement largely fell short of expectations. Ultimately, the signatories to the WMATA Compact pledged that sufficient funding would flow through their normal budgetary processes and this was certified as satisfactory by then Secretary of Transportation William Coleman. While funding has regularly flowed to Metro, it is subject to the annual budget and appropriations processes of two states, the District of Columbia, five local jurisdictions in Virginia and the federal government -- not the best way to run a railroad.

As you well know, this is perhaps the most politically complex region in the country and devising an equitable approach to dedicated funding has been and continues to be a daunting task. It is now time to bring the region together to reach consensus on a new state-local-federal partnership, with permanent, stable, predictable, dedicated funding sources so that WMATA does not have to reel from one funding crisis to another. The debate is beginning at the state and local level and there is an increasing recognition that all levels of government in this region, federal, state and local, need to have a serious discussion about funding future Metro funding needs in a long term, stable way, rather than on a year-to-year basis.

Your next question was about the Board's review of Metro's Budget. The annual Metro operating budget is based on Board guidance and assumptions such as the level of Metro transit service to be provided, extraordinary expense items (such as fuel prices), whether any fare increases should be considered, and state and local subsidy growth rates. The Board's Budget Committee reviews the budget in great detail, followed by extensive review by local government staff and formal comment by WMATA's state and local funding partners. The Board Budget Committee receives and discusses monthly reports on execution of the budget, approves all significant contracting actions, and retains authority over all reprogramming of funds that occurs after budget adoption.

You posed the question - does the Board composition leave it vulnerable to political pressures? Any body that represents the sometimes divergent interests of Maryland, Virginia, and the District, as well as two counties and three cities in Virginia, and two counties in Maryland inevitably will face political pulls and tugs. The range of opinions, backgrounds, and experiences among these stakeholders can make consensus difficult, but is also one of our biggest strengths. The political pressures on our Board are not necessarily a vulnerability, but rather ensure that we are sensitive and accountable to the public. Since its inception, the Board's governance has included a "jurisdictional veto" — that is, no proposal can pass without at least one supporting vote from each signatory, which also sometimes complicates matters, but we do ultimately reach agreement. Most recently, the Board and the region went through a lengthy, but ultimately successful, negotiation to adopt the landmark "Metro Matters Agreement", a short-term capital program to meet Metro's most urgent needs.

You asked, with additional federal funding, would it be appropriate to add federal representation to the Board. Given the strong federal interest in maintaining a healthy Metro, and if related to additional federal funds, we would be open to a stronger partnership with the federal government, including a seat on the WMATA Board.

Your final question was whether there is adequate oversight and my opinion on the concept of adding an inspector general. WMATA's Office of the Auditor

General is robust, with a staff of 27 who provide independent appraisals of WMATA operations and business practices and monitor compliance with laws and regulations. The Board's Audit Committee meets publicly each quarter and in the second quarter of 2004, received 42 internal audits that were shared with the public. In the last four years, Metro has been subject to more than a dozen outside, independent reviews and there is an active follow-up process. The Board is currently reviewing options for even more effective oversight, including the possibility of having an audit function or Inspector General reporting directly to the Board.

In becoming Board Chair, one of my top priorities was to open up the Metro organization and to ensure that we are listening to our customers. Over the past year, the WMATA Board of Directors launched a comprehensive set of initiatives to secure public input and increase transparency and organizational accountability. We are:

- establishing a Riders Advisory Council to give us formal feedback from customers and to provide input to our budget process and service delivery;
- instituting public comment at Board meetings;
- holding regular town hall meetings;
- providing the ability to e-mail WMATA Board members directly;
- posting Board materials on the web;

- and streaming real-time audio of Metro Board and Committee meetings over the internet.

I believe these reforms are making a real difference at WMATA, both in making sure that the Board and the staff are getting unfiltered feedback, ideas and suggestions and ensuring that we have effective mechanisms in place to be responsive to the public.

I would like to close by extending my appreciation, on behalf of the Board, for the thoughtful and rigorous process you have undertaken to examine Metro's needs and organizational effectiveness, and to advance the discussion of dedicated funding and new federal funding. We look forward to your counsel and support as the region embarks on a similar discussion. We also look to the federal government to be a full partner in this effort — just as it was 50 years ago when the Congress mandated the development of what today some call "America's Transit System." The region and the federal government have no choice but to tackle the challenging issue of how to maintain a healthy public transit system, so vital to the federal government and the national capital region. Thank you for the opportunity to testify today.

Chairman TOM DAVIS. Thank you very much, Chairman Kauffman.

Mr. White.

STATEMENT OF RICHARD WHITE

Mr. WHITE. Good morning, Mr. Chairman and members of the committee. Thank you for the opportunity to testify this morning, and thank you for your longstanding support of Metro, all of you.

My name is Richard White, and I am the general manager and chief executive officer of the Washington Metropolitan Area Transit Authority. I request that my full statement be inserted for the record, along with several attachments, including the answers to the six questions posed in your invitation letter.

More than 50 years ago, the Federal Government in its region forged a unique and vital partnership to pursue a grand vision to design and build a rapid transit system that would serve the Federal Government and be worthy of the Nation's Capital. Over 30 years ago, the responsibility for operating and maintaining a regional bus system was also transferred to Metro.

By any measure, Metro has succeeded beyond anyone's expectations in meeting Congress's goals. In fiscal year 2005, WMATA carried 344 million passenger trips on rail and bus. The original 103-mile Metrorail regional system cost $10 billion to construct, 69 percent of which was paid for by the Federal Government. The value of this asset represents $24 billion in today's dollars.

I would like to submit for the record a chart that shows how Metro's fiscal year 2006 totaled $1.6 billion operating and capital budgets, which are funded with a combination of $832 million, or 53 percent, in non-Federal funds; $579 million, or 36 percent, in fares and other non-passenger revenues; and $179 million, or 11 percent, in Federal funds. Metro provides an excellent return on this investment, particularly to the Federal Government.

What makes the Metro system unique among transit systems is that Metro was built primarily to serve the Federal workforce and to serve the National Capital area, and it has done so admirably for decades. But Metro is now a mature system and it faces a new set of challenges. Our infrastructure is aging; 60 percent of our Metrorail system is more than 20 years old and the average age of our bus fleet is 9.91 years. And daily ridership has grown by 33 percent in the last 8 years.

The cost of operations, maintenance, and rehabilitation have outstripped the funding ability of our State and local funding partners. We need the Federal Government to help keep the system healthy if we are going to continue to serve the Federal Government reliably.

Since the Federal Government has limited its transit support to capital funding in recent years, I will focus my remarks on our capital funding needs.

Our State and local funding partners stepped up to the plate last fall and signed the Metro Matters Funding Agreement, substantially increasing their funding commitments to provide $3.3 billion in capital funds through the year 2010. Over the life of the Metro Matters agreement, $1.7 billion, or 51 percent, is planned to come from non-Federal funds and $1.6 billion, or 49 percent, from Fed-

eral funds. The agreement envisions both continuing Federal transit formula funds and $260 million in new discretionary Federal funding.

But the Metro Matters agreement is a short-term interim fix through the year 2010. New agreements will need to be negotiated and implemented by the year 2008 in order to allow lead time for new long-term capital projects.

After an exhaustive review, the report of the Metro Funding Panel, sponsored by the Metropolitan Washington Council of Governments, the Greater Washington Board of Trade, and the Federal City Council was completed in January of this year and found that, even after accounting for periodic future fare increases and inflationary adjustments to existing State and local subsidies, Metro faces a $2.4 billion shortfall, comprised of $1.88 billion in capital funds and $500 million in operating funds, over the next 10 years, excluding a $1.1 billion projected shortfall associated with paratransit costs. The panel recommended the Federal Government defray 50 percent of Metro's projected shortfall, or $940 million of the capital shortfall, based on the Federal Government's dependence on Metro.

Added to the $260 million in new Federal funding anticipated in the Metro Matters Funding Agreement, the capital shortfall is envisioned to be $1.2 billion for the Federal Government. This amount of funding will enable Metro to continue our ongoing infrastructure renewal program, equip 75 percent of rush hour trains with eight-car trains, purchase 275 buses, make improvements on 140 miles of bus routes, and provide other passenger amenities. It does not include funding for fixed guideway expansion.

At the same time, we are advocating a continuing partnership with the Federal Government in keeping the Metro system in a state of good repair. We are also seeking State and local dedicated funding. In fact, WMATA is the only major public transportation system in the country without a dedicated funding source to pay for operations and capital requirements.

The need to address this shortcoming is becoming more and more urgent. The June 2004 report by the Brookings Institution, revealingly titled "Washington's Metro: Deficits by Design," concluded that WMATA receives less than 2 percent of its capital and operating funding from dedicated sources, as compared to a national average of 34.7 percent.

Mr. Kauffman's and my extended testimony describe a number of organizational improvements designed to make our service more reliable and our agency more accountable and responsive to the public. I don't deny that we have our challenges. We recognize that we need to change the way we manage our challenges, and many of these changes are well underway and are producing positive results. Our railcar reliability has improved 42 percent between December of last year and May of this year, and is expected to improve even further by the end of this year due to recently implemented organizational changes and contract management changes.

Overall, the availability of our 588 escalators has improved 3 percent over the past 5 years. As a result, 93 percent of the time passengers can find a working escalator, and they can find a working elevator 97 percent of the time.

We have been working with the disabled community to develop a new, more rigorous and effective contract for paratransit service. We are currently evaluating proposals and expect to award a new contract this coming fall. In addition, in the interim, we have added improved safeguards to our existing contract.

We have established a strict protocol for making and enforcing audit and safety recommendations. The policy establishes procedures for resolving areas of dispute and for ensuring implementation of recommended actions. For a complete list of procedures for the safety intervention program, please refer to attachment 3 of my testimony.

Our message today is that the Federal Government and the region have made a substantial investment in an extremely valuable asset that is designed to serve the Federal workforce and the National Capital Region. We must act expeditiously to protect that substantial public investment. Now is the time to recommit to the original Federal-State-local partnership and put Metro on a stable funding course to avoid slipping into serious disruption.

I commit to you that we recognize and we are facing up to our need for improvement. We look forward to working with you and the entire National Capital Region to address this urgent matter and to move forward with your important and timely funding initiative.

Thank you, Mr. Chairman.

[The prepared statement of Mr. White follows:]

TESTIMONY OF RICHARD A. WHITE, CEO

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

BEFORE THE

HOUSE COMMITTEE ON GOVERNMENT REFORM

JULY 28, 2005

Good morning, Mr. Chairman and Members of the Committee. Thank you very much for the opportunity to testify today on the relationship of the Washington Metropolitan Area Transit Authority (WMATA) to the federal government, the organizational and management challenges facing the Authority, and the initiatives we are undertaking to improve our organization. My name is Richard White, and I am the General Manager and Chief Executive Officer of WMATA. I would like to submit for the record my statement today, as well as several attachments at the end of this testimony.

The federal government has been a steadfast partner of WMATA since its inception.

I thank the Chairman for focusing your attention on the important issues of continued improvement and investment in WMATA. Your support is consistent with the historical relationship that WMATA has enjoyed with the federal government. The vision of a world-class rapid rail system to serve the National Capital Region was born in the 1950s when the Truman Administration and the leadership of the National Capital Region formed a partnership to develop a rapid rail system. The early planning efforts were aimed at addressing the orderly

development of the federal city, mounting traffic congestion and the growing needs of the federal government. President Kennedy, in 1963, called for an "improved transportation system [that] must include a major rapid transit system. The alternatives would be steadily worsening congestion with what all that congestion means in losses in time and money..." In 1965, in a letter to Congress, President Johnson stated "The problem of mass transportation in the Washington area is critical. It is also a problem in which the federal government has a unique interest and responsibility... improved transportation in this area is essential for the continued and effective performance of the functions of the government of the United States, for the welfare of the District of Columbia, [and] for the orderly growth and development of the National Capital region...."

The federal-regional partnership continued in every subsequent Administration through completion of the original 103-mile Metrorail system. From its inception until 1999, WMATA received a separate authorization and appropriation from Congress for constructing the system.

Congress authorized funding specifically for Metro because of the unique role that WMATA plays in support of federal government operations. In 1960, when Congress enacted the National Capital Transportation Act authorizing Maryland, Virginia and the District of Columbia to negotiate an Interstate Compact, it recognized the necessity of creating unique financial participation by the federal government by declaring that the "creation of certain major transportation

facilities are beyond the financial capability of the local governments in this region." The path began in 1960 led to the creation of a robust regional transit system for the national capital region, at a construction cost of $10 billion of which $6.9 billion, or 69 percent, was funded by special federal funding

In 1967, Congress created WMATA under an Interstate Compact. The legislation called for a partnership between the federal government and the District of Columbia, the cities of Alexandria, Falls Church and Fairfax and the counties of Arlington, Fairfax, and Loudoun and political subdivisions of the Commonwealth of Virginia located within those counties, and the counties of Montgomery and Prince George's in the State of Maryland and political subdivisions of the State of Maryland located in those counties In 1973, Congress gave WMATA the responsibility of assuming operations of four large, but failing, private bus companies, and thus Metrobus was created. WMATA is an independent body, and is not an agency of the federal government or any other jurisdiction. WMATA's policies are decided by 12 members of its Board of Directors, 4 each from the District of Columbia, Maryland and Virginia.

WMATA continues to bring value to the federal government.

Metro has provided excellent return on this investment, particularly to the federal government. Metro was designed specifically to serve federal facilities and today over 300 federal agencies and offices are near Metro. Approximately 10 percent of Metro's daily ridership uses stations next to the Capitol and Pentagon.

WMATA is such an important asset to the federal government that proximity to a Metro station ranks high in determining the location of federal buildings. The General Services Administration (GSA) requires that proximity to Metrorail be an evaluation factor in any action to relocate federal employees or office buildings throughout the Washington metropolitan region.

What makes the Metro system unique among transit systems is that Metro was built primarily to serve the federal workforce and to serve the National Capital Region, and it has done so admirably for decades. Metro is widely recognized as being critical to the operation of the federal government. Over 150,000 federal employees (45 percent of the region's federal employees) participate in the Metrochek program. Metro is a linchpin in the federal government's emergency preparedness plans and is integral to the security of the region. In fact, we have unique security needs that other transit systems don't have, by virtue of our proximity to the seat of government. We are charged with protecting the many federal workers riding on WMATA. Without WMATA, a significant number of federal workers would be unable to get to work.

The terrorist bombings in London on July 7, 2005 and in Madrid on March 11, 2004 were tragic reminders that a safe, secure and reliable Metro system is a critical component for ensuring the continuity of federal government operations. Federal emergency evacuation and recovery plans rely heavily on Metro. Along with calmly and successfully evacuating hundreds of thousands of people out of

the downtown core on September 11, 2001, at the request of the Pentagon, Metro provided additional buses and extended its hours of service to the Pentagon for several weeks after the attacks. The reliance on Metro continues to increase as the region makes the necessary adjustments associated with living in the post-September 11, 2001 environment.

We face unique challenges as the public transportation system in the "Capital of the Free World." Our immediate response to the London tragedy was to increase security at Metrorail stations, on trains and in Metrobuses. We elevated our security hours before a nationwide Code Orange was declared for transit nationwide. We deployed special response teams of officers with additional weaponry and explosive detection canine teams to conduct sweeps of Metrorail stations and trains and buses. Metrorail station restrooms were temporarily closed for security reasons. More officers, both Transit police and local police, were on patrol and Metro Transit Police received regular updates from the FBI Terrorism Task Force and the region's chiefs of police.

WMATA is routinely called upon to provide transit service, and related security, for special events on a scale that most other transit agencies in the country can only imagine. Events on the National Mall, such as Independence Day celebrations, marches and demonstrations require much advance planning, special service plans, additional trains and buses and all the accompanying overtime. Our largest-ever day of ridership came last June, when the funeral of

President Ronald Reagan brought 850,636 people to the Metrorail system. This past 4th of July, we quickly and efficiently carried 540,875 people to and from the Mall and other activities in the region. With the 55th Presidential Inauguration and Independence Day celebrations just recently behind us, we are all aware of the impact the numerous street closures and other security precautions had on vehicular traffic in the downtown area. Nearly 200 square blocks were closed to traffic or access to them was restricted because of the Inauguration. The Fourth of July celebration saw similar traffic restrictions. The Metrorail system was, essentially, the only viable transportation option to reach downtown destinations for both local residents and visitors from around the country. With a great deal of pride, Mr. Chairman and Members of the Committee, I can report to you that Metro passed with sparkling colors on these days.

It is not only the heightened security status associated with the numerous national special events that impacts the mobility and transportation options available to our regular customers and out of town visitors. Metro has also become the most viable option for navigating the security measures that have been put into place by the federal government on a permanent basis. Since September 11, 2001, over 30 blocks in core downtown locations including areas close to the White House, Capitol, and the State Department have been closed with no intention of reopening. Protective barriers on other streets that remain open have also impacted traffic flows. Many federal departments have limited parking in their garages.

WMATA also continues to serve as a test-bed for the federal government and model for the country on new transit security initiatives. Metro's chemical detector system, commonly referred to as "PROTECT," has become a model for other transit agencies across the nation and around the world. The early warning data flowing from PROTECT is fully integrated into our Operations Control Center and the data and live images can also be accessed at safe zones for use by incident commanders in the region responsible for responding to an event. Federal partners who worked with WMATA in the development of the PROTECT system include the Departments of Justice, Energy, Transportation and Homeland Security. WMATA continues to work with DHS, FTA and other federal agencies on opportunities to enhance biological, chemical and radiological detection technology development, decontamination response and recovery planning and operational security procedures.

In fact, WMATA began focusing on emergency preparedness efforts well before September 11, 2001. On the operational side, WMATA's transit police and safety departments prepared system security and system safety plans and initiated various anti-terrorism training programs for police and operations personnel. But in the aftermath of the attacks on September 11, 2001, we recognized the need to expand our training and exercises capabilities, with an emphasis on outreach to the region's first responder community. The acquisition of the Carmen E. Turner facility provided the space and physical resources to

meet this critical emergency preparedness goal. WMATA's Emergency Response Training Facility located at the Carmen E. Turner Maintenance and Training Facility opened in 2002, and is the only transit facility of its kind in the nation that is available 24 hours per day, seven days a week to train emergency personnel. The facility includes a mock train tunnel that allows regional emergency responders to train for disasters such as smoke/fire, collisions and potential terrorist incidents in a transit/tunnel environment. WMATA's emergency management team trains an estimated 2000 federal, state and local emergency personnel each year. The facility was awarded the American Public Transportation Association's Management Innovation Award for 2004.

Ridership is growing as the system is aging.

In the words of the Government Accountability Office, Metro is experiencing "growing pains" and "aging pains." Every day people take 670,000 trips on Metrorail and 525,000 trips on Metrobus. This region attracts 22 million people annually from around the country and the world to visit the nation's capital. The National Park Service Visitor Transportation Survey dated November 14, 2003 found that 61% of all visitors used Metrorail during their visit to the nation's capital. We are not just the regional transit agency, but we are also, as some have dubbed us, "America's Transit System", serving visitors and those doing business with the federal government.

Every day WMATA provides a significant level of service. In FY2005, WMATA's ridership was 343,824,320 million passengers, with rail ridership of 195,186,512 million and 148,637,808 million on bus. In June 2005 we experienced our highest-ever month of ridership, as Metrorail ridership for the month was 18,556,046. The previous all-time highest ridership was this past April, when 17, 863,153 trips were taken.

The Metrorail system is the second-largest subway and fifth-largest bus system in the United States. Combined, we are the fourth-largest transit system in the country. The service area is 1600 square miles, about the same size as the State of Rhode Island. Metrorail ridership is equal to the sum of the heavy rail systems in Atlanta, San Francisco and Philadelphia combined. Metrorail's 946 railcars travel 67 million miles per year. Every day Metrorail operators transport approximately 670,000 trips, with 1,538 train dispatches, 35,419 station stops, and 1 million door leaf cycles. Every day 1,445 Metrobuses travel 49 million miles per year transporting approximately 525,000 trips on 350 routes, with 12,700 bus stops and 1,000 passenger shelters.

WMATA's transportation responsibilities do not end with the track and road: Elevators and escalators are a critical part of our ability to move people efficiently. Our 588 escalators and 237 elevators, far exceed that of any transit system in the country. In addition, due to the system's design, WMATA must operate and maintain the longest, and most difficult to maintain, set of escalators

in the world. The longest escalator in the Western hemisphere (230 feet) is located at the Wheaton Metrorail station.

It is also important to remember that Metro is now a mature system, and it faces a new set of challenges. Our infrastructure is aging: 60% of our Metrorail system is now more than 20 years old, and the average age of our Metrobus fleet is 9.91 years.

As growth and age put more strain on the system, absent more investment, WMATA will find it difficult to fulfill its mission of serving the federal government.

Ridership has been growing, and this impacts reliability. Our reliability is impacted primarily by rail car reliability; wayside infrastructure; and human factors, including sick customers or police actions. In FY2000, rail car performance issues constituted 69% of our rail service delays. In the current year, that number has dropped to 61%. Clearly, the purchase of new and rehabilitated rail cars is making a big contribution to our service reliability, and we must continue to pursue these kinds of investments.

We operate service in an extremely complex and demanding environment, and our challenges can become high-profile issues. The original design of the rail system places serious limits on reliability and throughput. Our rail system is generally a two-track operation. This contrasts with the nation's oldest subway

systems, such as New York and Boston which have three or more tracks and can quickly detour regular service around a problem train. These systems can also perform normal maintenance activities with less disruption in service. Thus, when there are issues with service here, the delay to passengers all along a line can quickly grow from three-to-four minutes to 30-40 minutes or more. In essence, our rail system is performing at interstate highway standards, but through the equivalent of a two-lane country road with few off-ramps and limited emergency shoulders lanes.

Metro's needs are well-chronicled and documented.

In 2000 when this Committee asked the General Accounting Office (now the Government Accountability Office) to examine WMATA, the title of GAO's report was "WMATA is Addressing Many Management Challenges, But Capital Planning Could Be Improved." WMATA took GAO's recommendations to heart and put great effort into developing a strategic plan and a 10-year Capital Improvement Plan (CIP) in which investment priorities were identified.

Our state and local funding partners stepped up to the plate last fall and signed the Metro Matters Funding Agreement, substantially increasing their funding commitments to provide $2.8 billion in capital funds through 2010. With federal, state and local funding combined, this $3.3 billion, 6-year capital funding program will address a backlog of deferred capital investments and to help relieve bus and rail system overcrowding. Of the total program, $1.7 billion, or 51 percent is

planned to come from non-federal funds, and $1.6 billion, or 49 percent from federal funds. Metro Matters is designed to meet our most basic needs for capital reinvestment and the purchase of additional vehicles to relieve crowding – it is in no way a permanent or long-term solution. The Metro Matters Agreement is a short-term interim fix. It will last only through 2010, and we will need to negotiate a new funding agreement in 2008 in order to ensure that funding is in place for long-term capital investments.

The Metro Matters Agreement envisions continuing federal transit formula funds and $260 million in new discretionary federal funding to help underwrite the cost of purchasing 120 new rail cars, desperately needed to relieve severe crowding and to meet our responsibility as a national security asset, in the event of an emergency in this region. With 120 new rail cars, we will be able to provide 8 car trains on approximately one-third of our rush hour trains, increasing our carrying capacity by 14,000 people per hour.

State and local governments have taken care of most of the most urgent, short-term capital needs, but a longer-term solution is needed, and the federal government is needed in this renewed partnership.

After an exhaustive review, in January, 2005, a Metro Funding Panel (Blue Ribbon Panel) established by the Metropolitan Washington Council of Governments, the Federal City Council and the Greater Washington Board of Trade issued its report on the *Analysis of and Potential for Alternative Dedicated*

Revenue Sources (for WMATA). As discussed in this Committee's February hearing, the Panel found that "Metro is succeeding beyond expectations in ridership and yet is literally falling apart." The Panel warned that Metro's continued viability is at risk if adequate investment is not made for the system's capital needs and for critical operating requirements. It predicted a further decline in the system's condition and unacceptable levels of performance if adequate and stable funding cannot be achieved.

After considerable review, the Panel determined that there is a $2.4 billion funding shortfall comprised of $1.88 billion in capital funds and $500 million in operating funds, facing Metro over the next ten years. In acknowledging this funding need, the Panel made several key assumptions, including:

- WMATA will maintain a 57 percent cost recovery ratio; future fare increases may be required to reach this goal
- Contributions by state and local governments in the region will continue to grow at a 5.3 percent annual rate, compared with the historic 3.5 percent growth rate
- Funding for MetroAccess should be "borne through social service funding" rather than transportation funds. Hence, a projected total shortfall of $1.1 billion over a ten-year period was not included in the Panel's funding recommendations.
- A special appropriation of $260 million from the federal government for the purchase of new rail cars

The Panel recommended that the funding shortfall should be met by a combination of new dedicated revenues, based on a regional approach, at the state and local level and a commitment of new federal funds. This equates to $1.2 billion in new federal funding and $1.2 billion in dedicated state and local funding.

A $1.2M federal investment will help WMATA fulfill its mission to serve the federal government

The Panel recommended that the federal government defray fifty percent of Metro's projected $1.88 billion capital shortfall, or $940 million, based on the federal government's dependence on Metro. Added to the $260 million in new federal funding anticipated in the Metro Matters Agreement, the capital shortfall envisioned to be covered by the federal government equals $1.2 billion.

I caution that even with an additional $1.2 billion in federal capital funding over the next ten years, we will only be able to address a portion of the drastic need we have for capital reinvestment. The projects that would be completed with these funds include:

- Ongoing maintenance and renewal of WMATA's capital assets, such as station and bus facility rehabilitation, vehicle replacement, tunnel repairs, systems upgrades etc. that need to be addressed to keep the system in a state of good repair and working order

- 120 "Metro Matters" rail cars ,plus 130 additional rail cars (for a total of 250 cars), power and facilities, to enable 8-car trains to run on 75% of the Metrorail System
- Station Enhancements (additional escalators, elevators, expanded mezzanines) at congested transfer stations, including Union Station, Gallery Place and Metro Center
- Pedestrian Station Connections (Farragut North to Farragut West and Gallery Place to Metro Center)
- Pedestrian/Bicycle improvements at 25 stations
- 275 buses and 3 bus garages to provide expanded service in existing and new bus markets
- 140 miles of bus corridor improvements, including signal prioritization, preferential bus lanes, left-turn priority, bus stop relocation, curb extensions, improved transit centers and facilities, additional park & ride and kiss & ride facilities, bus bays, passenger waiting areas and customer facilities, improved shelters, lighting, accessibility and customer information.

The Blue Ribbon Panel observed unambiguously that "the federal government is the largest single beneficiary of [Metro] and should continue to share in the costs of the system." The Panel warned that Metro's continued viability is at risk and the system's condition will decline to unacceptable performance levels, if adequate and stable funding cannot be achieved.

We are also seeking state and local dedicated funding, along with federal funding.

At the same time that we are advocating a continuing partnership with the federal government in keeping the Metro system in a state of good repair, we are also seeking state and local dedicated funding. In fact, Metro is the only major public transportation system in the country without a dedicated funding source to pay for operations and capital requirements. The need to address this shortcoming is becoming more and more urgent. The June 2004 report by the Brookings Institution, revealingly titled *Washington's Metro: Deficits by Design*, concluded that WMATA receives less than 2 percent of its capital and operating funding from dedicated funding sources, as compared to the national average of 34.7 percent. A renewed partnership with the federal government is needed in order to reinvest in the system.

A partnership between the federal government and state and local governments to provide dedicated funding to WMATA would help mitigate the unpredictability that currently characterizes WMATA's funding process. Every year, WMATA must rely on appropriations from the District of Columbia, Maryland and localities in Virginia. Funding can be – and has been – jeopardized in years when one or more of these jurisdictions struggles financially. As the Brookings report stated, "What is clear, though, is that compared to other systems, WMATA relies excessively on general fund revenues from its state and local partners. This is, of course, a difficult problem for any transit agency. But for the fourth-largest

agency in the country, such over-reliance is extraordinary." Without a reliable stream of funding, WMATA will continue to remain vulnerable to the vagaries of state and local economies and will be unable to make necessary long-range investments. And the consequences of inaction are real. We know this, as we prepare for a rail extension to Dulles Airport: the Federal Transit Administration is justifiably asking for evidence that WMATA's "recapitalization, operations and maintenance needs over the next 20 years" be addressed before allowing the Dulles project to proceed to construction. WMATA wants to do everything we can to bring more transit service to this region, but we recognize that it does not make sense to expand unless the basic operating, maintenance and reinvestment needs of the Metro system are met.

While we await funding from Metro Matters and as we pursue a longer-term capital investment commitment, we are managing the system differently. With the pressures of an unforgiving design, as well as growing ridership and an aging system, we recognized that we could not continue to manage the system in the same way we had in the past. Ridership is up 33% in the past eight years, and we are providing a significantly higher level of service. Yet it is becoming increasingly difficult to maintain our level of service reliability while our system is aging and as we generate record ridership levels. We knew that we could not continue to manage the system the way we had in the past.

Back to Basics

Thus, in November 2004, we instituted a "Back to Basics" program, designed to focus on our primary strategic goals: safe, clean, reliable service, with renewed emphasis on customer service and communications. We have begun work and completed a number of new initiatives, within the constraints of our FY05 budget. The efforts that we have been or will be undertaking include:

- Initiating improved customer service through "Rail Line Ownership" where one Manager is taking charge of all aspects of one rail line (e.g. Red Line), including operations, cleanliness, customer service, et cetera to ensure complete accountability for the full spectrum of service on each individual rail line. We have posted their photos and contact information so that customers can give and get immediate feedback about rail service;
- Implementing improved internal processing of procurement, safety certifications, hiring and training to ensure that every part of the WMATA organization is focused on supporting the Operating Department; and
- Improving customer communications by providing accurate, timely, consistent service delay information with regular updates, including deploying senior managers and others to rail stations to assist customers during major service disruptions; improving our current service disruption reporting system; and developing an incident management system that integrates reporting on WMATA's different modes and integrates with regional reporting systems.

We are committed to making the necessary investments to improve reliability and these investments are already starting to pay off. Rail reliability, measured in mean distance between delays, improved 42 percent between December 2004 and May 2005 and is projected to improve further by the end of the year. We expect a 50% improvement in reliability over the course of calendar year 2005, primarily due to design modifications to our new and rehabilitated rail cars. Moreover, in FY06, we have budgeted $10.2 million for new initiatives targeted at safe, clean reliable service, such as:

- Fourteen additional track inspectors to discover potential problems before they can cause a delay;
- Seven additional rail personnel at platforms to help customers get on and off trains, minimizing delays;
- Ten additional station managers at high volume stations to serve customers better;
- Twenty six cleaning personnel to improve the appearance of the system;
- Sixteen additional customer service agents – eight of whom will be assigned to specific rail lines -- to improve our responsiveness to the public;
- To keep up with huge demand for SmarTrip cards, making sure our SmarTrip card reading machines are working properly and fare card charts are installed above fare vending machines; and
- Improving the reliability of bus destination signs and the electronic signs on rail platforms to give better information to our customers.

Given the large and growing volume of people that we efficiently serve seven days a week, when our on-time performance (a train that is more than 4 minutes delayed) slips from 98 percent to 97 percent, a record most businesses would be quite happy to achieve, we unfortunately inconvenience thousands of people. We recognized that we needed to change the way we manage our challenges and may of those changes are underway.

External Audits

- We are subject to a significant amount of oversight. We have established a strict protocol for making and enforcing audit and safety recommendations. The policy calls for regular communication among offices, and establishes procedures for cases in which there is disagreement. For a complete list of procedures for the safety intervention program, please refer to Attachment #3 of my testimony. Moreover, The Board has an active Audit Committee that meets publicly each quarter. In the second quarter of 2004, the Board received 42 audits from WMATA's Auditor General, documents that are shared with the public. In the last four years, Metro has been subject to more than a dozen outside, independent reviews which are included in Attachment 4 of this testimony. The Board is currently reviewing options for increased oversight, perhaps by having an audit function reporting directly to the Board.

Increasing public participation

This year, the WMATA Board of Directors announced a comprehensive set of initiatives to secure public input, increase the transparency of the organization, and increase organizational accountability by doing more to encourage and solicit public participation into its decision-making process. We have opened up many lines of communication: Earlier this year, the WMATA Board authorized a public comment period at Board meetings, which started in April 2005. The first of three town hall meetings scheduled for 2005 was held at George Mason High School in Falls Church on April 12, 2005. Last week, WMATA kicked off a 30-day public comment period to solicit the public's opinion on a proposed Riders Advisory Council. Members of the public can now e-mail members of the Board directly. Materials that are discussed at the WMATA Board and Committee meetings are now available on WMATA's web site, and real-time audio of Metro Board and Committee meetings is streamed over the internet.

Improved accountability extends to safety.

Another area where we've improved accountability is safety. The Metrorail and Metrobus systems are very safe modes of transportation. Traveling by transit is 12 times safer than traveling by car. The odds of getting hurt in Metrorail are one in 5.6 million. According to the Federal Transit Administration, our rail safety record ranks second-best in the country over the past two-and-a-half years, among the 14 major transit systems (FTA). WMATA has one of the best, if not the best, long-term safety records of any transit system in the United States.

Certainly, in an aging and growing system, certain safety concerns will come to light from time to time. Among the high-profile issues that have been discussed recently are cracked rail and station overruns. In 2004, we had eight incidents involving cracked rail, including two that caused significant passenger delays. In 2005, we have had three cracked rail incidents, which contributed to only minor service delays.

Where safety issues do exist, we have taken action. We are taking aggressive steps to fix the problem of station over-runs, cracked rail, and derailments and minimize the risk and probability of their recurring. We have tightened up our internal processes to ensure compliance with all safety recommendations. We track and report regularly on the efficacy of these internal processes. We continue to work very closely with all federal and state oversight agencies, including NTSB (National Transportation Safety Board), FTA (Federal Transit Administration), and Tri-State Oversight Committee, comprised of staff from Maryland, Virginia and the District of Columbia

WMATA is a good steward of public funds and will continue to be so. Overall, Metro spends dollars wisely. The Board and staff are very mindful of their public stewardship role, and all of us take our fiduciary responsibilities seriously. We are accountable to the public; our budget is reviewed every year by Maryland, Virginia and the District. In recent years, Metro cut $86 million from

its operating budget in order to limit fare increases. The rail construction program was completed ahead of schedule and $339 million (13%) under budget. And the system currently operates on a 59% cost recovery ratio, which is one of the highest in the nation. The cost of our services in FY2006 is lower than the cost of our services in FY2000, when adjusted for inflation and service increases. We earned $800 million non-passenger revenues from 1996-2004, from advertising, leasing right-of-way for fiber optics and other innovative financing approaches. Part of that revenue enabled Metro to go eight years without a fare increase. Wages and salaries are comparable with both large, local governments and large U.S. transit agencies.

I do not deny that we have had our challenges. We have recognized that we need to change some of the ways that we manage our challenges. In fact, we have taken many corrective actions that are producing positive results.

With management's "back-to-basics" approach and the Board's actions to improve oversight, we recognize the need for accountability and we welcome additional oversight. But ultimately additional resources are needed to maintain a reliable, dependable Metro System, consistent with Congress' original intent for a world-class transit system worthy of the nation's capital. The federal government must recognize that it is enormously dependent on a healthy Metro system and needs to be a part of the remedy. We must come together in addressing Metro's challenges, including the need for additional federal, as well

as dedicated state and local funding. Mr. Chairman, I am grateful to you, and to this Committee, for your leadership in addressing this issue. I encourage you to continue your efforts and I look forward to working with you as region works in partnership with the federal government to address this critical need.

Attachments

1. Answers to Questions from Congressman Tom Davis

2 WMATA FY06 Budget

3. WMATA Audit and Safety Compliance Intervention

4. External Reviews and Audits

Attachment 1

Answers to Questions from

Congressman Tom Davis

Attachment 1 Questions

1. Why should Congress again authorize funding specifically for Metro? Are Metro's needs dissimilar to those of other transit systems across the country?

Congress should authorize funding specifically for Metro because of the unique role that WMATA plays in support of federal government operations. As the largest beneficiary of Metro service, the federal government should be a full participant in the reinvestment in the system. In 1960, when Congress enacted the National Capital Transportation Act authorizing Maryland, Virginia and the District of Columbia to negotiate an Interstate Compact, it recognized the necessity of continuing financial participation by the federal government by declaring that the "creation of certain major transportation facilities are beyond the financial capability of the local governments in this region." WMATA was created as an Interstate Compact agency making it unique in serving such a large, nearly 1600 square mile area and diverse region, including two states, the District of Columbia and the federal enclave.

Metro was designed specifically to serve federal facilities and today over 300 federal agencies and offices are near Metro. WMATA is such an important asset to the federal government that the General Services Administration (GSA) requires that proximity to Metrorail be an evaluation factor in any action to relocate federal employees or office buildings throughout the Washington metropolitan region. Approximately 10 percent of Metro's daily ridership uses stations next to the Capitol and Pentagon.

Metro has provided excellent return on this investment, particularly to the federal government. What makes the Metro system unique among transit systems is that Metro was built primarily to serve the federal workforce and to serve the National Capital Area, and it has done so admirably for decades. Metro is widely recognized as being critical to the operation of the federal government. Over 150,000 federal employees (45 percent of the region's federal employees) participate in the Metrochek program. Metro is a linchpin in the federal government's emergency preparedness plans.

The Brookings Institution labeled WMATA an "institutional orphan" for which no single governmental entity takes responsibility. This multi-jurisdictional participation, coupled with substantial federal interest and reliance on the system, presents unique challenges in terms of setting priorities, reaching consensus and securing funding.

2. What amount of federal dollars does Metro need to meet its capital needs? What would Metro purchase with these funds?

The Blue Ribbon Panel identified $1.88 billion over the next ten years in unmet capital needs, and recommended that the federal government contribute towards 50%, or $940 million, of these costs, given the extraordinary reliance of the federal government on Metro. The projects that would be completed with these funds include:

- Ongoing maintenance and renewal of WMATA's capital assets, such as station and bus facility rehabilitation, vehicle replacement, tunnel repairs, systems upgrades etc. that need to be addressed to keep the system in a state of good repair and working order
- 130 rail cars, power and facilities, to enable 8-car trains to run on 75% of the Metrorail System
- Station Enhancements (additional escalators, elevators, expanded mezzanines) at congested transfer stations, including Union Station, Gallery Place and Metro Center
- Pedestrian Station Connections (Farragut North to Farragut West and Gallery Place to Metro Center)
- Pedestrian/Bicycle improvements at 25 stations
- 275 buses and 3 bus garages to provide expanded service in existing and new bus markets
- 140 miles of bus corridor improvements, including signal prioritization, preferential bus lanes, left-turn priority, bus stop relocation, curb extensions, improved transit centers and facilities, additional park & ride and kiss & ride facilities, bus bays, passenger waiting areas and customer facilities, improved shelters, lighting, accessibility and customer information.

In addition, WMATA requested $260 million in the TEA-21 reauthorization bill to help immediately purchase 120 rail cars and associated facilities, included in the Metro Matters Agreement. These cars will enable WMATA to provide 8 car trains on every third train during the rush period. WMATA's entire rail car program under Metro Matters is $600 million, with state and local governments in the region picking up the remaining $340 million.

Total Federal Capital Funding Needs

($ millions)	
$ 940	Infrastructure renewal, 130 rail cars, 275 buses, 140miles bus corridor improvements
$ 260	120 rail cars (Metro Matters)
$1,200	250 rail cars (75% 8 car trains), 275 buses, 140 miles bus corridor improvements, ongoing infrastructure renewal

3. If funding is authorized to meet Metro's capital needs, how can Congress be assured such funds would be well spent?

WMATA is a good steward of public funds and is subject to a significant amount of oversight. We participate in a number of external audits and reviews from a variety of government and independent entities at the federal, state and local level. I have attached a comprehensive list of external reviews and audits.

On matters relating to the WMATA budget and expenditures we report in regular, public meetings to internal and external oversight bodies. Every month, staff reports to the WMATA Board's Budget Committee. Every quarter the WMATA Auditor General reports to the Board's Audit Committee. The office of the Auditor General is a robust function, whose purpose is to provide independent, fair and objective appraisal of the effectiveness, economy and efficiency of WMATA operations; assist operating managers in identifying value-added improvements to WMATA operations; proactively evaluate the balance of business risks and controls; and evaluate compliance with laws, regulations and Authority policies and procedures. The Auditor General's office has a staff of 27 in an office that reports to General Manager/Chief Executive Officer. The Board is currently reviewing options for increased oversight, perhaps by having an audit function or an inspector general reporting directly to the Board. In the second quarter of 2004, the Board received 42 audits from WMATA's Auditor General. In the last four years, Metro has been subject to more than a dozen outside, independent reviews.

On an annual basis, we participate in budget hearings and meetings with each of the Compact signatories. Often, there are two or more hearings: one to discuss how funds are or have been spent in the current fiscal year, and one to discuss how funds for the future fiscal year are proposed to be used. Some jurisdictions also hold separate hearings on the operating and capital budgets. Throughout the year, we also testify in a host of forums – at the Congressional, state and local level -- on other matters.

WMATA would expect to report regularly to Congress or a designated entity on the status of the funds appropriated by Congress for Metro's capital needs.

4. What type of oversight would there be for large contracts similar to the CAF, Inc. railcar purchase?

Part of the management actions to improve accountability that were taken was the transfer of the responsibility of supervising large contracts to the Planning, Development, Engineering and Construction division of WMATA. This the part of WMATA that has the most experience in managing and overseeing contracts of

the size and type as the CAF, Inc. railcar contract. This division is responsible for the day-to-day oversight of large contracts, and reports on a monthly basis to the WMATA Board's Customer Service, Operations and Safety Committee. As part of its responsibilities in managing large contracts, this division recently set up an expert panel review of best practices. The purpose of the panel is to assist in faster resolution of major engineering, safety, quality, reliability and contractual issues of major programs at WMATA.

This expert panel will convene to conduct periodic reviews of major program activities to ascertain conformance with specifications. They will prepare reports of their findings, recommendations, and successful implementation of corrective actions to assure satisfactory and timely delivery.

Supplementing the day-to-day supervision of the contract is the WMATA Auditor General's Contract Audit Team, which examines the records of contractors in order to verify data related to financial transactions with the contracting community. The Contract Auditors assist contracting officers and authorized representatives by providing quality audit and consultative services that consistently assist the Authority in achieving the highest level of quality performance and excellence. This office performs internal audits of WMATA's contracting processes and is actively involved in continuing oversight of issues on large contracts.

Historically, the office's audits have resulted in reductions of approximately 30 percent to the construction contractor proposal amounts and contribute annual savings of approximately $12 million. This office also performs audit services in support of the Integrated Annual Work Program (IAWP) program, involving the determination of billing rates and review of monthly contract billings. Additional audit services are performed to prepare recommended contract financial settlements and other contract pricing determinations for equipment, supplies and services. The total annual dollar value of audit requests is approximately $250 million and involves the preparation of over 150 audit reports and/or memoranda.

WMATA is also subject to oversight from the FTA through its project management oversight program and its Triennial Review process. FTA's project management oversight (PMO) contractor monitors the planning and execution of major projects by verifying that an effective project management plan is developed and implemented. The PMO contractors report their findings to the FTA on a monthly basis in the form of a written report which addresses budget, schedule, claims management, the safety and quality of the work, and any issues that are likely to affect to successful completion of the work.

Additionally, FTA's Triennial Review process evaluates WMATA's grant management performance and compliance with FTA and other Federal

requirements. The reviews are conducted at least once every three years by FTA staff and an outside contractor team. Desk reviews are followed by a site visit. The team documents its findings and recommendations in a triennial review report, which is furnished to local, state and federal officials. When appropriate, corrective actions are recommended to resolve grantees' program management deficiencies. FTA monitors the grantee's performance until compliance with all program requirements is achieved. If needed, FTA can invoke sanctions to assure that grantees act to correct any noted program deficiencies.

5. Are Metro records and documents available for public review?
Generally speaking, all WMATA records and documents are public unless they come under certain exceptions such as personnel records and information that impacts safety or security or are protected by law or policy. WMATA recently took actions to more clearly mirror its Public Access to Records Policy (PARP) to the federal Freedom of Information Act (FOIA.)

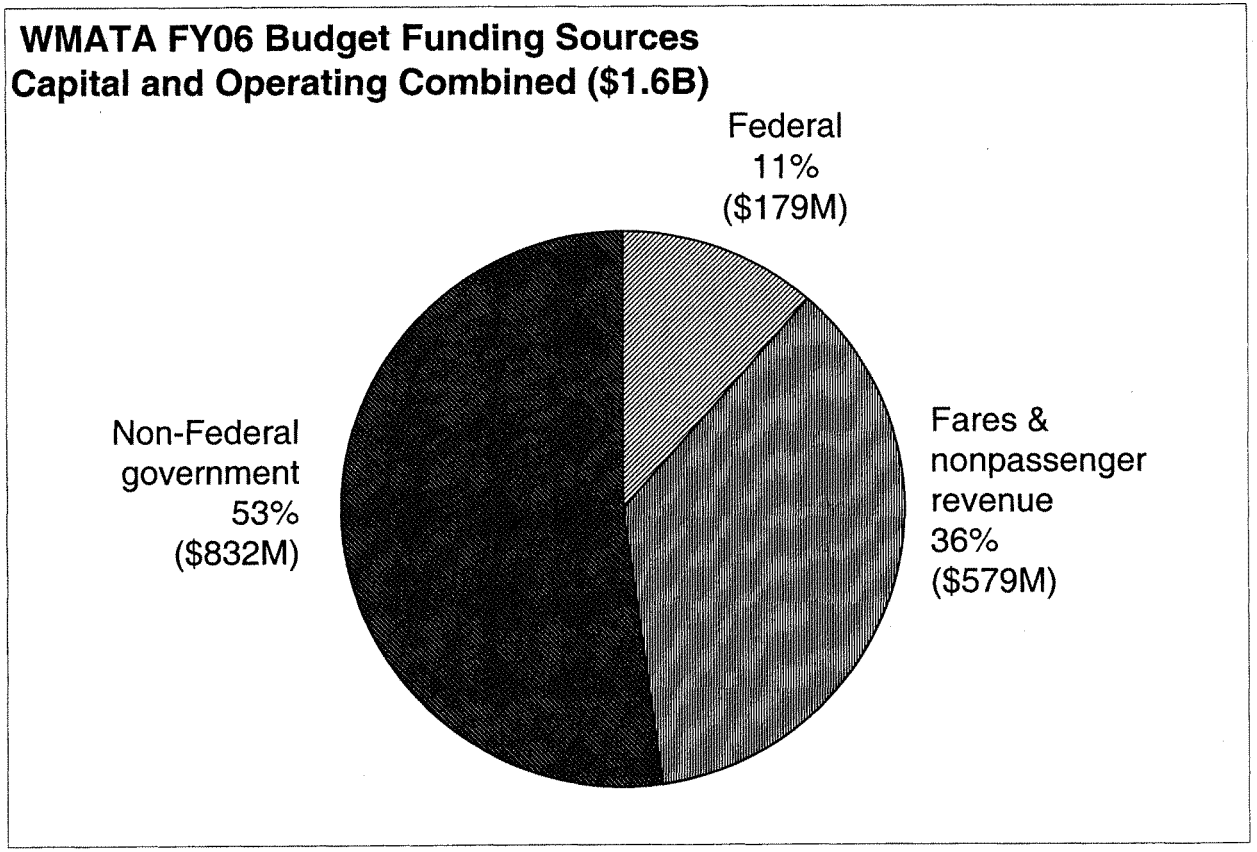
6. Explain the current role of the Chief Safety Officer. How are safety concerns currently addressed?

The Assistant General Manager for System Safety and Risk Protection (SARP) is responsible for the safety of WMATA's customers and employees. The office works closely with oversight agencies such as NTSB (National Transportation Safety Board), FTA (Federal Transit Administration), TOC (Tri-State Oversight Committee), as well as other state and federal oversight and regulatory agencies and entities. Every quarter, the AGM for System Safety and Risk Protection reports publicly to the WMATA Board Customer Service, Operations and Safety Committee. The Safety office conducts regular inspections and investigations and coordinates closely with the Operations department to ensure that safety measures are being followed and that safety recommendations are being implemented.

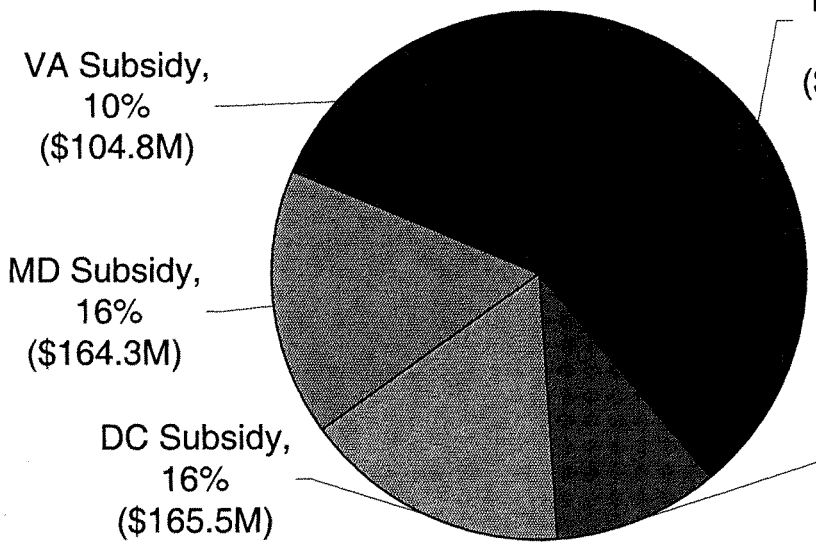
All audit and safety oversight and compliance functions are maintained by the Department of Audit and Safety Oversight (ASOT), which includes the Auditor General's office and the Assistant General Manager for SARP According to explicit WMATA policy, the Auditor General and Assistant General Manager, SARP, and their staff have unrestricted access to all persons, work areas, papers, records, reports, work files, or other documentation needed for their examinations, compliance reviews and oversight functions. A strict protocol for making and enforcing safety recommendations is written into WMATA policy instructions. The policy calls for regular communication among offices, and establishes procedures for occasions when there is disagreement about the efficacy of implementing a particular recommendation. I have included a complete list of procedures for the safety intervention program with the attachments to these questions (see WMATA Audit and Safety Compliance Intervention Policy/Instruction.)

Attachment 2

WMATA FY06 Budget

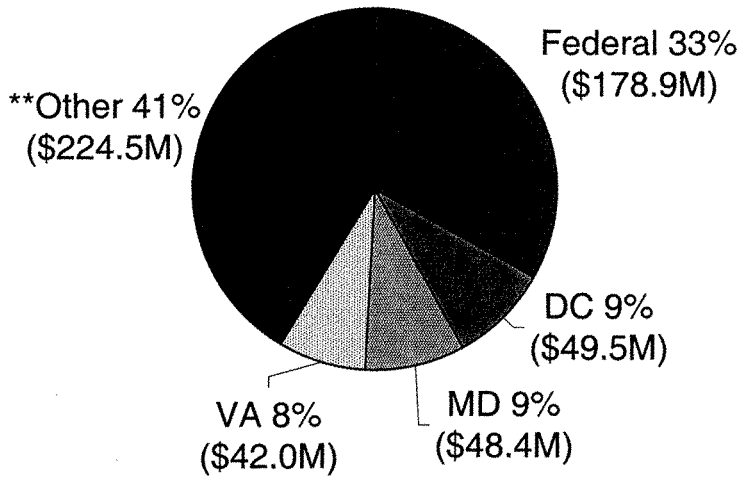

WMATA FY06 Budget Funding Sources
Capital and Operating Combined ($1.6B)
Federal
11%
($179M)
Fares &
nonpassenger
revenue
36%
($579M)
Non-Federal
government
53%
($832M)

UPDATED CHART:
WMATA FY06 Budget Funding Sources
Operating Budget ($1.0138B)



Operating subsidy numbers do not include debt service or reimbursable operating projects.

WMATA FY06 Budget Funding Sources
Capital Budget ($543.3M)



** Future federal security, debt and related capital sources

Attachment 3

WMATA Audit and Safety Compliance Intervention

4.00 RESPONSIBILITY

4.1 The Auditor General reports directly to the General Manager/Chief Executive Officer (GM/CEO). The Assistant General Manager, SARP reports to the Auditor General and to the GM/CEO on a dotted line basis. (See attached organization chart). Together, they are responsible for implementation and enforcement of this P/I.

5.00 PROCEDURES

5.1 During the course of internal audits, safety and/or quality assurance reviews, audits or investigations, the Auditor General and/or Assistant General Manager, SARP make recommendations for compliance with federal and/or state laws or regulations, to correct serious safety, quality assurance and/or audit related problems and for improvements in internal control, efficiency and effectiveness.

5.2 These findings and recommendations are sent to the appropriate WMATA officer who is expected to implement necessary corrective actions in an expedited manner.

5.3 To insure the implementation of audit, safety and/or quality assurance audit recommendations:

- Upon issuance of the report, management of the Division, Department and/or Office receiving the report shall respond to the recommendations within 10 days stating whether they agree with the recommendations, the status of implementation of the recommendations, anticipated implementation date and if not presently implemented and/or a corrective action plan.

- After receipt of the response, the Department of Audit and Safety Oversight shall follow up with the respective Division, Department and/or Office within 5 days to discuss and verify status of the implementation of the recommendations.

- Follow-up meetings, audits, safety reviews and/or quality assurance audits will be performed where appropriate.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
POLICY/INSTRUCTION

Subject	Classification	Lead	Date Approved	P/I Number
Department of Audit and Safety Oversight	*Audit and Safety Compliance*	*ASOT*	*4-20-2005*	*13.3/0*

1.00 POLICY

1.1 It is the policy of the Washington Metropolitan Area Transit Authority that all officials, employees, consultants and contractors shall adhere to the highest standards of ethical conduct; all WMATA activities shall be conducted in a safe manner; all WMATA activities shall be conducted in an efficient and effective manner in full compliance with applicable laws, regulations, circulars and policies; a system of internal controls shall be in place adequate to assure protection of WMATA assets; and all audit and safety oversight and compliance functions will be maintained in the Department of Audit and Safety Oversight (ASOT). The Department shall be provided with sufficient independence and resources to permit thorough, impartial and objective evaluation and reporting in conformance with this Policy and Instruction.

1.2 All WMATA activities are subject to review and oversight by ASOT.

1.3 The Auditor General and the Assistant General Manager, SARP serve management by independently conducting audits, safety reviews, quality assurance audits, investigations and other safety and audit compliance related activities.

1.4 The Auditor General and Assistant General Manager, SARP and their staff shall have unrestricted access to all persons, work areas, papers, records, reports, work files or other documentation needed for their examinations, compliance reviews and oversight functions.

2.00 PURPOSE

2.1 To establish the role and authority of the Department of Audit and Safety Oversight to ensure implementation of any necessary corrective actions identified in audits, safety and/or quality assurance reviews, internal audits or investigations.

3.00 SCOPE

3.1 This Policy/Instruction defines the authority of the Department of Audit and Safety Oversight in the review and implementation of its recommendations pertaining to its oversight and compliance role.

APPROVED by the WMATA P/I Matrix Team, pursuant to the authority delegated by Chief Executive Officer Richard A. White	Supercedes	Page
	N/A	*2 of 3*

5.4 After meeting with the Division, Department and/or Office representative pertaining to audit, safety and/or quality assurance audit recommendations, and a determination that the recommendations have not been implemented, the Auditor General will meet with the appropriate Officer to determine why the recommendations have not been implemented.

5.5 If management has decided not to implement the recommendations and the Auditor General and/or the Assistant General Manager, SARP disagrees with the decision, the Auditor General and/or the Assistant General Manager, SARP will inform the GM/CEO through the Chief of Staff and a meeting will be held with the Auditor General and/or the Assistant General Manager, SARP, the applicable Officer and the GM/CEO and/or the Chief of Staff to adjudicate the issues. If as a result of the meeting, it is directed that the recommendations should be implemented, then the Officer will ensure that the recommendations are implemented immediately. Failure to do so will result in disciplinary action.

Attachment 4

External Reviews and Audits

External Audits and Reviews of WMATA

WMATA is regularly subjected to a number of independent reviews by external agencies, such as the Federal Transit Administration (FTA), the Government Accountability Office (GAO), and WMATA's external auditors.

FTA

The FTA conducts a triennial review every three years of agencies receiving federal funds, and financial management oversight reviews, procurement reviews, security assessment reviews, planning oversight reviews and project management oversight reviews as necessary. The triennial review is a very comprehensive review of WMATA's compliance with all of the terms and conditions of receiving federal (FTA) funding assistance. The most recent triennial review of WMATA was conducted in September 2002. FTA also performs quarterly capital program reviews for WMATA as it does for all major grantees.

The following is a summary of the most recent program specific reviews of WMATA that were conducted by the FTA.

- Financial Management Oversight Review
    - Last review was for FY 2001
- Procurement System Review
    - February 2001
    - February 2004
- Drug and Alcohol Oversight
    - Substance Abuse Management Oversight Program–Latest reports January and August 2003
- ADA Complementary Paratransit Service Assessment
    - February 2002
- Financial Capacity Analysis in connection with WMATA's Largo Project done by consultant to FTA
    - July 2000

- FTA transit security readiness assessment
    - February 2002
- FTA Quarterly Review Progress Meeting
    - Quarterly meeting with FTA representatives, Project Management Oversight Consultant and WMATA meet to have overview of projects--Last meeting May 11, 2005
- Cost Allocation Plan Review
    - Last review was in FY 2003
- ADA Station Compliance Review
    - Last reviews were February 2002 and January 2003

GAO

- July 2001 - GAO Report-Mass Transit
  (Requested by Representatives Norton, Davis and Morella)

The GAO Report found that although WMATA had many management successes, and in fact was a "victim of its own success," the agency's capital planning could be enhanced. Metro followed the GAO's recommendations, and prioritized its series of rigorous capital plans. The Authority developed a pared-down, bare-bones capital program of only its most pressing, most basic needs, now known as the historic "Metro Matters Funding Agreement," which was recently adopted by Metro's funding partners.

- September 2001 - GAO Testimony before the House Government Reform Committee
- December 2002 - GAO Report-Mass Transit
  Federal action could help transit agencies address security challenges

External Auditor

- FY 2004 Annual Financial Statements and Related Reports
- Annual Financial Audits by CPA Firms for Years prior to FY 2004

APTA Peer Reviews

- APTA Rail Peer Review Report
    - April 12, 2005
- APTA Bus Peer Review Report
    - Report to be Issued soon

APTA Bus and Rail Safety Audits

- Bus –Oct 2001
- Rail – June 2002

Safety Oversight

In addition, a number of independent safety and security reviews are conducted on a recurring basis.

There are multiple layers of safety oversight for WMATA. The oversight is bolstered by various in-house reviews as well as external reviews by the industry's trade association, the American Public Transportation Association (APTA).

- The safety of the Metrorail is reviewed by three main oversight bodies: the Federal Transit Administration (FTA) and the Tri-State Oversight Committee (TOC) have direct oversight and have the authority to mandate corrective action. TOC meets with WMATA on a quarterly basis to discuss safety issues. The last TOC quarterly meeting was in March 2005.

- The National Transportation Safety Board (NTSB) has the authority to conduct investigations and make recommendations. All three organizations look at a variety of safety areas, such as accidents, hazards, certifications, and the implementation of recommendations.

- Every 18 months, Metrorail safety is reviewed either voluntarily by APTA or by the federally mandated TOC. Metro's safety programs and its strong commitment to voluntarily comply with safety recommendations has been commended in these outside reviews.

OTHER

- March 2003 - Ernst and Young
  Cost Management Review of FY 2004 Operating Budget

- April 2003 - Ernst and Young Supplemental Information on Cost Management Review of FY 2004 Operating Budget

- October 2004 - Department of Homeland Security's Office for Domestic Preparedness (ODP) risk-based security assessment.

Chairman TOM DAVIS. Thank you very much, Mr. White.

Mr. Millar.

STATEMENT OF WILLIAM MILLAR

Mr. MILLAR. Mr. Chairman, good morning, and thank you for having me back. I will be speaking specifically about how transit systems around the country are—generally, oversight occurs in several different ways. Certainly, the citizen members and elected officials who serve on transit boards is a significant way; reports that are required by Federal, State, and local governments and the audits thereto; and many transit systems have strong internal audit departments which review various aspects of the operation. There has also been a recent trend to the appointment of inspectors general, and I will speak specifically to those major properties who have those points.

Starting with the first point here, the transit boards around the country, recently, a report done through the Transit Cooperative Research Program was completed a couple years ago, Special Report No. 85—and I would submit that for the record with my testimony.

Chairman TOM DAVIS. Without objection, it will be placed into the record.

[The information referred to follows:]

TCRP
REPORT 85

TRANSIT
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TCRP REPORT 85

Public Transit Board Governance Guidebook

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TRANSIT COOPERATIVE RESEARCH PROGRAM

The nation's growth and the need to meet mobility, environmental, and energy objectives place demands on public transit systems. Current systems, some of which are old and in need of upgrading, must expand service area, increase service frequency, and improve efficiency to serve these demands. Research is necessary to solve operating problems, to adapt appropriate new technologies from other industries, and to introduce innovations into the transit industry. The Transit Cooperative Research Program (TCRP) serves as one of the principal means by which the transit industry can develop innovative near-term solutions to meet demands placed on it.

The need for TCRP was originally identified in *TRB Special Report 213—Research for Public Transit: New Directions,* published in 1987 and based on a study sponsored by the Urban Mass Transportation Administration—now the Federal Transit Administration (FTA). A report by the American Public Transportation Association (APTA), *Transportation 2000*, also recognized the need for local, problem-solving research. TCRP, modeled after the longstanding and successful National Cooperative Highway Research Program, undertakes research and other technical activities in response to the needs of transit service providers. The scope of TCRP includes a variety of transit research fields including planning, service configuration, equipment, facilities, operations, human resources, maintenance, policy, and administrative practices.

TCRP was established under FTA sponsorship in July 1992. Proposed by the U.S. Department of Transportation, TCRP was authorized as part of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). On May 13, 1992, a memorandum agreement outlining TCRP operating procedures was executed by the three cooperating organizations: FTA, the National Academies, acting through the Transportation Research Board (TRB); and the Transit Development Corporation, Inc. (TDC), a nonprofit educational and research organization established by APTA. TDC is responsible for forming the independent governing board, designated as the TCRP Oversight and Project Selection (TOPS) Committee.

Research problem statements for TCRP are solicited periodically but may be submitted to TRB by anyone at any time. It is the responsibility of the TOPS Committee to formulate the research program by identifying the highest priority projects. As part of the evaluation, the TOPS Committee defines funding levels and expected products.

Once selected, each project is assigned to an expert panel, appointed by the Transportation Research Board. The panels prepare project statements (requests for proposals), select contractors, and provide technical guidance and counsel throughout the life of the project. The process for developing research problem statements and selecting research agencies has been used by TRB in managing cooperative research programs since 1962. As in other TRB activities, TCRP project panels serve voluntarily without compensation.

Because research cannot have the desired impact if products fail to reach the intended audience, special emphasis is placed on disseminating TCRP results to the intended end users of the research: transit agencies, service providers, and suppliers. TRB provides a series of research reports, syntheses of transit practice, and other supporting material developed by TCRP research. APTA will arrange for workshops, training aids, field visits, and other activities to ensure that results are implemented by urban and rural transit industry practitioners.

The TCRP provides a forum where transit agencies can cooperatively address common operational problems. The TCRP results support and complement other ongoing transit research and training programs.

TCRP REPORT 85

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NOTICE

The project that is the subject of this report was a part of the Transit Cooperative Research Program conducted by the Transportation Research Board with the approval of the Governing Board of the National Research Council. Such approval reflects the Governing Board's judgment that the project concerned is appropriate with respect to both the purposes and resources of the National Research Council.

The members of the technical advisory panel selected to monitor this project and to review this report were chosen for recognized scholarly competence and with due consideration for the balance of disciplines appropriate to the project. The opinions and conclusions expressed or implied are those of the research agency that performed the research, and while they have been accepted as appropriate by the technical panel, they are not necessarily those of the Transportation Research Board, the National Research Council, the Transit Development Corporation, or the Federal Transit Administration of the U.S. Department of Transportation.

Each report is reviewed and accepted for publication by the technical panel according to procedures established and monitored by the Transportation Research Board Executive Committee and the Governing Board of the National Research Council.

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The Transportation Research Board of the National Academies, the National Research Council, the Transit Development Corporation, and the Federal Transit Administration (sponsor of the Transit Cooperative Research Program) do not endorse products or manufacturers. Trade or manufacturers' names appear herein solely because they are considered essential to the clarity and completeness of the project reporting.

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Advisers to the Nation on Science, Engineering, and Medicine

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Rosalyn M. Simon was the principal investigator. Research team members include Monica Simon of SIMON & SIMON; Will Scott and Jackie Davison of Will Scott & Assoc.; Bob Prangley and Steve Delgiudice of Prangley & Co.; and Janet Billson and Norman London of Group Dimensions.

FOREWORD

By Gwen Chisholm
Staff Officer
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TCRP REPORT 85: Public Transit Board Governance Guidebook is a reference tool that provides information on the organization and composition of transit boards. The *Guidebook* describes the structure and practices of transit boards and includes information on board-selection methods, board size, board length of service, and board composition. The *Guidebook* also includes a section on the primary role and activities of the transit board and the role of the transit board chair. There are guidelines for determining the roles and responsibilities of board members and a description of the characteristics of an effective board. The *Guidebook* may be used by policymakers, general managers, legal advisors, and board support personnel.

The companion document to the *Guidebook* is a report, *Public Transit System Policy Boards,* that focuses on the findings of the research. A literature review was completed to identify characteristics of governance boards in the public transit industry. A national survey was conducted to identify the characteristics and effectiveness of public transit boards. Five focus groups and six case studies were conducted to discuss transit board effectiveness and the operation of transit boards. This report is published as *TCRP Web Document 21,* available at: www4.trb.org/trb/crp.nsf.

The organization and characteristics of a transit board directly affect how efficiently and effectively a board discharges its role and responsibilities. An understanding of how other transit boards work in terms of size, structure, and duties will help all boards understand what might work best for them and give them examples with which to compare their present structure and composition. In short, better information is needed on today's transit boards. As policy decisions in transit become more complex, the role of a transit board becomes more critical. The *Guidebook* is designed to provide guidance to transit board members, general managers and appointing bodies with respect to board powers, role, responsibilities, size structure, organization, and composition.

SIMON & SIMON Research and Associates, Inc. in conjunction with Will Scott & Associates, LLC; Prangley & Company; and Group Dimensions conducted the research for TCRP Project H-24. To achieve the project's objective developing a public transit board governance reference document, a comprehensive literature review was undertaken to identify information on board powers, board role, board responsibilities, board size, board structure, board organization, and board composition. A national survey of large, medium, and small public transit agencies was conducted to obtain information on transit board characteristics. Also, five focus groups with board members and board member support staff and six in-depth case studies were performed. On the basis of the information gathered, the research team developed the *Guidebook.*

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PUBLIC TRANSIT BOARD GOVERNANCE GUIDEBOOK

ABOUT THIS GUIDE

The *Public Transit Board Governance Guidebook* is a reference tool of public transit board governance practices used by small, medium, and large transit agencies in diverse geographic locations. This guidebook was developed as part of the TCRP Project H-24, "Public Transit System Policy Boards: Organization and Characteristics." The project's goal was to provide national data and information on public transit board governance and the nature and characteristics of transit board effectiveness. The advice presented in this guidebook is based on the results of a national survey of transit chief executive officers/general managers and board chairs, a series of focus groups with transit board members and support staff, and case studies of six selected transit system boards.

The guide is divided into six chapters.

Chapter 1 describes the background on TCRP Project H-24 and this guidebook.

Chapter 2 introduces the organization of the guidebook.

Chapter 3 provides information on the organization and composition of transit boards. This section provides information on board selection methods, board size, and board length of service, board composition, board member diversity, and reasons for board service.

Chapter 4 describes the structure and practices of transit boards. This section provides information on new board member orientation, board meetings, committee structure, compensation, and board administrative support. This section also includes guidelines for the structure and governance of committees.

Chapter 5 describes the core areas of transit board roles and duties. This section provides information on the primary role and activities of the board and the role of the board chair. The section also includes recommended guidelines for determining the roles and responsibilities of board members and a sample transit board member job description.

Chapter 6 describes the characteristics of an effective board and offers suggestions for improving board effectiveness.

The case studies provide additional insight on transit board operation.

CHAPTER 1

THE NEED

BOARD GOVERNANCE

Board governance is a prominent part of public administration. On the basis of the theory that a group of citizens appointed or elected for a specified period of time can best represent the public interest, policy boards are an important part of public-sector activities. Although widely accepted at every level of government, little empirical information exists on the organization and characteristics of public policy governance boards. Governance boards are usually created as part of legislation establishing a public organization, but because there is no model legislation, board organization and characteristics vary greatly. A board of directors usually governs public transit systems, but even less information is available about the characteristics and structure of public transit boards. For the most part, the information available is extrapolated from the practices of private-sector and private, non-profit governance boards.

Public transit boards vary in terms of characteristics, selection methods, duties, roles, and powers. The collaboration of transit general managers/executive officers and board members is vital to the effectiveness of transit agencies, but because so little is written about how they operate, there is often misunderstanding about the critical role of the board and particularly how it differs from management. The roles of board governance and management are often blurred and the distinction between oversight and interference is unclear. Limited, if any, information is available to public transit executives and board members seeking such a clarification. Similarly, there is a dearth of information to define and describe transit board effectiveness. Such information is needed to assess board performance and to assist transit executives who desire to consolidate or change the structure of their boards to improve their effectiveness.

This study was intended to provide national data and information on public transit board governance and the nature and characteristics of transit board effectiveness. To achieve the study's objectives, three methods of data collection were used:

1. National survey of transit agency general managers/chief executive officers (CEOs) and board chairs,
2. Focus groups with transit board members on transit board and support staff effectiveness, and
3. Case studies of six selected public transit boards.

The results of this research were used to develop this reference document, which is designed to provide guidance on transit board governance.

CHAPTER 2

INTRODUCTION

The *Public Transit Board Governance Guidebook* is a reference tool of public transit board governance practices used by small, medium and large transit agencies in diverse geographic locations. This guidebook was developed as part of the TCRP Project H-24, "Public Transit System Policy Boards: Organization and Characteristics." The goal was to provide national data and information on public transit board governance and the nature and characteristics of transit board effectiveness.

RESEARCH METHODOLOGY

To achieve the study's objectives, three methods of data collection were used:

1. National survey of transit CEOs/general managers and board chairs,
2. Focus groups with transit board members on transit board and support staff effectiveness, and
3. Case studies of six selected public transit boards.

National Survey

A national survey of transit CEOs and board chairpersons was conducted to identify board powers, role, responsibilities, size, structure, organization, composition, and perceptions of board effectiveness.

The survey was administered to the entire population of U.S. public transit systems that are members of the American Public Transit Association (APTA), as listed in the 2000 edition of the *APTA Directory*. Outreach to the Community Transportation Association of America (CTAA) yielded an additional listing of small, rural transit systems. A total of 334 surveys were sent to transit CEOs/general managers; 175 were sent to transit board chairs. (New board chairs had replaced 29 percent of the chairpersons as listed in the directory, and, in the transition, many surveys were not forwarded). A total of 177 responses were received from transit CEOs, representing a response of rate of 53 percent. Board chairs returned 77 surveys, representing a response rate of 44 percent. Collectively these surveys yielded information on 213 transit systems (see Figure 1).

The survey response represents a 50-percent return rate of the surveys distributed and 52 percent of the public transit systems that are APTA members. These systems range in size from those serving populations of over 1 million to areas with populations less than 50,000.

Transit Board Focus Groups

Five focus groups on transit board effectiveness were held with transit board members and board support staff during the APTA Transit Board Seminar in Denver, Colorado, in July 2001. A total of 83 individuals—45 transit board members, and 38 board support staff—participated in the focus groups.

Case Studies

Six case studies were conducted at the following transit systems to provide additional insight on the operation of transit boards:

- Downeast Transportation, Inc., Ellsworth, Maine;
- Fort Worth Transportation Authority, Ft. Worth, Texas;
- Kenosha Transit, Kenosha, Wisconsin;
- Regional Transit District, Denver, Colorado;
- Salem Area Mass Transit District, Salem, Oregon; and
- Southeastern Pennsylvania Transit Authority (SEPTA), Philadelphia, Pennsylvania.

The advice presented in this guidebook is based on the results of the research conducted. Key findings from the national survey, focus groups, and cases studies are incorporated throughout this guidebook. In addition, the cases studies are included in their entirety.

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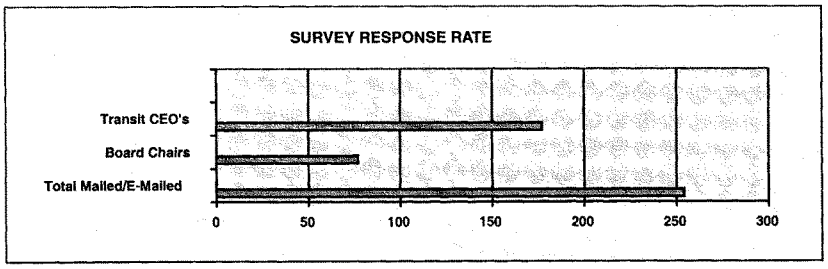

Figure 1. Survey response rate.

CHAPTER 3

ORGANIZATION AND COMPOSITION OF TRANSIT BOARDS

Governance boards are usually created as part of legislation establishing a public organization to provide counsel and balance to the management team. The legislation or subsequent bylaws set forth the method for member selection, terms of office, board size and composition, compensation, and general responsibilities of the members. In some instances, no governance board is required.

The use of public transit policy boards dates back to the passage of the Urban Mass Transit Act of 1964. A shift from private ownership to public governance became the paradigm for public transportation when states and regions enacted legislation to establish transit authorities or transit districts. Transit boards became the legal governing bodies of these newly formed public transit systems. With the existing diversity in transit size, type, geographic location, and so on, the legislation leaves the organization and characteristics of the board to each system. As a result, public transit boards and their specific characteristics vary from system to system.

BOARD MEMBER SELECTION

The selection process for transit board directors varies from organization to organization. Local elected officials representing the political entities that established the transit authorities appointed the earliest boards. Members typically represented specific political jurisdictions, and appointing entities were governors, mayors, city councils, or regional jurisdictions. Appointment by elected officials is the predominant trend in transit board selection methods (*1, 2, 3*). Similar to earlier research conducted by Passwell et al. (*4*), the national survey of transit general managers/CEOs and board chairs identified the following types of board selection methods.

In Elected Official Boards, members are indirectly publicly elected, because only elected officials can serve on the board.

Appointment by Elected Officials

Members are appointed by a local or state elected official or entity, usually the CEO (governor, mayor, or township supervisor), or a legislative body (city council, county commission, state senate, or county board of supervisors). In some instances, a two-step process is used that requires a nomination of a prospective board member by the chief executive and confirmation by the local or state legislative body.

Appointment By Non-Elected Officials Board

Non-elected officials, such as a county transportation agency, appoint citizen representatives to the board.

Joint Powers Authorities

Joint powers authorities (JPAs) are regional boards where elected officials appoint members to represent jurisdictions within the transit system service area. For example, one JPA board reported 10 members, representing nine municipalities and one county within the service boundary. Another JPA board comprises 13 mayors of the local jurisdictions.

Elected Official Boards

Elected official entities, such as a city council or county commission, also serve on the transit board as part of their elected official duties. In some jurisdictions, board members must be members of the legislative arm of the local government in order to be appointed to the transit board.

Publicly Elected Boards

Board members are elected through general public elections usually held every 4 years.

Mixed Boards

Mixed boards comprise a combination of elected officials and citizen representatives. Two parallel mechanisms exist for board member selection. Usually elected officials appoint the elected official members and citizen members are appointed or elected by non-elected officials. In some systems, board members can volunteer for citizen representative seats on the board.

Transportation Advisory Board

A transportation advisory board is a citizen board with no governing powers. Members may be appointed by an elected or non-elected entity or volunteer for board membership to provide guidance and recommendations only (see Figure 2). The advice offered by transportation advisory boards may or may not be taken.

BOARD SIZE

Transit board composition and constituency representation may have changed over the years, but board size has remained consistent over the past 25 years. Usually specified in the enabling legislation or bylaws, transit board size ranges from 5 to 23 members. Medium-sized boards—7 to 10 members—are the most popular. Most transit boards are comprised of 9 members (*5*).

The importance of board size is related to its interests, effectiveness in planning, and decision-making style (*6*). Large boards may increase the number of viewpoints, which may slow the pace of decision making and limit the discussion of key issues (*7*). Small boards may not provide the ideal atmosphere for planning because the role of the individual member is amplified and members may be less willing to yield their authority for decision making. Large boards, on the other hand, in the interest of time, may be willing to yield authority to streamline the decision-making process (*3*). In determining the size of the board, factors to consider are the system's structure, group dynamics, and skill needs.

LENGTH OF TERMS

Usually terms range from 1 to 5 years or more, but the average transit board member serves a 3- or 4-year term. Terms of service for transit board members vary in the number of years, as well as re-appointments. For example, many of the board chairs that participated in the survey had been re-appointed to their respective boards more than once and had served for 10 or more years. In some cases, board members serve staggered terms to provide continuity over time, as well as to allow for fresh ideas and critical thinking. Term limits for board members are an effective way to ensure board vitality, but some terms do not expire. For example, open-ended board member terms were usually political appointees who serve at the pleasure of the appointing body; or agencies that keep a member on the board in perpetuity.

BOARD MEMBER SELECTION METHODS
N=177

- 60% Appointed by Elected Officials
- 1% Appointed by Non-Elected Officials
- 2% Appointed by Joint Powers Authorities
- 17% Elected Official Boards
- 5% Mixed Boards
- 3% Publicly Elected Boards
- 1% Transportation Advisory Board
- 11% No Transit Board

Figure 2. Board member selection methods.

BOARD MEMBER COMPOSITION

Public transit governance boards are important to the success of the transit system and should pay close attention to the composition of their membership. When selecting members, several factors must be considered. Each transportation system has different needs and the board should reflect those needs. Care should be taken to ensure that board membership is balanced along several dimensions: age, gender, race, disability status, and employment background. However, primary emphasis must be placed on the unique contribution each potential member can bring to the board. Consistent with previous research, transit board members are primarily drawn from business, finance, legal, and political circles (*1, 4*). Transit board members stressed the importance of the need for politically astute members whose influence can be important in securing funding and the support of key constituents. More recently, researchers suggest that political and civic leaders should be appointed to the board because they can represent the views of transit and business leaders (*4*). Equally important, membership should be based on the potential member's interest in public transit, support of the system's mission, values and vision, and commitment to carry out the roles and functions to further the mission of the transit system.

BOARD MEMBER DIVERSITY

The majority of public transit boards are comprised of White males. One-third of the 155 transit boards reported all-White boards. Although at one least female member sits on the majority of transit boards, they are still outnumbered by their male counterparts. Men are three times as likely to be selected for transit board membership than women. Early in the establishment of public transit systems, the former Urban Mass Transportation Administration (UMTA) encouraged the appointment of women and minorities to transit boards. Minority representation on public transit boards has improved, but the research suggested that some transit boards might not be racially representative of their communities. Approximately one-fourth of transit boards reported a having an individual with a disability as a member of the board. See Figure 3.

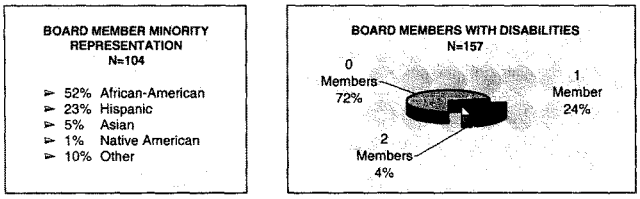

Figure 3. Board member representation.

Of the 104 transit boards reporting on the minority representation of their boards, 52 percent had at least one African-American member and 23 percent reported at least one non-white Hispanic member. Of the 157 transit boards that reported disability representation, 24 percent indicated that they had one board member with a disability.

Importance of Board Diversity

Diversity in gender, disability status, and minority representation should be considered in selecting board members. A diverse board that provides a broad range of experience and perspectives is usually viewed as a more representative board.

REASONS FOR TRANSIT BOARD SERVICE

Most board members were honored to be asked to serve on their transit boards. When asked why they served on their respective transit boards, the three top reasons identified by board chairs were (1) being asked by an elected official, (2) commitment to their community service, and (3) interest in public transit.

CHAPTER 4

STRUCTURE AND PRACTICES OF TRANSIT BOARDS

STRUCTURE AND PRACTICES

Board structure and practices examine new board member orientation, committee structure, compensation, and administrative support.

NEW MEMBER ORIENTATION

Transit boards are primarily comprised of citizens who may not be experienced with transportation or public governance. New board members will need at least 1 year to develop an understanding and solid knowledge of transportation operations, stakeholders, and community issues. Research revealed that the majority of new board members receive no formal new member orientation. Most directors are interested in formal training that would assist them in defining their role and responsibilities as board members. Directors also recognize that education is ongoing. Some boards provide orientation manuals and board mentors. Following is a list of recommended topics and information to include in the orientation process:

New board member orientation should educate members on transit in general, and the specifics of the local transit system.

- Board's role, responsibilities, and member requirements;
- Brief history of transit system;
- Committee structure and responsibilities;
- Current and future strategic plans;
- Introduction to key staff members and departmental responsibilities;
- Mission and goals;
- Tour of transit system;
- Transit system's finances; and
- Transit system's programs and services.

Extensive orientation and ongoing training and development are critical to board member competence and overall board effectiveness.

COMMITTEE STRUCTURE AND FOCUS

Transit boards often use committees to divide the responsibilities of the board among members in order to conduct the business of the board. Committees are used to accomplish specific tasks and to address needs that the board is directly responsible for governing. Committee meetings are separate from the board's meeting.

The types and numbers of committees may be specified in the legislation or bylaws and may depend on the needs of the organization. Committees are comprised of members with the specific expertise and interest necessary to resolve related issues. Their recommendations are presented to the full board for approval.

Research identified the following most commonly used committees:

- Executive Committee,
- Finance/Budget Committee,
- Human Resources Committee,
- Planning Committee,
- Legislative/Government Relations Committee, and
- Marketing Committee.

In addition to standing committees, transit boards may establish ad hoc committees to address short-term tasks. Effective committees are (1) structured according to written guidelines for committee responsibilities, goals, and governance; (2) comprised of committee members with the necessary background and competencies for membership; and (3) staffed by an appropriate member, who serves as a resource to the committee. Figure 4 shows sample responsibilities for the Executive and Finance committees adapted from the *Management Toolkit* (*8*).

BOARD COMPENSATION

The majority of transit boards are voluntary; members are not compensated for their the time or expenses associated with board membership. Of the 213 transit board respondents, only 31 compensated their board members. Elected officials who also serve as board members are usually salaried, serving on boards as a condition of employment. Compensation is paid on a per-meeting, per-month, or yearly basis. Compensation per

Sample Executive Committee Description

The Executive Committee primarily provides oversight to each committee, ensures that the Board of Directors protects the public, and provides oversight and guidance to the organization in the achievement of its goals and objectives.

Governance/Oversight Role

- Develop organizational policy recommendations, pertaining to strategic planning, values, ethics, personnel and issues referred to the committee by the full board
- When necessary (as specified in the organization's by-laws) act for the full board of directors between meetings
- Oversee each committee; make sure that work is effectively coordinated across committees and that communication between committees and with the staff is clear, timely and effective
- Actively support and nurture the Executive Director; evaluate the Executive Director annually; develop recommendations for full board approval on the selection; oversee compensation and dismissal of the Executive Director
- Evaluate the performance of the Board of Directors and develop recommendations for improvements
- Review the annual personnel budget

Sample Finance Committee Description

The Finance Committee ensures that the organization follows sound financial practices and complies with all financial reporting requirements.

Governance/Oversight Role

- Oversee the preparation of an annual budget for the organization; present annual budget to the full board for approval
- Monitor budget implementation and financial procedures
- Review and approve any changes to the budget (e.g., suggested new programs, funding cuts), and make recommendations to the full board, when necessary, for approval and/or involvement
- Oversee the assets of the organization and manage investments
- Recommend an independent auditor for full board approval; set up the audit process with the auditor; review and evaluate the annual audit; present and explain the audit to full board; monitor implementation of any necessary changes in financial management or reporting procedures as recommended in the audit.

Figure 4. Sample responsibilities.

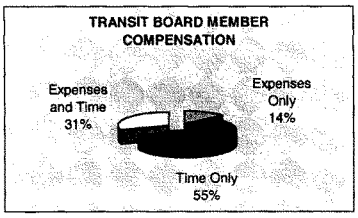

Figure 5. Transit board member compensation.

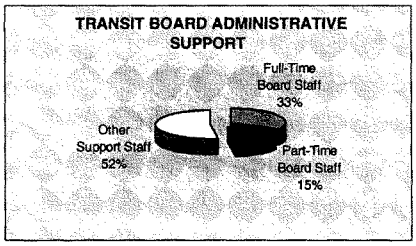

Figure 6. Transit board administrative support.

meeting ranges from $10.00 to $250.00; the average is most likely to be $50.00 per full board meeting (primarily for time only). Most board chairs are not compensated more than the other board members. See Figure 5.

ADMINISTRATIVE SUPPORT

Board members often require administrative support to fulfill their board responsibilities. The research revealed that most boards have regular, but not necessarily full-time, administrative support. The most common source of board support is the CEO/general manager's administrative staff. Board meeting agendas are usually developed by the general manager and board chairs. Board administrative support is usually in the form of board correspondence, meeting reminders, obtaining information from staff or other board members, and assisting new members with their board responsibilities. See Figure 6.

CHAPTER 5

TRANSIT BOARD ROLES AND RESPONSIBILITIES

Transit boards are charged to serve as the policy makers of a transit system. Transit governance also includes providing strategic guidance, legal and fiduciary oversight, and customer representation. Although enabling legislation gives the board "power" to govern, it fails to provide the director with the "process" for effective governance and fulfillment of its role and responsibilities. Transit board members have a general understanding of their roles and responsibilities. However, some are confused about the boundaries of their authority and role in day-to-day operations. As a result, the lines between management and the board are often blurred.

The primary duty of the board is to set policy. Board members must understand the distinction between policy and management.

Often, the role of the board is discussed in terms of policy versus management, where policy should be the role of the board, and administration and management, under the purview of the CEO. However, the distinction between policy and management is often distorted when board governance is characterized by a merging of management and policy-making functions. Transit board members often are criticized for their proclivity to get involved in day-to-day operations or to function as part-time administrators. Consequently, the role and responsibilities of the board must be clearly defined and understood by those who must fulfill them. Upon entering board service, all members should be provided a written job description that clearly delineates their role and responsibilities. A sample board member job description is shown in Figure 7.

BOARD CHAIR

The leadership of the board chair is considered very important. However, in relationship to other board members, board chairs described their role as chair as "a facilitator" who moderates meetings and helps the board to work effectively. Board chairs are usually the primary spokesperson and liaison with the CEO and appointing bodies.

The specific roles and responsibilities for board members and board chairs will vary depending on the structure of the organization. However, there are *general* duties that will apply to most boards. Below are recommended responsibilities for the board chairperson and board members. The chair exerts general leadership, including setting the meeting agenda, chairing the meetings, making committee assignments, and serving as the liaison with the general manager and the board.

Board Chair Responsibilities

- Provide leadership to the board.
- Ensure effective action of the board through leadership.
- Convene board meetings and make appropriate arrangements if not able to attend a meeting (often the Vice-Chair will preside).
- Develop meeting agendas with the Executive Director.
- Establish committees.
- Appoint committee chairs.
- Work in partnership with the Executive Director.

Board Member Responsibilities

- Attend board meetings and other important board-related meetings (e.g., committee meetings).
- Prepare accordingly for all meetings, read minutes and reports.
- Understand and support the mission of the organization.
- Be familiar with the organization's bylaws and policies.
- Vote on major policies and major actions (e.g., financial expenditures, and changes in programs and/or services).
- Be willing to participate in committees.

The attached chart (Figure 8) delineates the roles and responsibilities of board members, committees, and the executive director (*8*). It is designed to help distinguish the differences between policy and management.

Board members are also responsible for understanding and upholding their legal responsibilities as board members. Organizational bylaws and the legislation may also specify the director's responsibilities, relationships and professionalism. Below is a sample conflict of interest statement:

Sample Transit Board Member Job Description

Title:
- Member, ABC Transit System Board of Directors

Reports To:
- Chairperson, ABC Transit Board of Directors

Purpose:
- To serve the ABC Transit Board as a voting member
- To develop policies and procedures for the operation of ABC Transit
- To monitor the finances of ABC Transit, its programs and performances.

Term:
- Three years

Meeting Attendance:
- Three regular Board Meetings each year
- Board committee meetings
- New Board Member orientation training
- Other periodic meetings, including conference calls and Board retreats

Board Obligations:
- Support the Vision, Mission, and Values of ABC Transit
- Establish Policy
- Hire, supervise and evaluate the President/CEO
- Lead the strategic planning initiatives
- Monitor finances and ensure adequate funding
- Update long-range plans

Specific Duties:
- Attend meetings and demonstrate commitment to Board activities
- Be well informed of current issues and meeting agenda items prior to the meetings
- Contribute skills, knowledge and experience, when needed
- Listen respectfully to other points of view
- Participate in Board discussions and decision making
- Represent ABC Transit to the public and private industry
- Educate yourself about transit needs of the community
- Assume leadership roles in various Board activities, as needed
- Actively participate on at least two Board committees

Figure 7. Sample transit board member job description.

Statement of Policy

No board member shall use his or her position, or the knowledge gained there from, in such a manner that a conflict between the interest of the organization or any of its affiliates and his or her personal interest arises.

Each board member has a duty to place the interest of the organization foremost in any dealings with the organization and has a continuing responsibility to comply with the requirements of this policy.

The conduct of personal business between any board or committee member and the organization and any of its affiliates is prohibited.

Board or committee members may not obtain for themselves, their relatives, or their friends a material interest of any kind from their association with the organization.

If a board member has an interest in a proposed transaction with the organization in the form of any personal financial interest in the transaction or in any organization involved in the transaction, or holds a position as a trustee, director, or officer in any such organization, he or she must make full disclosure of such interest before any discussion or negotiation of such transaction.

Any board or committee member who is aware of a potential conflict of interest with respect to any matter coming before the board or committee shall not be present for any discussion of or vote in connection with the matter.

Disclosure

To implement the policy, board members of the organization will submit annual reports and, if not previously disclosed, will make disclosure before any relevant board or committee action. These reports will be reviewed by the Executive Committee, which will attempt to resolve actual or potential conflict(s) and, in the absence of resolution, refer the matter to the Board of Directors. (*8*)

Area	Executive Director	Committee	Board
Executive	Runs all day-to-day operations Informs Board to help shape policy and mission Makes staff hiring/firing decisions	Makes recommendations to the full board for hiring, firing, and evaluating the Executive Director Makes governance and policy decisions in crises Coordinates and monitors work of all committees When requested, offers input to assist the executive director in day-to-day decisions	Makes major governance decisions with input from Executive Director
Finance/ Audit	Manages day-to-day finances Proposes budget Reports spending against budget	Reviews budget in detail Aids Executive Director in ensuring appropriate financial controls are in effect Oversees audit	Discusses and approves budget Reviews figures quarterly (at each meeting)
Public Relations	Manages day-to-day public relations activities With the PR board committee, builds an annual plan for public relations Requests assistance on specific PR tasks from the Board and oversees completion of those tasks	Ensures that an annual public relations plan is submitted and approved Helps the executive staff plan for public relations needs Carries out specific requests for assistance from the Executive Director	Approves annual public relations plan
Personnel/ Human Resources	Manages everyday personnel activities Suggests personnel policies and procedures	Assures personnel policies and procedures in place Approves personnel policies and procedures Adjudicates in cases of formal grievance	Votes on personnel policies when necessary

Figure 8. Sample role and responsibility chart.

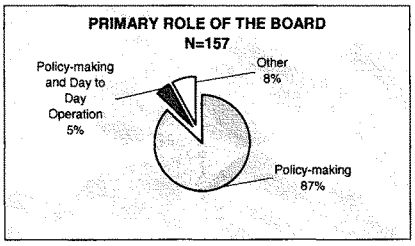

Figure 9. Primary role of transit board.

PRIMARY ROLE OF TRANSIT BOARD

Transit executives and board chairs agree that the board's primary role is policy maker. Although offered the choice of identifying the role of their boards as day-to-day management, none selected this option. Only 5 percent of the CEOs selected the combination of policy making and day-to day operation (see Figure 9).

The most frequent responses specified in the "Other" category were as follows:

- Advisory/liaison role,
- Budget approval,
- Route and fare changes,
- Awarding contracts,
- Fiduciary oversight, and
- Hire/terminate CEO.

Board chairs identified their top 10 activities as follows:

- Fiduciary oversight /budget approval,
- CEO performance evaluation,
- CEO selection,
- Strategic planning,
- Establishing fares,
- Setting organizational priorities,
- Liaison with elected officials,
- Overall fiscal control,
- Contracting, and
- Community relations (general).

The board listens to staff presentations and provides policy guidance. After listening to staff reports, the board's time is taken up by reading and acting on agenda items and approving policy matters.

PRIORITIZATION OF ACTIVITIES

According to transit CEOs, board members spend considerable time on major policy questions, fiscal issues, and planning for the future. Data indicate that board members spend the most time on the following activities presented in rank order:

- Establishing service policies/standards,
- Fiduciary/budget approval,
- Strategic planning,
- Overall fiscal control, and
- Setting organizational priorities.

CHAPTER 6

TRANSIT BOARD EFFECTIVENESS

Paaswell and his colleagues defined board effectiveness in terms of transit system performance (*4*). These researchers explored the relationship between the type of board structure and its relationship to system performance. Transit system performance was analyzed by two performance criteria, *the ability to restrain costs while increasing ridership*. The research concluded that the effectiveness of a transit governance system is explained by assessing the relationships that it does or does not foster between the transit system and its authorizing environment. According to the researchers, key suggestions for effective boards and transit system success include the following:

> *An effective transit board achieves its annual strategic goals and objectives.*

1. Boards should include individuals who are critical to securing funding and support of key constituents.
2. Board members should include members who share the vision of transit's role.
3. Boards should include members who bring a business ethic.
4. Dedicated funding that contributes to success.
5. A multimodal focus that enhances effectiveness.
6. Board members should focus on policy, not management.

Transit board members and support staff identified the following characteristics of effective board members and effective transit boards.

OVERALL CHARACTERISTICS

Characteristics of Effective Board Members

Advocate for the Community

Effective transit board members advocate for services that meet the needs of the community.

Committed to Public Transit

Effective transit board members must be committed to and advocate for public transportation.

Focused

Effective transit board members are focused on the mission of the transit system and the purpose of the board.

Knowledgeable

Effective transit board members take the time to make sure that they are knowledgeable about public transit, the transit system, and current issues.

Open to Communication

Effective transit board members respect each other's opinions, but also feel free to ask timely and substantive questions.

Political

Effective transit board members should be aware of or have relationships with politicians and other key leaders who may influence transit system decisions.

Prepared

Effective transit board members perform duties responsibly and are accountable for board meeting preparation and participation.

Team Player/Consensus Builder

Participant comments about the importance of being a team player and consensus builder and putting aside personal agendas for the good of the board appeared consistently across all focus groups. According to these discussions, effective transit board members operate as a team and are willing to reach consensus for the good of the transit system.

Understands the Board's Role

Effective transit board members understand their role and responsibilities as policy makers.

Characteristics of an Effective Transit Board

Achieves Goals

An effective public transit board achieves the goals identified in the strategic plan. In terms of transit system performance, at a minimum, this would include the quality of the transit service, meeting community needs, increased ridership, and so on.

Assesses Progress

An effective transit board monitors its progress on an annual basis, but also conducts a through assessment every 3 to 5 years. Such an assessment would not only evaluate progress in terms of the transit system's performance, but also evaluate the effectiveness of the board's organization, structure and functioning, and its impact on performance. A comprehensive assessment includes evaluating the board's composition, membership, orientation, meetings, committee structure, and information flow, as well as transit system performance criteria. This type of assessment would be under the purview of the board development committee.

Balanced

An effective transit board is balanced along several dimensions. These dimensions include age, gender, race, skills and talent, transit system riders, constituency, and jurisdictional and political representation. In terms of skills and talent, many focus group participants mentioned the importance of having board members who are political, as well as those with business, financial, legal, and marketing backgrounds.

Cohesive Group

An effective transit board functions as a cohesive group. Open communication is encouraged, but the group supports the majority opinion. Personal and individual agendas are eliminated or decreased for the good of the transit system. Board members are team players who are willing to support the majority decisions of the board.

Committed

An effective transit board is committed to and advocates for public transit. Board members are focused and accountable. They attend meetings, devote adequate time for meeting preparation, stay abreast of the issues, and participate in meetings and work to influence favorable outcomes for the transit system.

Educates

An effective transit board informs and educates its members. All new members receive a orientation, which includes at a minimum: (1) a thorough introduction to transit history and current facts; (2) budget information; (3) policies, procedures and statistics about the transit system; (4) meetings with the general manager/CEO and key staff, board chair and executive committee chairs; and (5) tours of the equipment and facilities. In addition, they are informed of the role and responsibilities of a board member, kept abreast of current issues, and provided access to ongoing education and training.

Focuses on Policy

An effective transit board understands the distinction between policy and management and focuses on policy making. Member role clarity and expectations are communicated and reinforced by the board chair and executive committee. All activities, such as meetings and agenda items are designed to focus members on policy making and away from day-to-day management concerns.

Maintains Good Communication

An effective transit board has a good communication system that encourages open, honest discussion, as well as challenging questions. The board assures the flow of accurate information in a timely manner to all members, including the dissemination of written materials prior to board and committee meetings.

Maintains a Good Relationship with CEO

Effective transit boards have established positive and supportive working relationships with the chief executive officer and senior support staff.

Helps to Improve Transit System Performance

A major objective of an effective transit board is to be able to put service on the street in a cost-effective manner that meets the mobility needs of the community. Performance measures include cost per revenue miles, cost per revenue hours, vehicle-hours per employee, and vehicle miles.

Increases Revenue

An effective transit board understands and undertakes a critical fund-raising role, which includes generating ridership and farebox income. This role often includes communicating with legislators and other key leaders through meetings, information dissemination, presentations, and providing testimony.

Knowledgeable

Effective transit boards do not work in a vacuum. They are knowledgeable of the community that the system serves in terms of culture and needs of the community business leaders, and other organizations.

Politically Astute

Effective transit boards establish good working relationships with all constituent groups and stakeholders, including, employees, support staff, community, legislators, politicians, and labor. Politically astute boards also monitor employee morale and the system's reputation and image in the community.

Strategic

Effective transit boards help the transit system to set a strategic direction and shape a strategy for the future. The board helps the system to identify and maintain focus on strategic priorities.

Strong Chair

A strong chairperson is essential for an effective transit board. It is the chair's role to lead and motivate the board in achievement of the transit system's mission, strategic goals, and performance.

CEO Ratings of Influences on Board Effectiveness
N=155

Factor	Majority Rating
CEO/GM Leadership	Very strong
Board Commitment	Very strong
Board Receipt of Timely Information	Strong
Board Chair Leadership	Strong
Clarity of Board Role, Duties, Activities	Strong
Clarity of Management Expectations of the Board	Strong
Board Composition	Strong
Board Size	Strong

Most transit systems (54 %) considered compensation as having "a weak to no impact" on effectiveness.

Board Chair Ratings of Influences on Board Effectiveness
N=75

Factor	Majority Rating
CEO/GM Leadership	Very Strong
Board Commitment	Strong
Board Receipt Timely Info	Strong
Chair's Leadership	Strong
Clarity of Board Role	Strong
Clarity of Mgt Expectations	Strong
Board Composition	Strong
Board Structure	Strong
Political Responsiveness	Strong
Dedicated Funding	Strong
Planning Involvement	Strong
Committee Structure	Strong
Evaluation of Mgt. Performance	Strong
Board Transit Knowledge	Strong
Board Diversity	Strong
Board Orientation	Somewhat Strong
Measure Board Effectiveness	Somewhat Weak
Compensation	Somewhat Weak

Figure 10. CEO and board chair ratings of influence on board effectiveness.

INFLUENCES ON BOARD EFFECTIVENESS

CEO/general manager leadership and board commitment were identified as the two main influences on transit board effectiveness. Board member commitment, the receipt of timely information, and the chair's own ability to provide leadership were also considered as key influences on effectiveness by the board chairs. Clarity of the board's role and management expectations were also considered very important to board success. The weakest influences on board effectiveness were board orientation, measurement of board effectiveness, and compensation. See Figure 10.

Board Assessment

Board members should have sufficient continuity and institutional memory to promote long-term planning and follow through (*4*). However, the current research shows that very few boards are actually conducting evaluations of overall board effectiveness. Of those that do measure effectiveness, it is usually an informal self-assessment (see Figure 11). Sometimes it can be as informal as asking, "*Did we achieve our goals this year?*" Systems that conduct assessments do so on an annual basis. A small percentage of transit boards also hire outside consultants to evaluate their performance.

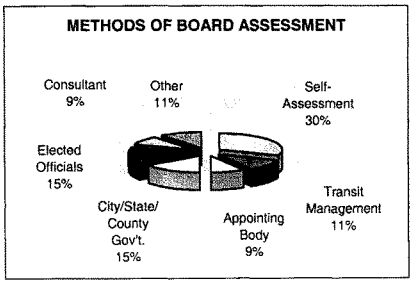

Figure 11. Methods of board assessment.

Measures to Assess Board Effectiveness

A board that has defined its role and responsibilities already has the criteria for evaluating its performance. Board members provided the following criteria for measuring board effectiveness:

- *Achieves Strategic Goals*
  Did the system achieve the goals and objectives as identified in the strategic plan?
- *Appearance of Equipment*
  Are the vehicles and facilities safe, well maintained, and clean?
- *Balanced Budget*
  Did the year end with a balanced budget?
- *Increased Ridership*
  Did ridership increase?
- *Labor/Management Relationship*
  What is the relationship among the board, transit system, and labor? Were contract negotiations successful?
- *Meets Community Public Transit Needs*
  Do the transit services meet the needs of the community?
- *Morale/Attitudes of Employees*
  What are the attitudes/morale of the transit system employees?
- *Public Opinion of Board and Transit System*
  How does the public view the system?
- *Quality of Transit Service*
  Has the quality of the service improved? What are the areas of complaints?
- *Reputation with Media*
  Does that transit system have a positive reputation with the media?
- *Revenue*
  Was there an increase farebox income? Was there an increase in revenue?
- *Transit System Performance*
  How did the transit system perform during the year?
- *Working Relationship Among Board Members*
  Does the board work as a cohesive group?
- *Working Relationship with General Manager/CEO and Other Staff*
  Does the board have a positive relationship with the CEO and other transit system staff?

IMPROVING TRANSIT BOARD EFFECTIVENESS

To improve effectiveness, the board should evaluate its dynamics, such as board composition, board size, board characteristics, board member orientation, how the board functions, board bylaws, board committees, and the board itself. Suggestions for improving transit board effectiveness include the following:

- Appointing bodies should carefully weigh appointments, particularly in terms of the appointee's interest and time commitment.
- Appointing bodies should get input from the board regarding the expertise or representation needed prior to making board appointments.
- The role of the board should be clearly defined, discussed and written.
- Board functions should be clearly described, discussed and written.
- Board members should have clearly defined attendance requirements.
- Board members should receive formal orientation to the board and ongoing education.
- Board members should receive information in a timely manner.
- Committee assignments should be made based on the member's experience and interest.

Transit CEOs and board chairs provided the following suggestions for improving board effectiveness:

Quality Improvement: Engage in various quality improvement strategies, such as finding ways to enhance board mem-

ber commitment and time allotted for board work, or measuring board effectiveness more formally.

Board Composition and Structure: Improve board composition and structure by broadening board diversity (perhaps by including elected officials and others), and streamline the board and committee structures.

Planning: Engage in strategic and long-range planning.

Communication/Information Flow: Improve information, communication, and knowledge, in terms of board member experience with and knowledge of transit and of providing information from management in a clear, timely fashion.

Although there is "no universal formula for what boards should look like or how they should function (*9*)," the right board membership with the right competencies and team dynamics remain critical factors in determining board effectiveness and efficiency.

CASE STUDIES

DOWNEAST TRANSPORTATION, INC. ELLSWORTH, MAINE

Appointed by Non-Elected Officials Board

Downeast Transportation, Inc. (DTI) is a private, non-profit agency that operates regularly scheduled fixed route public bus service via 17 small buses and vans in Hancock County. DTI provides service in Ellsworth, all of Mount Desert Island, the Blue Hill peninsula including Brooklin, Sedgwick, Deer Isle and Stonington, the northern Hancock County town of Otis, the coastal towns of Hancock, Sullivan, Gouldsboro and Winter Harbor in eastern Hancock County, and the Town of Bucksport in western Hancock County. One of the major areas served by the transit system is Acadia National Park and neighboring village centers. The Island Explorer features seven bus routes linking hotels, inns and campgrounds with destinations in Acadia National Park. Another attraction served by Downeast Transportation is Bar Harbor, a major tourist area southeast of Ellsworth. Service is provided on seven routes on alternate days of the week.

Board Organization and Structure

In 1979, constituents in Hancock County, Maine decided to establish a public transportation system. That same year, Downeast Transportation Inc. was established as a Section 501(c)(3) corporation to provide environmentally sound public transportation services. Specifically, the system was chartered to provide

- transportation services to individuals with disabilities and to senior and low-income citizens of Hancock County, Maine;
- general public transportation;
- transportation resource information and technical assistance to Hancock County residents, the Maine DOT, and other non-profit transportation companies; and
- contract for transportation services in adjacent areas.

A self-perpetuating board of directors was originally appointed by the system's incorporators to govern the organization. Focusing on policy-setting issues, the board

- provides overall direction to the Corporation;
- sets the operating policies of the Corporation;
- promotes a comprehensive areawide transportation system;
- monitors and supervises the quality of transportation services provided;
- assures that such services meet the identified transportation needs of the public;
- employs, supervises, and evaluates the work of the General Manager;
- assists and participates in fundraising; and
- reviews and approves the annual budget.

The board is comprised of nine members and two alternates, who serve 3-year staggered terms. Board members may serve consecutive terms, and are responsible for filling board vacancies. Board meetings are held every other month and last for about 2 hours. The board structure is informal, operating with two standing committees: the Executive and Island Explorer Committees. These committees meet on an as-needed basis. Board members receive a limited orientation and training, and receive no administrative support. Neither the chair nor board members are compensated or reimbursed for board-related service or expenses. The board does not conduct self-assessments or measure overall board effectiveness.

Characteristics of Board Membership

The board is comprised of all Caucasian members (seven males and three females), which reflects the demographics of the county. The service area is less than 1 percent non-Caucasian.

Board membership is comprised of a cross-section of residents who are interested in transportation. Current board members are employed as follows:

- Campground Ferry Operations Manager,
- National Park Superintendent,
- Representative from "Friends of Acadia,"
- Transit Planners,
- Housewife, and
- Retirees.

Board/CEO Interaction

The relationship between the board and the General Manager is "*like family*." Management reports and financial

statements are sent to board members in advance; therefore, meetings are relatively short. This was evidenced during the site visit, where the meeting agenda and packet had been mailed to the Board members in advance, and members appeared to have read the information prior to the meeting. The board meeting was extremely informal, with the General Manager leading most of the discussion. Board members appeared to have a lot of confidence in its General Manager.

Perceptions of Effectiveness

The General Manager is pleased with the effectiveness of the board. Although board members may become too focused on the day-to-day operation, the board works well as a team and, "*No one really punches his or her agenda on [the General Manager].*" The Board has evaluated the General Manager only twice in the past 8 years. The Board and General Manager agreed that there is a need for the board members to become more involved in raising funds to improve local transportation services. The Board also noted the need for improved orientation and training of board members.

Board meeting attendance is typically good; however, there was a period when a quorum (5 members) was not met. One of the primary reasons for low attendance is the long distance some members have to travel; the meetings are held in the transit system's administrative offices in Ellsworth. According to the members, the board is effective in meeting the needs of the individuals that they serve.

THE FORT WORTH TRANSPORTATION AUTHORITY (THE "T") FORT WORTH, TEXAS

Appointed by Elected Officials Board

The "T" serves a population of 504,000 in a service area of 294 sq mi in Tarrant County and the City of Fort Worth. The "T" provides fixed route and demand response service with large and small transit buses and transit vans. In a joint venture with Dallas Area Regional Transit, the "T" built and operates the Trinity Railway Express (TRE) that connects the cities of Dallas and Forth Worth through northeast Tarrant County with a commuter train. The "T" provides well over 5 million trips a year with a fleet of 144 buses and vans and 66 contracted vehicles. Daily management of operations is contracted to a national management company.

Board Organization and Structure

The "T" was organized under the statutes of the state of Texas and has a nine-member Board of Trustees. The members are appointed by the elected official of each of the eight districts within Tarrant County, and the Tarrant County Commissioner's Court appoints one at-large member. The members serve a term of one to six 1-year terms. There is full-time administrative support for the board. The board members meet twice per month for board business. One meeting, attended by "T" board members, management and staff, and is used to develop a consent agenda for the business meeting. The budget is developed at meetings held in June and July.

An annual retreat is held to develop updates to the strategic plan. Board members, management, and staff attend the retreats. At the retreat, the board chairman designates committees and assigns members to standing and ad hoc committees that address key issues for the current fiscal year. The standing committees include the Executive Committee; the TRE Committee, consisting of three members; the Strategic Planning Implementation Committee, consisting of two members; and the Mobility Impaired Transportation Committee (MITC), consisting of two members.

Characteristics of Board Membership

The board is comprised of eight men and one woman. The educational and employment backgrounds of the board are diverse and provide a broad range of talents: education, legal, human resource management, financial, executive, engineering and real estate. Six members are White, two are African Americans, and one is Hispanic.

Board/CEO Interaction

The project team observed a monthly meeting of the Board of Trustees. The meeting was attended by eight of nine board members. The Chairperson worked from consent agendas and the meeting moved at a good pace. The interactions between the CEO, "T" staff, and the board were orderly and respectful. It was obvious that a style had evolved among the participants and each knew the role that she or he played in the process. It was clear that the CEO had set the agenda with clear input from the board.

Perceptions of Effectiveness

- Board Commitment,
- Chairperson's Leadership,
- CEO/GM Leadership,
- Receipt of Timely Information,
- Clarity of the Board's Role, and
- Clarity of Management Expectations.

According to the "T" board, measuring effectiveness, orientation, and compensation have had very little influence on board effectiveness. The board members felt strongly that effectiveness is measured by how much of the strategic plan is achieved. Members felt that the public focuses on the *quality of transit service* when judging board effectiveness, as well as fiscal responsibility. In their opinion, the impact of board effectiveness on the performance of the transit system is determined by an approved strategic plan derived in consultation with the community. Such a plan provides clear, unambiguous direction for the organization. Generally, the members felt an assessment would be a valuable contribution to the organization; but there was not necessarily a pressing need for an assessment. It was apparent that the board was comfortable with the board's effectiveness, and felt strongly that establishing a strategic direction was their key mission.

Board Chair

The board chair indicated that the CEO's leadership is essential to the success of the board and its effectiveness. At the "T," the CEO sets the agenda and is responsible for the level of communication and the information that the board receives. The chair acknowledged that it was only recently he realized that he was responsible for evaluating the CEO and the management company. According to the chair, the strategic planning process focuses the board on the key issues and their responsibilities, one of which is evaluating the CEO. Planning also encourages an evaluation of the existing committee structure.

The chair acknowledged the importance of orientation, and felt that the learning curve for a new board member was from 6 to 9 months. Currently, new members receive a PowerPoint presentation on the "T", staff briefings, facility tours, and information on the enabling legislation and board by-laws. In the chair's opinion, the board could use help in making the orientation more attractive and interesting. He identified

punctuality, readiness to contribute and work, commitment of time and talent, and preparation for meetings as measures of effective board members. The primary measure of an effective board, in his opinion, is attainment of strategic goals, but not necessarily directly measuring the impact of board effectiveness on organizational effectiveness.

CEO

According to the CEO, the recent focus on his evaluation evidenced a change in how the board viewed its role and structure. He considered orientation important, but not crucial to the effectiveness of the board. He considered the monthly board workshops a great tool for educating the board and developing a working relationship between the staff and the board members. The major obstacle to board effectiveness is the lack of direction for the organization, and the lack of clarity of the board's role. The CEO felt that the working relationship of the CEO and the board chair is a key factor in board effectiveness. Collective leadership is not effective; a strong chairperson is capable of adapting the leadership style to what is needed to effectively lead the other board members. The CEO described an effective board as one that (1) works for the common good; (2) exhibits community spirit—no hidden agendas; and (3) advocates for business.

In the opinion of the CEO, a restructured meeting format and working relationship improved the relationship between the board, CEO, and staff. This change was precipitated by the increasing complexity of the "T's" role in the community and community expectations. In the past, the "T" had no strategic plan. It held one business meeting a month. Usually, these meetings would result in lengthy question and answer sessions, with little board action. About 3 years ago, the board hosted a retreat and developed their first strategic plan, and introduced a new meeting format. The board, CEO and staff meet in a workshop to discuss out the issues and questions related to the agenda prior to the business meeting. A consent agenda is then developed that results in an efficient board meeting with few issues or unanswered questions. In addition, the CEO felt that a by-product of the monthly workshops has been the education of the board and increased confidence in the staff.

KENOSHA TRANSIT
KENOSHA, WISCONSIN

Appointed by Elected Officials Board

Kenosha Transit serves a population of over 84,000 persons within a 21-sq-mi service area. It has a fleet of 52 buses and six rail trolleys and provides service Monday through Saturday. With an annual budget of $4.9 million, annual ridership is 210,000. Kenosha Transit is a municipal operation and part of the Department of Transportation of the City of Kenosha. The Director of Transportation serves as chief executive officer of the transit system, with reporting responsibility to the City Manager and seven-person citizen advisory board.

Board Organization and Structure

The Mayor of Kenosha with the consent of the City Council, appoints the Kenosha Transit Board. The seven members are appointed for 3-year terms. The board is strictly advisory and only makes recommendations to the City Council on matters of budget and policy. The Board meets monthly and is not compensated. Unless there is an issue of concern, it is not unusual to 2 months without a board meeting. There is no committee structure. The Director of Transportation and his Administrative Assistant provide staff support to the board.

Characteristics of Board Membership

The board is all male and there are no minority members. The vocational composition of the board includes a retired bus driver, radio announcer, property owner, retired alderman, a CEO of a manufacturing firm, a retired public administrator, and a college professor.

Board/CEO Interaction

There was general agreement among all parties that the board and Director of Transportation Chairperson have established a good working relationship and "*consider themselves a team.*"

Perceptions of Effectiveness

According to six of the seven board members, the major influences on board effectiveness are as follows:

- CEO/GM Leadership,
- Board Commitment,
- Board Knowledge of Transit,
- Receipt of Timely Information,
- Clarity of the Board's Role,
- Chair's Leadership,
- Board Political Responsiveness,
- Dedicated Funding, and
- Receipt of Timely Information.

According to the board members, orientation, committee structure, diversity, and compensation have little to no influence on board effectiveness. They indicated that involving the board in external relations and planning could improve effectiveness. Board members also indicated that they wanted more of a role in developing plans and policy. Generally, the members identified providing the overall direction for the system and the quality of the transit service as the benchmark for board effectiveness.

In an advisory capacity, the transit board serves at the pleasure of the mayor and council to oversee transit operations. The board has little impact on the performance of the Director of Transportation, because he is evaluated by the City Manager. The members are focused on the operation of the system, rather than strategic direction. Generally there seemed to be a sense of frustration among the board members about their advisory, rather than of governing role. They were concerned that the advisory role prevents them from looking at the system strategically and focuses their input on operational issues. Focusing on operational issues is problematic because of the lack of distinction between providing advice on operational issues and getting involved in managing the system. The board chair emphasized the importance of not micromanaging the transit system, indicating that, "*Transit system management is not the board's role, it's up to the director.*"

According to the chair, effective board members are committed, attend meetings, are prepared, and are willing to contribute their knowledge and perspective at board meetings. He viewed orientation as helpful but not a major influence on effectiveness. The work of the board is not measured. As an advisory board and not a center of accountability, it is difficult to measure effectiveness. The chair identified transit system performance, safety and budget adherence as indicators of board effectiveness.

REGIONAL TRANSIT DISTRICT (RTD)
DENVER, CO

Publicly Elected Board

The Regional Transit District (RTD) is a public agency created in 1969 by the Colorado General Assembly. The RTD operates as a mass transportation system in a six-county service area, which includes all of Boulder, Denver, and Jefferson counties and parts of Adams, Arapahoe, and Douglas counties. Serving 42 municipalities in six counties, the RTD serves a population of 2.3 million. The transit agency provides service via 1,096 buses, 31 light rail vehicles, and 186 vans. Annual ridership from July 2000 to June 2001 was 80,291,760, and the total operating budget for 2001 was $262,129,000. The RTD has 2,656 employees.

Board Organization and Structure

The RTD is governed by a 15-member, publicly elected Board of Directors. Directors are elected for a 4-year term, with elections staggered so that eight seats are open in one general election and seven in the next. The Board of Directors has its regular meetings on the third Tuesday of each month, with study sessions held the week before the regular Board meeting. The board's structure includes several standing and ad hoc committees:

Standing Committees

- Executive,
- Financial/Administrative,
- Legislative,
- Operations,
- Planning and Development, and
- Customer Service/Marketing.

Ad Hoc Committees

- DBE Outreach Committee,
- SE Corridor Committee,
- Central Platte Valley Committee,
- Access-a-Ride Committee,
- New Transit Technologies Committee,
- GM's Performance Evaluation Committee,
- Southwest Light Rail Line Committee,
- Re-districting Committee,
- TransTeq Mall Shuttle Committee,
- Mission Statement Committee,
- DUT Committee, and
- West Corridor Committee.

Two board retreats that focus on strategic planning and board development are held annually. Thirteen of the 15 members participated in the last retreat. Generally, there are adequate orientation and training for new Board members.

Characteristics of Board Membership

Board members represent a broad range of disciplines and skills. Occupations of the board members include the following:

- Architect;
- Attorney;
- Business Owner;
- Coordinator for an Architectural Firm;
- Exec. Administrative Assistant,/Marketing;
- Manager of a Trade Association;
- Managing Partner, Executive Search Firm;
- Marketing Director, Engineering and Survey Firm;
- Owner Of Appraisal Service Business;
- Owner, Association Management and Public Opinion Research Business;
- Owner, Nut and Fruit Franchise;
- President, Business Consulting Firm;
- Principal, Elementary School;
- Retired District Court Judge;
- Senior Manager, Colorado Dept. of Personnel/GSS; and
- Two Retirees.

Board/CEO Interaction

There appeared to be a good working relationship among the board members, and between the board and the General Manager. The board chair indicated that she has developed a good working relationship with the General Manager. She explained that the General Manager is very open and notifies her right away on issues that she needs to be aware of, "*Making sure that she has no surprises.*" She believes that the Board is strategic, and does not micro-manage the General Manager. The General Manager was just as complimentary of the board and pleased with their positive working relationship. He explained that he has developed a personal relationship with almost all of the members. Responding immediately to board requests, he focuses on always trying to come up with a "win-win" outcome for the board and management.

There also appeared to be a high level of commitment among board members. All members were present for the board meeting, and nearly everyone was punctual. Each month a different director chairs the study session prior to the regular board meeting. Having a non-officer chair the study session prior to the regular board meeting seemed to be a good idea for providing exposure and developing leadership for board members. In spite of the study session, the board meeting was lengthy (due to the number of agenda items) and included

an executive session and dinner. The chair appeared to be democratic in her role, allowing all members to fully participate in the meeting. Distributed prior to the meeting, the board informational packet included the agenda, action items, and was 83 pages in length.

Board Chair

The board chair explained that the board has changed dramatically during the past 4 years. Current board members are civil and the atmosphere is pleasant. She credits the current success with (1) listening; (2) not burning bridges; and (3) not taking personal credit for system improvements, but recognizing staff contributions. The issues that the board continues to address are:

- Light rail,
- Privatization,
- Labor,
- Growth and land use, and
- Redistricting.

Perceptions of Effectiveness

The board chair ranks the board as an "8" on a 10-point scale in terms of effectiveness, based on the following:

- Good outreach with stakeholders
- Solid committees
- Not getting bogged down in details
- Doing homework
- Trying to not be too parochial.

The General Manager scored the board as a "9" out of 10 for effectiveness. Describing this board as, "*The best one ever,*" he explained that the board has a shared vision and positive acceptance of the division of their responsibilities in terms of policy versus administration/operations. The current board is 100 percent pro-rail; while the previous board was split on rail support. Previously, there was a lot of bad press and the RTD had a negative image in the community. The current situation has changed significantly and, as a result, the RTD is getting positive press.

SALEM AREA MASS TRANSIT DISTRICT (CHERRIOTS) SALEM, OREGON

Publicly Elected Board

Cherriots serves a population of 160,000 in a service area of 70 sq mi. Cherriots provides fixed route and demand response service with a fleet of 50 buses. Cherriots provides service on weekdays and Saturdays. Sunday service is not available. The annual operating budget is about $8.1 million.

Board Organization and Structure

The Salem Mass Transit District is organized under the Oregon Statute. There are seven board members, who are publicly elected from within the mass transit district. The 4-year terms are staggered so that three seats are up every election. The Cherriots staff provides staff support to the board. The board meets once a month.

Characteristics of Board Membership

The vocational make-up of the board consists of a mayor, a small businessperson, a retired police officer, a schoolteacher, a school administrator, a former Assistant Secretary of State for Oregon, current professor of journalism, a neighborhood activist and a member of State Department of Conservation and Development. There is one woman and no minorities on the board.

Board/CEO Interaction

The study team observed a monthly Cherriots Board meeting. The board works from a consent agenda and dispatches agenda items relatively quickly. Workshops are conducted in preparation for the monthly meeting. The workshops are designed to address time-consuming issues of concern prior to the regular board meeting. Staff is available to provide details and to assist in the discussion of the issues presented. As a result, the workshops have served to improve the relationship between the staff and board. The board seems to have a high level of confidence in the transit system staff. The members, too, appeared very knowledgeable of transit and the issues. The CEO sets the meeting agenda based on the agreed-upon strategic direction.

The CEO needs to focus the board, and the board needs to focus the CEO—a reciprocal need. The CEO said it is essential that they work together as a team. The CEO works with the chairperson to review the agenda before each board meeting, and anticipates issues that may arise with other board members. Before each board meeting the CEO meets with each board member.

The CEO indicated that he enjoyed an excellent working relationship with the Board Chairperson. He said he generally uses the chair as a, "*sounding board,*" to avoid any surprises. In turn, the board respects the CEO for his knowledge.

Perceptions of Effectiveness

Six of the seven board members identified the following influences on the board's effectiveness:

- Board Commitment,
- CEO/GM Leadership,
- Receipt of Timely Information,
- Clarity of the Board's Role,
- Chair's Leadership, and
- Board Political Responsiveness.

The least influential factors were identified as (1) board orientation, (2) committee structure, and (3) compensation.

Board Members

As elected board members, it appeared that the board members have a clear focus on the community and are developing a plan to meet its needs. The board members were especially focused on strategic planning, providing direction, excellence in service, and fiscal accountability. Board members identified three areas that needed improvement as external relations, planning, and information.

According to the members present, the public measures their effectiveness by how well they provide service and their fiscal stewardship. They also indicated that they were measured by how well they establish a strategic direction. Although an assessment is not conducted, board members believed it would be a very beneficial experience for Cherriots to do an annual self-assessment. They saw the need for a self-assessment as a way to determine how well they were focused on the transit system's mission.

Board Chair

The board chair viewed the CEO's leadership as the focal point and guide for the board. In his opinion, the CEO sets the organizational goals on which he is evaluated annually. The CEO develops goals for the organization for the next year for which he will be evaluated. According to the chair, management and staff drive the monthly meeting agendas. Although the board does not evaluate itself, as elected board members, the public indirectly conducts evaluations. Community involvement and responsiveness are the keys to the success of the board.

The chair described the importance of board orientation as "*overrated*." As publicly elected officials, board members are required to do their homework, be familiar with the issues affecting Cherriots, and how they might make a difference with their service. He also thought that APTA was a great source of education for board members.

In November 1999, the board developed a set of values and a code of conduct to address *What Makes an Effective Board?* In this document, the board identified the following aspects of an effective board:

- Diligence and Commitment,
- Listening and Communicating with an Open Mind,
- Trust and Respectful Behavior,
- Efficient Conduct,
- Team Work, and
- Leadership and Stewardship.

Every 2 years the composition of the board changes because of the staggered terms of board members. The chair viewed the elections as an opportunity to obtain new ideas. Although the chair has primary responsibility for committee assignments, board members indicate their committee preferences to encourage involvement and commitment of their time, talents and contacts. The work of the board is reviewed every other July 1st. The chair indicated that he measures board effectiveness by

- attainment of their annual goals and follow through on their strategic plan,
- response to new challenges and opportunities, and
- degree of mutual respect and comity on the Board.

The chair emphasized community involvement as the key to obtaining and maintaining financial support through local tax levies. The chair was very focused on setting a strategic direction and getting the most from the board by creating an excellent working environment for them.

CEO

According to the CEO, election pre-qualifies the board members' interest and ability to serve on the board. There is no formal orientation process, but board members are encouraged to speak up if they need additional information. He allocated much of his time to working with board members and encouraging them to work with each other. He was very concerned about educating board members and finding ways to enhance their commitment to their jobs. In his opinion, to create an effective board, it is essential to foster excellent working relationships, minimize internal conflicts, and encourage respect. There is a need for a creative tension—getting board members out into the community to send a clear message of their commitment. Regarding board assessments, he indicated that at retreats they always asked, "*How well are we doing?*"

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA) PHILADELPHIA, PA

Appointed by Elected Officials Board

The Southeastern Pennsylvania Transportation Authority (SEPTA) serves the Greater Philadelphia urbanized area, which has a population of 4,222,211. The SEPTA service area encompasses 2,174 sq mi and a population of 3,728,909. This area includes five counties served by SEPTA. In 2000, SEPTA served 317,254,707 passengers (annual unlinked trips). Annual operating expenses were $680,075,657. SEPTA is a multimodal agency which provides the following transportation services:

- Bus,
- Commuter Rail,
- Demand Response,
- Heavy Rail, and
- Light Rail, and
- Trolleybus.

Between 1988 and 1996, SEPTA ridership declined 21 percent, representing a loss of nearly 200,000 daily trips on the transportation system regionwide. Compounding the ridership losses, an escalating operating deficit, calculated to increase by at least $192 million for the years 1999 through 2003, jeopardizes the viability of the organization.

Board Organization and Structure

Elected officials appoint the SEPTA board members. Philadelphia and the surrounding suburban counties appoint two members each; the State house and Senate majority leaders and the governor each appoint one. This arrangement gives the suburbs a predominant voice in matters relating to the Authority. Regular and special meetings are held monthly. The board uses a committee structure. Most of the work of the board is conducted in the Administrative and Operations Committee, which meets the week prior to the regular board meetings.

Characteristics of Board Membership

The composition of the board is unusual because the majority of the members represent the County, not the City of Philadelphia. The board comprises elected officials, business and laypersons. Two of the 13 are female and two are African American.

Board/CEO Interaction

Board members appeared to be committed to the task. The General Manager described a very positive working relationship with the board. He has both a personal and business relationship with the board members. Board meetings are typically short in duration.

Perceptions of Effectiveness

There is no formal training for board members, but in terms of effectiveness, the General Manager ranks the board as a "9" out of 10. The reasons for his rankings are as follows:

- Strong support of management,
- Strong support of management's agenda,
- Assistance in soliciting external support for the agency, and
- Fundraising.

The general manger identified the following areas for improvement: (1) measuring its own effectiveness and (2) annual evaluation of the General Manager.

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Abbreviations used without definitions in TRB publications:

AASHO	American Association of State Highway Officials
AASHTO	American Association of State Highway and Transportation Officials
ASCE	American Society of Civil Engineers
ASME	American Society of Mechanical Engineers
ASTM	American Society for Testing and Materials
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
IEEE	Institute of Electrical and Electronics Engineers
ITE	Institute of Transportation Engineers
NCHRP	National Cooperative Highway Research Program
NCTRP	National Cooperative Transit Research and Development Program
NHTSA	National Highway Traffic Safety Administration
SAE	Society of Automotive Engineers
TCRP	Transit Cooperative Research Program
TRB	Transportation Research Board
U.S.DOT	United States Department of Transportation

Mr. MILLAR. Thank you.

It surveyed a number of transit boards and chief executive officers around the country about the issues of oversight and accountability. Generally speaking, it found the transit boards are charged to serve as the policymakers of the transit system. Transit governance includes usually strategic guidance, legal and fiduciary oversight, and customer representation. Boards frequently engage outside experts to assist them in these tasks. For example, it is very normal for boards to hire independent external auditors to review the accuracy of their financial accounting, but also to review internal controls and related issues.

While each transit system's local enabling legislation provides the board authority to govern, it generally fails to provide specific details on the process of that governance. And given that lack of specificity, in some instances there may be a lack of clarity between what belongs to the board versus the day-to-day responsibilities of the CEO and staff. Thus, frequently, in the best-run transit systems, effort is put in by both parties to make sure that line is clear and appropriate.

Because of this, APTA's Transit Board Member Committee has developed guidance for its board members in the form of a handbook. The handbook points out various issues and discusses the board's policymaking function and defines the general rules and principles that seem to apply.

Obviously, as I said before, different boards are governed by different statutes, so it is difficult to generalize, but in the areas of strategic interest, budget, fiduciary matters are the main areas where they work. Management, on the other hand, is involved in the day-to-day operation of the system.

Interestingly enough, the report points out the importance of the strong and solid working relationship between the CEO of the organization and the board. And, again, the most successful organizations work hard on that relationship.

With regard to the issue of Federal oversight of transit agencies, I believe that both Ms. Siggerud's testimony and Mr. White's testimony spoke to the many, many different ways that the Federal Government is involved in the oversight, whether it is specific audits that are required to receive Federal funds, such as under OMB Circular A–133, or the Triennial Audits that the Federal Transit Administration is required to produce, or specific audits for specific compliance areas, such as Buy America regulations, things of that sort. There are also audits related to post and pre-award of certain types of procurements that are involved. So it is a very extensive oversight required by the Federal regulations.

Most transit systems also employ an internal audit function. The internal auditing is intended to be an independent objective assurance that the activities that are carried out, usually by the staff, add value and improve the organization's operations. It also usually includes a review of organizational objectives and how the activities of the staff help to meet those objectives.

Generally speaking, the audit staff has full and unrestricted access to all activities, records, data files, personnel and physical properties that allow them to perform their internal audits. They typically would audit things such as fare collection practices, cap-

ital assets and the use and protection thereof, personnel performance, ethics issues involving allegations of fraud and waste. Sometimes this audit function is a separate department within the transit agency; sometimes it reports to the CEO, sometimes it reports to the board, and sometimes it reports to both the CEO and the board.

You asked specifically about the use of inspectors general for oversight, and I would say this is a growing trend, particularly among the largest transit systems. Several transit systems, including the New York Metropolitan Transportation Authority, the Nation's largest, the Chicago Transit Authority, the Nation's second largest, and the Los Angeles County Metropolitan Transportation Authority, the third largest, each employ the inspector general approach. In each case the inspector general is independent and reports to the transit board or some outside entity.

The inspectors general and their staffs generally, as with the audits before, have full and free and unrestricted access to transit property records, reports, audits, reviews, and other information. Usually, the inspector general prepares reports and audits of information. That information is normally made available to the public. The inspectors general will also review adopted performance measures, those adopted by the board or required of legislatures, and also review the performance against those. They will then typically publicize that.

My full testimony contains additional information, and at the right time I would be pleased to answer any questions about it. Again, thank you, Mr. Chairman. It is my pleasure to be with you today.

[The prepared statement of Mr. Millar follows:]

TESTIMONY OF WILLIAM W. MILLAR

PRESIDENT

AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

BEFORE THE

HOUSE COMMITTEE ON GOVERNMENT REFORM

ON THE OVERSIGHT OF PUBLIC TRANSPORTATION AGENCIES

****

July 28, 2005

SUBMITTED BY

The American Public Transportation Association
1666 K Street, N.W.
Washington, DC 20006
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APTA is a nonprofit international association of over 1,500 public and private member organizations including transit systems and commuter rail operators; planning, design, construction and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. Over ninety percent of persons using public transportation in the United States and Canada are served by APTA members.

Mr. Chairman and members of the Committee, on behalf of the American Public Transportation Association (APTA), thank you for this opportunity to testify on effective oversight of public transportation agencies around the country.

ABOUT APTA

APTA is a nonprofit international association of over 1,500 public and private member organizations including transit systems and commuter rail operators; planning, design, construction, and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient, and economical transit services and products. Over ninety percent of persons using public transportation in the United States and Canada are served by APTA member systems.

OVERVIEW

Mr. Chairman, effective oversight of public transit systems is accomplished in a number of ways but principally is provided by transit boards, by federal, state and locally required reports and audits, and by internal audit departments. In some cases an independent inspector general also provides oversight. In addition, state, county and city governments play an oversight role when they make state or local funds available to a transit system.

In general, transit boards are charged to serve as the policy makers of a transit system, and provide strategic guidance, legal and fiduciary oversight, and customer representation. Very generally the board provides broad oversight, while ongoing administration and management of the transit system is the responsibility of its CEO and staff. Day to day oversight is provided at the transit system by its staff and, more specifically, by an auditor, chief financial or legal officer, or some combination of those roles. In some larger transit systems there is a separate and independent inspector general function. Finally, essentially all public transit systems are recipients of federal transit assistance and are subject to a variety of oversight requirements in that regard as well as to such requirements at the state and local level.

ROLE OF TRANSIT BOARD

Mr. Chairman, a 2002 report from the Transportation Research Board's Transit Cooperative Research Program discusses public transit board oversight and governance (TCPR Report 85 - *Public Transit Board Governance Guidebook*). It surveyed a number of board members and transit chief executive officers about transit board issues. As the TCRP report forms the basis of much of my discussion of board oversight, I would respectfully request that it be made a part of the record.

Any consideration of oversight of a local public transit agency begins with its policy board of directors. The use of such boards dates to the passage of federal mass transit legislation in the 1960s and the change from private ownership of public transit to public governance as states and regions enacted legislation to establish public transit authorities or transit districts. Transit boards became the legal governing bodies of these newly formed public transit systems.

The selection process for transit board directors varies from organization to organization. Local elected officials representing the political entities that established the transit systems appointed the earliest boards. Members typically represented specific political jurisdictions, and appointing entities were governors, mayors, city councils, or regional jurisdictions. According to the TCRP report, appointment by elected officials is the predominant trend in transit board selection methods.

Board size has remained consistent over the past twenty-five years. Usually specified in enabling legislation or bylaws, transit board size ranges from 5 to 23 members. Medium-sized boards - 7 to 10 members - are the most popular. Most transit boards are comprised of 9 members.

Transit boards are charged to serve as the policy makers of a transit system. Transit governance also includes providing strategic guidance, legal and fiduciary oversight, and customer representation. Boards frequently engage outside experts. For example, boards hire independent external auditors both to review the accuracy of their financial accounting but also to review internal controls and related issues. While each transit system's local enabling legislation provides the board authority to govern, it generally fails to provide specific details on the process of that governance. Given this lack of specificity, in some instances there may be a lack of clarity as to the boundaries of the board's authority versus day-to-day responsibilities of the CEO and staff and thus the lines between management and the board can become blurred.

Because of this, APTA's Transit Board Member Committee has developed guidance for its board members in the form of a Handbook for Transit Board Members. The handbook points out in discussing the board's policy function that policy has been defined as a general rule or principle, or a statement of intent or direction, which provides guidance to administrators in reaching decisions with respect to the particular matters entrusted to their care. Management is the day-to-day administration of that guidance, and its application to the events and situations that are a part of transit operations. Policy is the making of the rule; management is its application to the everyday activities. Policy provides the direction; management makes it work.

The handbook also describes the relationship between the board and the general manager, and notes that the overriding goal of a transit board is to enhance the effectiveness of the system. To this end, the board acts in a "big picture" way, establishing the mission and setting policies. The CEO/general manager is held accountable for running the day-to-day operations.

The TCRP report emphasizes the board's "big picture" role and found that board members spend the most time on the following activities presented in rank order:

- Establishing service policies/standards;
- Fiduciary oversight/budget approval;
- Strategic planning;
- Overall fiscal control; and
- Setting organizational priorities.

FEDERAL OVERSIGHT OF TRANSIT AGENCIES

Because most, if not all, of APTA transit system members are recipients of federal grant assistance from the U.S Department of Transportation's Federal Transit Administration, their internal management and oversight functions address a number of federal reports, requirements and audits in addition to any state, local and/or county requirements flowing from the expenditure of state or local funds.

In brief, FTA oversight requires each such grantee recipient of funds responsible for administration and management of the federal grant to be in compliance with the grant agreement and applicable FTA circulars and regulations. The grantee is also responsible for funds that "pass through" to a sub-recipient. FTA monitors grants to confirm that grantees establish and follow procedures that are reasonable and comply with FTA requirements. Grantees must submit annual certifications and assurances of compliance with federal requirements. Annual independent audits for recipients of urbanized area formula program funds and triennial reviews give FTA an opportunity to verify the grantee's certifications and assurances. The grantee's responsibilities include actions that:

- Provide continuous administrative and management direction of project operations.
- Provide, directly or by contract, adequate technical inspection and supervision by qualified professionals of all work in progress.
- Assure conformity to grant agreements, applicable statutes, codes, ordinances, and safety standards.
- Maintain the project work schedule agreed to by FTA and the grantee and constantly monitor grant activities to assure that schedules are met and other performance goals are being achieved.
- Keep expenditures within the latest approved project budget.
- Assure compliance with FTA requirements on the part of agencies, consultants, contractors, and subcontractors working under approved third party contracts or inter-agency agreements.
- Request and withdraw Federal cash only in amounts and at times as needed to make payments that are immediately due and payable.
- Account for project property and maintain property inventory records that contain all the elements required.
- Arrange for an annual independent organization-wide audit in accordance with OMB Circular, A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

- Prepare and submit force account and cost allocation plans prior to incurring costs if seeking reimbursement for these costs. Update and retain these approved documents for FTA upon request and during Triennial Review.

Mr. Chairman, it is important to emphasize elements of these last two points. First, each grantee must arrange for an annual independent organization-wide audit in accordance with OMB Circular A-133, which provides comprehensive information on the elements that such an audit must include. Second, the final point mentions the FTA Triennial Review. FTA is required by law to perform reviews and evaluations of urbanized area formula program grantees to evaluate formula grant management performance and grantee compliance with FTA and other federal requirements. The reviews must be conducted for each formula grant recipient at least once every three years with the results integrated into FTA's grant management functions. The reviews are conducted by FTA staff and outside contractor teams following an annual work program. Desk reviews are followed by a site visit. The team documents its findings and recommendations in a draft triennial review report, which is furnished to the grantee for comment before it is released in final form to interested local, state and federal officials.

When appropriate, corrective actions are recommended to resolve grantees' program management deficiencies. FTA monitors the grantee's performance until compliance with all program requirements is achieved. If needed, FTA can invoke sanctions to assure that grantees act to correct any noted program deficiencies. Finally, there are a number of other report and audits required by the FTA in connection with particular activities, including compliance with federal Buy America regulations by means of pre-award and post-delivery audits of affected procurements.

TRANSIT AGENCY AUDIT MISSION AND ORGANIZATION

Because of these many federal, state and local audit and report requirements, as well as for basic business purposes, most larger transit agencies establish an internal audit department within their operation generally to -

- Evaluate the adequacy of the internal control structure and the reliability of operating, accounting and reporting systems and procedures.

- Verify the existence of assets and revenues to ensure proper safeguards for their protection.

- Ensure compliance with laws, regulations, policies, procedures, and rules.

- Investigate reported fraud, theft, waste, abuse, etc., and coordinate efforts to prevent and deter future occurrences.

Internal auditing is an independent, objective assurance activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk

management, control, and governance processes. Generally, the audit staff have full and unrestricted access to all activities, records, data files, personnel and physical properties relevant to the performance of their audits and investigations. Internal audits cover fare collection practices, capital assets, personnel performance, ethics issues involving fraud and waste allegations. While practice varies, the audit function often is a separate department within the transit agency. Depending on the organization, auditors report to the CEO, or to the Board, or in some cases to both. An emerging trend appears to be that more are reporting to the Audit Committee of the Board and not to the CEO. Of course essentially every transit system is expected to have an external audit as well, an annual audit by outside auditors that independently reviews a transit system's internal controls and organization much as companies are subject to annual external audits.

USE OF INSPECTOR GENERAL FOR OVERSIGHT

Mr. Chairman, in your letter asking us to testify on this matter, you asked whether inspectors general are often used by transit agencies to provide oversight. A number of the largest public transit systems do have an independent inspector general function, including the New York Metropolitan Transportation Authority, the Chicago Transit Authority, and the Los Angeles County Metropolitan Transportation Authority.

In each case the inspector general (IG) is independent and reports to the transit board or to some other entity. The IGs and their staffs generally have full, free and unrestricted access to all of the transit agency's records, reports, audits, reviews, and other information. Usually the inspector general office prepares reports, audits and related information.

By way of example, the Office of the Inspector General (OIG) of the New York Metropolitan Transportation Authority (MTA) was created in 1983 as an independent oversight agency to review the operations of the MTA and its constituent agencies. Appointed by the Governor, State of New York, with the advice and consent of the State Senate, the Inspector General reports to the Governor, the legislature and the public, and serves as an ex-officio member of the New York State Safety Oversight Board. The Inspector General is assisted in his work by a Management Advisory Board.

The New York MTA OIG monitors the activities of the MTA in providing a safe, reliable, clean and affordable public transportation system in the metropolitan New York City area, and works to reduce fraud, abuse and waste throughout that system. Through its investigations, audits, and other studies, OIG focuses on the MTA's performance and seeks to enhance the efficiency, effectiveness, safety, and quality of its agencies' operations.

The Los Angeles County MTA's (LACMTA) OIG was established in 1993 in the same legislation that created the agency. The OIG is an independent and objective organization reporting directly to the LACMTA Board of Directors. The OIG achieves its objectives through the leadership team of an Inspector General, Deputy Inspector General for Audits, Deputy Inspector General for Investigations, and a team of experienced, and highly-skilled auditors and investigators.

The mission of LACMTA's OIG is:

- To conduct investigations and audits relating to the programs, operations, and contracts of the agency.
- To detect, investigate, deter, and prevent fraud, waste, and abuse in agency programs, operations, and resources.
- To provide the LACMTA Board and the CEO with independent, fair, and objective evaluations and appraisals relating to utilization of agency resources, adequacy of internal controls, and performance effectiveness.

The Inspector General at the Chicago Transit Authority (CTA) is charged with promoting effectiveness and integrity in the administration of CTA programs and operations. The Inspector General also receives and registers complaints and information concerning waste, fraud and abuse within the CTA; investigates and audits the conduct and performance of CTA officers, agents and contractors acting on the CTA's behalf; and reports the results of investigations and audits to the Transit Board, among other duties.

A related transportation entity, Amtrak, has an Inspector General as well. Amtrak's Office of Inspector General or Department of Internal Affairs was formed under the provisions of the Inspector General Amendment of 1988. The Act required that Amtrak, as a "designated federal entity," establish an Office of Inspector General to supervise and conduct audits and investigations of fraud, waste, and abuse affecting the company. Internal procedures were promulgated to reflect the scope and authority of the Inspector General as provided for in the Inspector General Act as amended. Amtrak's IG reports only to the Chairman of Amtrak's Board of Directors. The OIG provides periodic reports to the Board of Directors, notifying it of significant audit and investigative activities. The OIG has full access to all company records, property, and other material related to the performance of all duties. Management is ultimately responsible for ensuring that audit findings and investigative reports are properly acted upon, and all management personnel are required to respond to recommendations within 30 days from receipt of the audit or investigative report unless extensions are granted.

Finally, Mr. Chairman, I should also note that the Southeastern Pennsylvania Transportation Authority, which serves the greater Philadelphia region, has an Inspector General office that is an internal function that reports to the General Manager rather than to the agency's Board.

CONCLUSION

Mr. Chairman, that concludes my testimony. I would be pleased to answer any questions you may have or supplement my testimony with additional information as you might desire.

Chairman TOM DAVIS. Thank you very much.

Mr. Puentes, thank you for being with us.

STATEMENT OF ROBERT PUENTES

Mr. PUENTES. Thank you, Mr. Chairman, members of the committee. I appreciate being invited to testify today on the unique funding challenges of the Washington Metropolitan Area Transit Authority.

I am Robert Puentes, a fellow with the Metropolitan Policy Program at the Brookings Institution.

As Mr. White mentioned, in June 2004, Brookings released a paper entitled "Washington Metro: Deficits by Design." This research examined the unusual financial structure of WMATA and found that the agency's serious budgetary challenges owe in large part to its problematic revenue base.

I will focus my comments this morning on key elements of that research, including the importance of a stable and dedicated revenue source for WMATA and the issue of increased oversight and accountability.

As has been discussed this morning, because of the lack of a stable and dedicated revenue stream, WMATA must rely excessively on general fund revenues from its partners just to keep the system functioning. This is, of course, a difficult problem for any transit agency, but for the fourth largest agency in the country such an over-reliance is extraordinary and problematic for several reasons.

First, it has long been understood that the lack of a dedicated revenue source is both unique and challenging for WMATA. As has been mentioned this morning, a 1979 GAO report stated that competition for local revenues and the increasing burdens of property taxes made a new and dedicated source for WMATA almost mandatory.

Another GAO report in 1983 noted that the Stark-Harris Act, which authorized $1.7 billion in Federal money for construction expenses, required the local governments to establish a stable and reliable source of revenue. According to the GAO, the purpose of this requirement was to ensure that, once the rail system was built, there would be sufficient revenues available to maintain and operate it. We are feeling the effects of that today.

Next, WMATA's financial arrangement differs sharply from how virtually all transit agencies throughout the country are funded. You have heard that this morning as well. In terms of capital expenses, 21 percent of WMATA's funds come from local general revenue sources in 2002, compared to less than 5 percent nationally.

On the operating side, WMATA's 15 percent local revenue figure compares to only about 8 percent nationally. Therefore, a significant component of WMATA's annual funding is vulnerable to competition with other pressing local priorities and WMATA must compete each year with other basic local expenditures, such as police, schools, and parks, as well as other transportation services.

This over-reliance on local funds puts tremendous strains on the annual budget process. For one thing, as was mentioned, although the local partners have reaffirmed their commitment to WMATA over and over again, concerns that one or more partners may balk at their annual bill are ever-present.

In addition, the general lack of year-to-year assurance in the budget process makes it more challenging for WMATA to plan for large capital projects. As many projects extend and must be financed well over single-year budget cycles, a stable and dedicated source of revenue would provide WMATA the ability to more carefully and efficiently plan and finance such projects.

Finally, a lack of stable and dedicated source of revenue also threatens the agency's creditworthiness. Moody's Rating Service recently pointed out that as a multi-jurisdictional entity without a dedicated funding source to support operations and capital needs, WMATA is vulnerable to some degree of appropriations risk. Among other things, this risk makes it potentially difficult and more expensive for WMATA to borrow funds and issue bonds for capital investments.

Mr. Chairman, for all these reasons, the need for a dedicated source of revenue for WMATA is clear. Now, some have argued that dedicated revenue sources could be generated and administered in the District, Virginia, and Maryland independently according to their particular preferences and traditions. However, given that WMATA is often cited as one of the few truly regional collaborations in this metropolitan area and the wide distribution of benefits received from the service, a revenue source enacted at the regional level would certainly be preferable to patchwork of separate local sources.

Last, it is true that the oversight and attention that the local and State governments give to WMATA is intense, and there is no reason to assume that this scrutiny would not continue. We heard this morning of the many ways that the oversight is continuing anyway. Nevertheless, some measure of increased oversight and accountability should be made a condition associated with any dedicated revenue source.

It is important to point out, though, that although increased oversight and accountability is largely common for transit agencies, as Mr. Millar pointed out, it is largely unprecedented when considered in the context with other Federal policy initiatives related to surface transportation. The starkest example is the $287 billion transportation bill that Congress will send to the President this week. Although it is wholly related, that bill is utterly lacking in accountability, despite the much larger price tag and ultimately much larger impact on the Nation's transportation system.

As my comments and research have tried to illustrate, the challenges WMATA faces are very complex and unique. WMATA does need a stable, reliable, and dedicated source of revenue to better maintain and operate the existing system, take the pressure off the region's local governments, and ensure better long-term planning and ultimately better land use.

Certainly, pitfalls do exist. Implementation is certainly not easy. And yet, Mr Chairman, the Washington metropolitan area cannot afford to have a transit system that is hampered from operating at its fullest and most efficient potential.

Thank you very much for the opportunity to appear before you today.

[The prepared statement of Mr. Puentes follows:]

Testimony before the House Committee on Government Reform
"Keeping Metro on Track: The Federal Government's Role in Balancing Investment with Accountability at Washington's Transit Agency."
July 28, 2005

Robert Puentes
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"Keeping Metro on Track: The Federal Government's Role in Balancing Investment with Accountability at Washington's Transit Agency"
Robert Puentes, Brookings Institution

Mr. Chairman and Members of the Committee, thank you for inviting me to testify today on the unique funding challenges of the Washington Metropolitan Area Transit Authority (WMATA). I am Robert Puentes, a fellow with the Metropolitan Policy Program at the Brookings Institution.

The mission of Brookings' Metropolitan Policy Program is to provide decisionmakers with research and policy analysis on a range of issues related to the shifting realities of cities and metropolitan areas. To this end, the Program initiated a Transportation Reform Series designed to highlight the most pressing transportation challenges facing the nation's cities, suburbs, and metropolitan areas. The series aims to introduce objective facts and figures into this policy arena and provide Congressional leaders, local elected officials and other transportation players with sound and practical policy recommendations for reform.[1]

In June 2004, Brookings released a paper entitled, "Washington's Metro: Deficits by Design."[2] This research examined the unusual financial structure of WMATA and found that the agency's serious budgetary challenges owe in large part to its problematic revenue base. Most notably, Brookings found that WMATA's extraordinary lack of dedicated funding sources has necessitated an over-reliance on annually appropriated support that makes the agency vulnerable to recurring financial crises. The report concludes by describing a number of potential revenue sources for WMATA that officials might consider to supplement local operating subsidies over the long term.

I will focus my comments this morning on key elements of that research, including the importance of a stable and dedicated revenue source for WMATA.

A history of federal engagement

WMATA operates under arguably the most complex metropolitan governance structure in the nation. In addition to serving the District of Columbia, which functions as both a state and city and is reliant on Congress to review or approve its annual budget, WMATA provides direct and seamless services to two separate and very distinct states.

[1] The current set of reports, commentary, and coverage of the Transportation Reform Series can be found on Brookings' website: http://www.brookings.edu/es/urban/issues/transportation/transportation.htm.
[2] Robert Puentes, "Washington's Metro: Deficits by Design," Brookings, June 2004.

But in addition to serving the Washington area's states and local governments, the federal government is also a primary partner in WMATA. Serving federal employees was a key early purpose of the system. And since the beginning the federal government has sited most of its new facilities to take advantage of this investment: Half of the rail stations directly serve federal facilities.[3] As a result, one in every two WMATA passengers is a federal worker or contractor.[4] In addition, many of the 20 million annual visitors to the nation's capitol ride WMATA's buses and trains each year.

It became clear while conducting this research how profoundly important the region's transit system, and the rail system in particular, was to the federal government during the early years. Once in 1980 and then again in 1990, Congress passed legislation authorizing a total of $3 billion in capital assistance to complete the original system.[5] The final price of the 103-mile rail system, which was completed in January 2001, was $9.4 billion of which $6.4 billion came directly from the federal government and the rest from state and local governments.[6]

One of the Congressional laws that authorized WMATA funding—the National Capital Transportation Amendments of 1979, or the Stark-Harris bill—required that local participating governments "demonstrate that they have a stable and reliable source of revenue" sufficient to meet both their payments to WMATA for debt service as well as their share of the operating and maintenance costs of the system as a condition of authorizing the funds. This concept was not new, and to this day every other large transit system in the nation relies on dedicated sources for capital or operating costs—or both. However, the WMATA jurisdictions could not agree on a uniform tax and the requirement has essentially been ignored ever since with the localities themselves picking up the tab.

In fairness, Congress did not specifically define the terms from which the "stable and reliable" source should be derived. The U.S. Department of Transportation (U.S. DOT) issued written guidance in December 1979 but as it was not specific, many local governments simply passed resolutions pledging their fiscal support. However, according to a report from the U.S. Government Accountability Office (GAO), the U.S. DOT orally told the jurisdictions that 70 to 75 percent of the stable and reliable funding should come directly from dedicated, earmarked sources.[7] At the time the federal government was more concerned with capital costs associated with the construction of the system than its operation, but the aggregate local subsidy has never come close to the level requested by the U.S. DOT 25 years ago.

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[3] Richard White, "Testimony to U.S. Senate Committee on Governmental Affairs" (December 13, 2001).
[4] Alex Marshall, "Love (and Hate) That Metro," *Planning*, February 2004, pp. 18–24.
[5] *National Capital Transportation Amendments of 1979*. Public Law: 96-184; and *National Capital Transportation Amendments of 1990*. Public Law: 101–551.
[6] Marshall, "Love (and Hate) That Metro." It bears noting that this federal support remains less than the 80 percent many capital projects, especially highways, have enjoyed over the years.
[7] U.S. Government Accountability Office, "Applying DOT's Rail Policy to Washington, D.C.'s Metrorail System Could Save Funds," January 1983, GAO/RCED-83-24.

Over the years, the multi-jurisdictional nature of WMATA, coupled with the substantial federal interest and reliance in the system has presented interesting funding challenges and opportunities.

WMATA's funds come from a patchwork of sources

Brookings' analysis found that over half of the total capital spending for the nation's transit systems came from dedicated sources of one kind or another. For WMATA, none did. For operations spending, about one-third of total funding came from dedicated sources. For WMATA, less than 2 percent did.

As a result, the budget process at WMATA is very different than other agencies. When WMATA develops its budget each year, it estimates the revenues it expects to receive from internal sources (i.e., from fares, advertising, etc.) As this is not nearly enough to cover all operating expenses, the majority of the balance comes from direct subsidy payments from the localities, which must authorize these payments each year through their normal budgeting process. Funds for the Washington region's transit agency are therefore derived from a patchwork of different sources.

The District of Columbia's portion of the local subsidy comes exclusively from general fund revenues which are fed, in part, by the 20-cent tax on gasoline.[8] Other WMATA funds come from parking meter fees, traffic fines, vehicle registration fees, and restaurant and hotel taxes. These funds are earmarked for WMATA, but they are not dedicated. That is, they are legislatively—but not statutorily—authorized each year. The District is unique in that it acts as both a state as well as a local funding source, but for the purposes of WMATA funding, the funds are considered part of the local subsidy. The District is also unique in that it receives direct allocations from the federal budget as an "other independent agency." In FY 2005, the District's department of transportation received $3 million to offset a small portion of the District's operating subsidy for WMATA.[9] WMATA funding (12.0 percent) trailed only public schools (16.8 percent) as the District's largest authorizations over the last 18 years.[10]

In Maryland, the state pays Montgomery and Prince George's counties' local share of the WMATA subsidy through an annual grant to the Washington Suburban Transit Commission, which acts as the financial conduit for funding the WMATA subsidy as well as other transit

[8] The District's funds for WMATA come from its highway trust fund which is considered to be a subset of the general fund. For budgetary purposes, the District's Office of the Chief Financial Officer does not consider motor fuel tax revenue part of the general fund. However, the mayor's proposed FY 2004 budget shows that the WMATA subsidy came out of "general funds" and federal highway statistics on the disposition of the gas tax receipts also consider the highway trust fund a subset of the general fund.

[9] Budget of the United States Government, Fiscal Year 2005 – Appendix, " Other Independent Agencies," p. 1109.

[10] GAO, " District of Columbia: Structural Imbalance and Management Issues," GAO-03-666, p. 80.

projects in the counties. [11] These funds are derived from the state's transportation trust fund which is fed primarily by the state's 23.5 cent tax on gasoline, vehicle taxes, and fees. [12] Yet for all that, not even this state money is dedicated. To be sure, the funds allocated to WMATA flow from the revenues generated by the trust fund, which is separate and distinct from the state's general fund. But even these funds are also subject to annual legislative appropriations and are not guaranteed for WMATA. At the same time, while there are dedicated funds for transit from a portion of the property taxes in Prince George's and Montgomery counties, these are programmed to support local bus service.[13]

The five Virginia cities and counties, meanwhile, are the only jurisdictions in the WMATA service area that have any dedicated funding for the local subsidy. In northern Virginia, a 2-percent tax is levied on gasoline sellers and retailers (in addition to the 17.5 cent state tax). These funds are provided to the Northern Virginia Transportation Commission (NVTC), which was created by the Virginia General Assembly in 1964 to plan and develop transportation projects in that part of the commonwealth. NVTC then administers these funds to supplement the localities' share of the WMATA subsidy. [14] But while these are dedicated funds, they only make up a small portion of the jurisdiction's total subsidy amount. In FY 2004, the gas tax generated $17 million for WMATA—only about 13.2 percent of the total northern Virginia subsidy. Another 43.2 percent comes from state transit aid and federal funds not allocated directly to WMATA. Local jurisdictions provide the remaining 43.3 percent through allocations from their general fund.[15]

The lack of dedicated funds is problematic

Because of the lack of a stable and dedicated revenue stream, WMATA must rely excessively on general fund revenues from its state and local partners just to keep the system functioning. This is, of course, a difficult problem for any transit agency. But for the fourth largest agency in the country such an over reliance is extraordinary and problematic for several reasons.

It has long been understood that the lack of a dedicated revenue source is both unique and challenging for WMATA. Over the years, several GAO reports discussed the problems associated with WMATA's unique financial framework. A 1979 GAO report stated that

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[11] Maryland General Assembly, "1998 Legislative Handbook Series," Volume II: Government Services in Maryland, Chapter 9: Transportation.

[12] For more information on how states fund transit see: Robert G. Stanley, "Characteristics of State Funding for Public Transportation-2002," National Academy of Sciences, Transportation Research Board, TCRP Project J-6/Task 46.

[13] Todd Goldman, Sam Corbett and Martin Wachs, "Local Option Transportation Taxes in the United States," Part Two: State-by-State Findings, University of California at Berkeley, Institute of Transportation Studies, Research Report UCB-ITS-RR-2001-4, March 2001.

[14] Except in Loudoun County, which may use the proceeds from the tax for any transportation expense.

[15] Northern Virginia Transportation Commission, "Northern Virginia Transit Funding Resource Guide" (Arlington, VA: 2003).

inflationary costs, competition for local revenues, and the increasing burdens on property taxes made a new and dedicated revenue source for WMATA, "almost mandatory."[16] Another GAO report in 1983 noted that the Stark-Harris Act, which authorized $1.7 billion for construction expenses in 1979, required the local governments to establish a stable and reliable source of revenue. According to the GAO, the purpose of this requirement was to ensure that once the rail system was built, there would be sufficient revenues available to maintain and operate it.[17]

WMATA's financial arrangement differs sharply from how virtually all transit agencies throughout the country are funded. WMATA derives a significantly higher share of its funds from local general revenues than the national average or even just the large agencies. In terms of capital expenses, 20.6 percent of WMATA's funds came from local general revenues in 2002, compared to less than 5 percent nationally. On the operating side, WMATA's 14.6 percent local-revenue figure compares to only about 8 percent nationally.

A significant component of WMATA's annual funding is vulnerable to competition with other pressing local priorities. With essentially no dedicated revenues at its disposal, WMATA must rely on annual appropriations from each local jurisdiction, or from Maryland or Virginia. Thus, WMATA must compete each year with other basic local expenditures such as police, schools, and parks, as well as other transportation services.

The over reliance on local funds puts tremendous strains on the annual budget process. It is true that WMATA's local and state partners have time and again reaffirmed their generous commitment to the regional agency through their substantial funding assistance. But occasionally, jurisdictions have also threatened to withhold, eliminate, or unilaterally reduce their annual contributions on the grounds of perceived inequities. As a result, concerns that one or more partners may balk at its annual bill are ever-present.

The general lack of year-to-year assurance in the budget process makes it more challenging for WMATA to plan for large capital projects. As members of the Committee know, many capital projects extend, and must be financed, well over single year budget cycles. There are investments related to current maintenance and operations – such as additional buses, rail cars, station enhancements, and station connections – that are critical for the continued quality of the existing system. In addition, expansions of the system and other large capital investments have been proposed to meet the needs of this rapidly growing and expanding metropolitan area. A stable and dedicated source of revenue would provide WMATA the ability to more carefully and efficiently plan and finance such projects.

[16] GAO, "Issues Being Faced by the Washington Metropolitan Area Transit Authority." CED-79-52. (1979).
[17] GAO, "Applying DOT's Rail Policy to Washington, D.C.'s Metrorail System."

Finally, a lack of a stable and dedicated source of revenue also threatens the agency's credit worthiness. Moody's rating service recently pointed out that "as a multi jurisdictional entity without a dedicated funding source to support operations and capital needs .... WMATA is vulnerable to some degree of appropriations risk."[18] By that, Moody's meant that WMATA's lack of dedicated funds exposes it to some danger of the state and local legislatures not authorizing the annual resources. Among other things, this credit risk makes it difficult and more expensive for WMATA to borrow funds and issue bonds for capital investments.

Stable and dedicated funds in exchange for greater accountability

The politically fragmented nature of this metropolitan area argues that one option for WMATA may be some mix of dedicated revenue sources generated on the subregional level. In this way, dedicated revenue sources could be generated and administered in the District of Columbia, Virginia, and Maryland independently, according to their particular preferences and traditions.

However, given that WMATA is often cited as one of the few truly regional collaborations in this metropolitan area, and the wide distribution of benefits received from the service, a revenue source enacted at a regional level would certainly be preferable to collage of separate local sources.

It is true that the oversight and attention that the local and state governments give to WMATA is intense, due in part to the current funding arrangement and the natural parochialism of the local jurisdictions over how WMATA is spending funds coming directly from their annual budgets. But there is no reason to assume this oversight would not continue. The jurisdictions have historically been vocal supporters of WMATA and fundamentally understand how important high quality, functioning transit service is to this region. And given the legacy of the relationship between WMATA and the localities, that scrutiny is not likely to diminish anytime soon. Nevertheless, some measure of increased oversight and accountability should be made a condition associated with any dedicated regional revenue source.

Conclusion

As my comments and research have tried to illustrate, the challenges WMATA faces are very complex – and very unique. Few agencies are as reliant on annually authorized funds as WMATA – and certainly none as large or as important to its region's mobility and economy. WMATA needs a stable, reliable and dedicated source of revenue to better maintain and operate

[18] Moody's Investors Service, "Washington Metropolitan Area Transit Auth. D.C." (October 19, 1999).

the existing system, take the pressure off the region's local governments, and ensure better long term planning.

Certainly pitfalls exist and implementation is not easy. And yet, Mr. Chairman, the Washington metropolitan area cannot afford to have a transit system that is hampered from operating at its fullest and most efficient potential. It is important that federal leadership and attention to the nation's transit system continue.

Thank you very much for providing me the opportunity to appear before you today.

The views expressed here do not necessarily represent those of the staff, officers, or board of the Brookings Institution.

Chairman TOM DAVIS. Thank you very much.

Ms. Schneider, thanks for being last, but not least. We appreciate your being here.

STATEMENT OF PAULINE SCHNEIDER

Ms. SCHNEIDER. Thank you, Chairman Davis and members of the committee. My name is Pauline Schneider. I am a partner at Hunton and Williams, and I come here today as a member of the blue ribbon task force that was responsible for preparing the Metro funding report that was issued in January of this year. As a follow-on to my service on that task force, I have agreed to serve as vice chair of the Business Transportation Action Coalition [BTRAC], which was formed by the Greater Washington Board of Trade, the Federal City Council, and the Downtown Business Improvement District to educate the public at large and advocate for a balanced solution to generate support for a dedicated, long-term, stable source of funding for Metro. I applaud you this morning for introduction of your legislation that the panel is discussing.

BTRAC's founding members, sponsors, and participating organizations all agree on one fundamental premise: we must secure a long-term, stable, dedicated funding source for Metro to meet the current and future needs.

The task force report indicated that there was a gap of approximately $2.4 billion needed during the next 10 years to finance Metro's operating and capital needs. The report also emphasizes that the Metropolitan Washington Transit Authority is unique among major transit systems in the United States in that it has no major source of dedicated funds. Unfortunately, WMATA must annually appeal to two States, the District of Columbia, eight local jurisdictions, and the Federal Government for funding and support.

Without the additional $2.4 billion identified, Metro will be unable to pay for the maintenance and capital improvements necessary to counter inevitable effects of the aging system or to purchase the railcars and buses necessary to accommodate increasing demands of expanding ridership.

Three additional points need to be made about this $2.4 billion. This level of funding assumes: one, paratransit costs are addressed separately; two, State and local government contributions will increase to 5.3 percent annually, as opposed to the current annual increases of 3½ percent; and, three, there will continue to be modest fare increases.

As we noted, the Metro system here gets a greater amount of its support from the fare box than any other major transit system in the United States. However, if State and local contributions were frozen at the current levels, the Metro panel estimated that we would need an additional $460 million per year from the supporting jurisdictions.

The business community is very concerned about the implications and potential adverse effects on the system of a current lack of a dedicated source. We are not insensitive to the management and safety issues plaguing Metro. But we feel confident that the steps are being taken to address some of the operational problems that were highlighted in the recent Post articles. Constant dili-

gence on cost containment and organizational efficiencies are required from Metro's management.

Notwithstanding these concerns, we do not want our transit system to experience a repeat of the deterioration, the physical and operational decay that nearly destroyed the New York transit system in the early 1970's. Such a downward spiral would negatively affect our region's mobility, economic prosperity, emergency preparedness, as well as our image as a world-class destination location.

Since this is the third most congested region in the country, Metro is critical in providing an alternative to our increasingly clogged roadways, since it carries the equivalent of 1,400 lane miles of highway everyday. In addition, Metro provides the spine around which additional new transit-oriented development can help accommodate the 2 million new residents forecasted to locate in our region over the next 25 years.

Some would argue that the Federal Government has made substantial contributions—and we agree—in the past and should not be expected to continue those contributions. We have a different perspective. Of the 700,000 daily users of Metro, the largest single beneficiary is the Federal Government, with more than 40 percent of peak hour riders being members of the Federal Government employees. Most Metro stations have been purposefully located adjacent to or in very close proximity to Federal buildings, so the enormous benefits to the Federal Government continue. Your legislation obviously recognizes this fact.

In view of these considerations, we urge you to provide the maximum Federal support necessary to help close this funding gap and to put our Metro system back on track as it needs to be. Thank you for the opportunity to comment, and I would be happy to answer any questions.

[The prepared statement of Ms. Schneider follows:]

Statement of Pauline Schneider, Esq.
Vice Chairman, Business Transportation Action Coalition

-- Committee on Government Reform --
Honorable Thomas M. Davis III, Chair
July 28, 2005

Chairman Davis, members of the Committee. My name is Pauline Schneider. I am partner at the law firm of Hunton and Williams and I served on the panel responsible for the Metro Funding Report issued in January 2005. I am a member of the Federal City Council and, in addition, I currently serve as a Vice Chair of the Business Transportation Action Coalition (BTRAC). BTRAC was formed by the Greater Washington Board of Trade, Federal City Council and the Downtown D.C. Business Improvement District for the purpose of educating the public at large and advocating balanced solutions to generate support of the need for dedicated long-term funding for Greater Washington's Metro system. As part of our process, our organization has reached out and received input and guidance from other organizations including the Fairfax and Montgomery Counties Chambers of Commerce, the Urban Land Institute, Washington Regional Network and Sierra Club, to name a few.

BTRAC's founding members, sponsors and participating organizations all agree on one fundamental premise: *we must secure a long-term dedicated funding for the Metro system to meet its current and future needs.*

Metro's 10-year $2.4 billion additional funding need ($300 million annually) was documented in the January 2005, *Report of the Metro Funding Panel.*

The report also emphasizes that the Washington Metropolitan Area Transit Authority (WMATA) is unique among major transit systems in the U.S. in that it has no major source of dedicated funds. Unfortunately, WMATA must annually appeal to two states, the District of Columbia, eight local jurisdictions and the federal government for funding and support.

Without the additional $2.4 billion identified, Metro will be unable to pay for the maintenance and capital improvements necessary to counter the inevitable effects of an aging system or to purchase the rail cars and buses necessary to accommodate the increasing demands of an expanding ridership.

Key capital improvements expected to be funded by the additional revenues include:

- Relief from severe overcrowding through the purchase of 130 new rail cars and improvements to four maintenance and two storage facilities
- Accommodation of additional riders by station enhancements at Union Station, Gallery Place and Metro Center (new elevators and escalators, expanded mezzanines etc.) as well as station connections (e.g. between Farragut North and West and Gallery Place and Metro Center)
- 140 miles of bus corridor improvements and Metrobus Customer Facility improvements as well as the purchase of 275 new buses and construction of three bus garages to accommodate increased ridership.

Three additional points should be understood: This level of funding assumes that (1) paratransit costs are addressed separately, (2) state and local governments' contributions will increase by 5.3 percent annually (as

compared to the current average rate increase of 3.5 percent), and (3) modest fare increases will continue. However, if state and local contributions are frozen at their current levels, the amount of new dedicated funding required from federal, state, and local sources would increase to $460 million per year.

The business community is very concerned about the implications and potential adverse affects on the system of the current lack of a dedicated funding source for WMATA. We also are not insensitive to the management and safety issues plaguing WMATA but feel comfortable that steps are being taken to address some of the operational problems which were highlighted in the recent articles in the Washington Post about Metro. Constant diligence on cost containment and organizational efficiencies are required from Metro's management. Notwithstanding these concerns, we do not want our transit system to experience a repeat of the deterioration and physical / operational decay that nearly destroyed the New York transit system in the 1970s. Such a downward spiral would negatively affect our region's mobility, economic prosperity, emergency preparedness, as well as our image as a world-class destination.

Since this is the nation's third most congested region, Metro is critical in providing an alternative to our increasingly clogged roadways since it carries the equivalent of 1,400 lane miles of highway every day. In addition, Metro provides the spine around which additional new transit oriented development can help accommodate the 2 million new residents forecast to locate in our region over the next 25 years.

Some would argue that the federal government has made substantial contributions to Metro in the past and should not be expected to continue such contributions. We have a different perspective. Of the 700,000 daily users of Metro, the largest single beneficiary is the federal government with over 40 percent of peak hour ridership passengers being federal employees. Most metro stations have been purposefully located adjacent to or in very close proximity to federal buildings, so the enormous benefits to the federal government continue.

In view of the above considerations, we respectfully urge you to provide maximum federal support to Metro in order to close the funding needs identified.

Thank you for this opportunity to comment.

Chairman TOM DAVIS. Well, thank you very much.

Let me start by saying, as we drafted this, we basically took the GAO report, we took some of the recommendations from some of the other groups and moved the stable and reliable source of revenue, which has been anything but stable and reliable through the years, and tried to move this to something more definite.

The theory here is that by holding out a good chunk of money, that the localities and the States involved will be able to come up with something that is dedicated. It doesn't necessarily mean a new tax. It can take existing revenue sources, but just dedicate them year-to-year.

Let me start. The first question is as Metro does its budget—and I will start, Mr. White, with you—what has stable and reliable meant? Do you know what to count on each year, or are there years that you would like to get a certain amount, but it becomes something that is driven by the jurisdictions deciding what they want to give you?

Mr. WHITE. In years past, the way the process has worked is that we generally try to identify a target through the board's adoption of policy guidance to the staff and how to build a budget. It has largely been a year-to-year budget, so one of the limitations is really the inability to pretty much plan beyond the first year, certainly from an operations point of view. On the capital side we did get some accommodations recently with the Metro Matters Funding Agreement, which sort of does give us some 6-year planning predictability, but it sort of ends at the end of that period.

Now, what has happened historically, Mr. Chairman, are there times when one funding partner or more than one funding partner is sort of unable to kind of meet its responsible share, which is determined by a very complex set of formulas, and generally what happens is our budget guidance changes, even after the budget has been developed, and we are asked to cut some more money or come up with alternative ways of trying to fit in to the new affordability definition.

Chairman TOM DAVIS. That is no way to run a railroad.

Mr. WHITE. No. It's the lowest common denominator, budgeting and policymaking, is really what it amounts to.

Chairman TOM DAVIS. Mr. Kauffman, do you concur with that, having sat on the board?

Mr. KAUFFMAN. Yes, Mr. Chairman, I do. I don't think the challenge we face is a lack of information; it is a lack of stability and the challenges of a timeframe. We are having to whip around a budget within the constraints of State budget timing, local budget timing. And with your bill, that would give us more of the stability to think longer term and to put things in place our customers need to have.

Chairman TOM DAVIS. Mr. Puentes, should a dedicated funding stream cover both operating and capital expenses?

Mr. PUENTES. The primary burden, I think, on the budgetary process now is on the operating side. I think it is incumbent upon WMATA to decide what would serve them best. But it does seem to be that the operating subsidy—which, again, comes from local general revenue funds, for the most part—is really where some of the more contentious problems are, because those funds are com-

peting with other highly competitive local needs—parks, schools, open space; these issues that we talk about every day.

So on the operating side it seems to be where a lot of the attention is. But in terms of longer range planning, then I think WMATA would argue for more of a diversity.

Chairman TOM DAVIS. One of the points the GAO argues is that the oversight has really not been what it should have been. Is that fair, Ms. Siggerud? And my concern is if you start getting a dedicated funding stream, does that decrease oversight? If it becomes an automatic, does that decrease it or does the inclusion of an IG and maybe a more active board, do these kind of things make up for that? Any thoughts on that? I will ask you and Mr. Millar and anybody who would like to address that.

Mr. MILLAR. In general, packages that I am familiar with around the country, when new revenues come in, usually there is additional oversight that is brought about, either by the kinds of suggestions that your bill would include—in Pennsylvania, for example, there was a requirement for publicly adopted, publicly reported upon performance measures, for example. So generally both happen.

Chairman TOM DAVIS. I understand. We are trying to do that. But I am just saying right now you have to go back to each jurisdiction every year. And I am sure when Mr. Kauffman goes back to his board and other members go back to their board, they say how is it doing? Gee, we don't think they are doing so well. And they give it a scrutiny before they spend that money, because that money is competing with schools, it is competing with public safety and other areas.

Now, all of a sudden there is a dedicated funding stream that goes automatically. We are putting some additional safeguards in, but is the tendency then, with the money automatically coming in, to take one's eye off the ball? That is my question.

Mr. MILLAR. That has not been my experience.

Chairman TOM DAVIS. OK. That is my question.

Mr. MILLAR. That has not been my experience.

Mr. KAUFFMAN. If I could jump in, Mr. Chairman. I look at financial oversight for an organization like WMATA as being three parts. First is the classic following the money, the second is balancing priorities and strategic thinking, and the third is responsiveness to the customers' interest.

For following the money, Mr. Chairman, we have the FTA and the GAO that are going to be lovingly at my side all the time, just as they are this morning. Balancing priorities, local policymakers on this board will ensure that the balance is there. The dedicated funding will make strategic thinking real.

And, last, as far as responsiveness to the customer interest, we try to do that as members of the board. We could do better, and that is why we need that rider's advisory counsel.

Chairman TOM DAVIS. And if the new Federal seat is created, you would not have a problem if that seat were reserved for a Metro rider, for example?

Mr. MILLAR. No. I think that might also make the process of amending the compact easier, because, frankly, how big of a board do you have to have to make things work as far as representation?

If we have this giant phalanx, future chairmen of the board may have an even tougher job of herding cats than I do from time to time. But if you keep it as a reasonable number to ensure representation and that representative members include the dollars on the table, it makes sense.

Chairman TOM DAVIS. OK. All right.

Did you want to answer that too, Mr. Puentes? Did you want to make any comment?

Mr. PUENTES. Just to quickly chime in. Given the history of the local governments' involvement in WMATA over the years, and given that, based on our experience of looking at transit agencies and their local government relationships all across the country, it does seem to be hard to believe that there would be any less scrutiny from the local governments on WMATA, given the bill that you have presented here today.

There are a few agencies, I think, a few metropolitan areas in the country where the local governments recognize the importance of the transit system and take advantage of that as well as the local governments have here in this region. So that certainly does exist.

But all that being said—and this is not an indictment on WMATA—there does seem to be a need for increased oversight and accountability for transportation systems all throughout the country, transit, highways, what have you. So for the most part, any kind of increased oversight and accountability is generally welcome, and from our experience is wholly necessary. Again, not an indictment of WMATA, but, for the most part, any kind of increased accountability is certainly appropriate.

Chairman TOM DAVIS. Thank you very much.

Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

I would like to get to the root of this dedicated funding notion, first by asking this question. As we look at the difficulty we have had in this region getting anywhere on dedicated funding, first let me ask this question. Of those systems that have dedicated funding, are any of the systems structured like our system across State lines or across county lines? Is one of the chief obstacles here that we are dealing with such vastly different jurisdictions, and is this comparison entirely fair if that is the case?

I don't know what the answer is, but if we keep comparing it as if everybody else is exactly like us and yet they have done it, then we look kind of stupid. Is there more to it than that; if not multi-jurisdiction, something else perhaps? I would welcome whoever wants to start on that one.

Mr. PUENTES. Again, based on the research that we did particularly on this issue, your comments are very well taken. There is absolutely no agency in the country that works under a government structure as complex as the one here in this region. I don't believe there is also another agency that operates multi-State. I think the agencies in New Jersey do, but, for the most part, most of the agencies operate within single States.

So your point is very well taken. Probably the reason we are in this State today is because of the very complex government structure that does exist, the Federal oversight, the three States, etc.

That being said, it does make the point even more important, that because we have these complex arrangements, it probably argues that a regional source of revenue is more necessary in this region than it is in some other places.

Mr. MILLAR. There are some systems that operate in at least two States and are funded by those jurisdictions. I think of the St. Louis Metro system. They have one form of dedicated funding on the Missouri side of the river, another form of dedicated funding on the Illinois side of the river. Kansas City's system is another example. Parts of the New York system operate in three States; however, they do so under a contractual arrangement with the other States, so I am not sure that is exactly comparable to what we see here.

Ms. NORTON. Somebody needs to look closely at how Missouri got two different jurisdictions to do what they do so we don't keep making these comparisons without getting to the complexity. Easy comparisons confuse rather than illuminate the problem-solving I think we must do. So I find what you have said very important, and I will attempt to find out, at least about Missouri.

One of the reasons that you find these three jurisdictions unwilling to do dedicated funding at least two of them don't want to tax you for what they do in their own jurisdiction, much less for something that will go perhaps to the entire region, God forbid. Therefore, it does seem to me that we need to be far more explicit on what dedicated funding would do for the public. I mean, they look at the council, at the county governments, every year. They have to pay their dues in some form or fashion.

You could argue—let me be the devil's advocate—that, OK, Metro and Metro board, you know that you are going to get your dues; "approximately what they are going to be," so why don't you do planning based on that? Since no jurisdiction could default entirely, why do you need a "dedicated source of funding?" What would it mean to the problems Metro has? What would it mean to the average rider?

Mr. KAUFFMAN. Ms. Norton, if I could begin responding to that. Both Mr. White and I used that term "lowest common denominator," and to try to make that real is the challenge on a year-to-year basis of making the funding real to be able to serve our customer, whatever jurisdiction has been the most fiscally strained sets the pattern for what the funding will be.

Ms. NORTON. The absolute number, are you saying?

Mr. KAUFFMAN. Yes.

Ms. NORTON. Because it is a percentage that the formula attributes each to. What kind of variations are there in the amount you would expect? I mean, are there really large fluctuations between what you would expect in a given year and what you get in a given year?

Mr. KAUFFMAN. I can't give you an exact percentage, but I know, going back, when the District of Columbia was working through its fiscal crisis to the great situation they are in now, that set the bar. Maryland today is certainly looking at how to husband all of their resources. That sets the bar.

But what this legislation that you are proposing today, that you all are working on today, it fundamentally changes the argument.

I look at it this way: trying to set the argument on a jurisdiction-by-jurisdiction basis of, gosh, we have to step up and fund Metro. Well, then we get into balancing all the competing priorities, etc.

But by putting this legislation on the table, it says, look folks, if we don't come to consensus, if we don't stand and respond to this, then the money goes away. So it fundamentally changes the decisionmaking dynamics for the political leaders who have to make it happen for the riders.

Chairman TOM DAVIS. Would the gentlelady yield?

Ms. NORTON. I will yield.

Chairman TOM DAVIS. Let me just followup on that, Mr. Kauffman. If we were to tie funding that, in fact, if you didn't reach that consensus, the money goes away at a certain date—for example, tie this—I will just pick a date, 2007. That if this wasn't in place in dedicated funding, that $150 million went away, would that, you think, be more of an incentive to localities, that if they didn't enact this, they lose that money, as opposed to just having an authorization bill that would be for 10 years, whenever they get around to it?

Mr. KAUFFMAN. Well, it is unusual for a politician to ask to have a sword tied over his or her head, but I——

Chairman TOM DAVIS. I am not asking you to endorse it, I am just asking the practical effect.

Mr. KAUFFMAN. But I would ask, as a practical effect, I would welcome that, because it forces us to get, yes, there may be fine points with which we disagree, but let us come to an agreement and come to an agreement now, while the money is here. It has to be a clear and present risk of loss of funding to ensure that we will come together. And I would, frankly, welcome that.

Chairman TOM DAVIS. Thank you.

OK, I am going to go with Mr. Moran first, then Mr. Van Hollen. We will all get a shot.

Mr. MORAN. Thank you, Mr. Davis. And, again, thank you for having the hearing and the legislation, Mr. Chairman.

In my opening remarks I spoke about finding ways to encourage jurisdictions to allow greater densities at existing and future Metrorail stations. In the case of Arlington, the county committed to concentrate mixed use commercial office and high-density residential development within a quarter mile of its two Metrorail corridors. A lot of people didn't like the high density, but with that density they were able to concentrate on just 11 percent of its land, preserving the balance for low-density single-family residential housing, garden style apartments, retail, and green space.

Those two rail corridors today boast more office space than Dallas, Denver, or Pittsburgh, but have nowhere near the same city's traffic congestion. Thirty-nine percent of those who live in the Metro corridor take transit to work and 10 percent walk. So half of the people that live there don't get into an automobile to clog up our congested roads.

More than half of the county's tax revenue is generated from the businesses around Metro. This steady source of revenue has enabled the county to maintain its public services and the lowest property tax rates in the region.

What I want to ask you is have you considered any possible legislative language that would encourage other jurisdictions to follow Arlington's model? I mean, have you considered taking the initiative in terms of planning in a way that would be proactive?

Mr. KAUFFMAN. Mr. Moran, I will try to begin the response to that. One of the things that we have tried to recognize as a Metro board is that the primacy of land use remains a local decision-making issue. We certainly have worked to encourage, foster what is defined as smart growth, and we try to ensure that elements of that are evaluated for the benefit of the Metro system. But ultimately, when it comes to what takes place on a given piece of ground in a given jurisdiction, we rely on that being a wise decision made in the best interest of the locality.

Mr. MORAN. Well, we are good friends, Dana, but that was sort of a predictable response.

Mr. KAUFFMAN. But what we have done—I will augment that.

Mr. MORAN. Let me go on, because I am not going to put you guys on the spot. Just think about it in the future.

Mr. Chairman, I want to share this with you because it does impact a great deal on the money that we are going to be fighting to get for the Dulles rail corridor. It was always going to be that we were going to be paddling uphill to be able to get the kind of money that was originally projected to pay for the Dulles rail corridor. Now we are going upstream against a current, when we are told that the cost is going to be $2.4 billion.

I am going to say for the record, when I look at the land use planning around the four current Metro stations that are planned for Dulles rail, I think it is deficient, it is insufficient, and I don't think it justifies the kind of cost that is going to be necessitated to pay for those four Metro stations.

And as Mr. White knows, I take serious issue with the assumptions that they are going to generate enough people using those Metro stations to justify that capital investment at Tysons. We need high-rise residential buildings at the Metro station. To think that we are going to attract people to come to Metro, walk across, for example, Route 123 to go shopping, and then lug two arms full of products that they purchased at Tysons back to the Metro station and then go on to their place of residence is not going to happen. We need residential high rises built into those Metro stations, and we need to provide housing for the people that are working at Tysons.

I think that the planning at Tysons is deficient. And, yet, Metro stands back and really says that it can say nothing or do nothing about it, and yet you have to advocate to get that kind of funding. And it is going to affect our ability to extend Metro where it needs to get to, which is to Dulles rail through Reston. So this is a very serious issue, and I want to see if either of you have any ideas as to how we can lower that cost attributed to the four Metro stations at Tysons Corner.

Mr. WHITE. I think you are asking two questions, Mr. Moran: the issues associated with lowering the cost and, the second, the land use.

Mr. MORAN. I would be happy if you respond to even one of them.

Mr. WHITE. I will do my best to try to answer the two as best I can. And I think the issue of land use I would probably like to defer to Mr. Kauffman on.

We understand that we do have a challenge on our hands. As you know, this is a project that is under the leadership of the State Department of Rail and Public Transportation, so in this particular instance Metro is really one of the local partners who is a technical agent for the project working under the leadership direction of the State on implementing this project.

We do know that there is considerable work that needs to be done to lower the cost of this proposal that has come in under the public-private transportation act partnership with the Dulles transit partners——

Mr. MORAN. I am going to interrupt you, not because I don't take particular umbrage at your answer. You are going to give me the answer I could have predicted. But yes or no, do you have any plans currently under consideration that would significantly reduce the cost at Dulles?

Mr. WHITE. Yes, sir. Yes, sir.

Mr. MORAN. At Tysons for the Dulles rail? You do?

Mr. WHITE. Yes. We are working together with the State to make an August submittal to the Federal Transit Administration to lower that cost into an acceptable range, and we are very focused on trying to achieve that.

Mr. MORAN. OK. I will be anxious to see those.

I don't want to monopolize the time. I have one other quick question, though, before Chris gets an opportunity to ask it, and it is of Mr. Kauffman.

We are going to add 18,500 more workers at Fort Belvoir, probably at the engineer proving ground. What is the cost of extending public transit, whether it is Metrorail or a shuttle bus or whatever, using the Springfield station? What do you estimate is going to be the cost to serve that vastly expanded population of workers and the contractors that will accompany them?

Mr. KAUFFMAN. First and foremost, I want to say on the record that I welcome the opportunities that the base closure realignment could bring to the Richmond Highway corridor and to central Springfield. I have to look at the costs. We have done some estimates, both in 1999 and again revisited in late 2004. They are orders of magnitude figures, Congressman Moran, and they vary from $600,000 on up—excuse me, $600 million. I am sorry, $600 million on up.

And the challenge is not only looking at it in terms of what governments can provide, but I have already raised with some folks how about a PPTA type of arrangement for extending a light rail from Franconia-Springfield on to serve the area. So certainly we would want to see some Federal seed money that could perhaps fund the PPTA, just as we are discussing for rail to Dulles.

The other thing I just would like to answer, Mr. Moran, going back to your last question on Tysons and whether or not it is a prudent investment of dollars. Demographically and as a job center of Fairfax County is an urban area, but is somewhat kicking and screaming that we are working with our citizens to help them realize that we are in fact an urban area.

When it comes to where Tysons will be, as we speak there is a visioning process going on. We pulled the plans for Tysons out of our normal area plan review process and, frankly, looking at what does Tysons as a designated key town center—not town center, but urban center for Fairfax County, what will it look like? And I think, Mr. Moran, by the time it is done, you will see something that is on a par with Arlington. I have no doubt about that. And would more than justify the rail service to it.

Mr. MORAN. Well, thank you, Mr. Kauffman. I don't have any time left, clearly, but I do want to thank Mr. White for his leadership. I think he is a true professional and a very responsive and responsible one. And I thank you for all the time you have dedicated and your great leadership as well, Dana.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much, Mr. Moran.

Mr. Van Hollen.

Mr. VAN HOLLEN. Thank you, Mr. Chairman. I want to thank all the witnesses for their testimony this morning. Just a couple points and then a question.

First, I just want to underscore what Chairman Davis talked about with respect to having the Federal representative to the board also play the role of a representative of the Metro riders, a consumer of the Metro services. I think that is important. I applaud the creation of the advisory committee, 17-member, I believe, advisory committee. But I do think it is also important to have, among the key criteria for selecting the Federal representatives, the question that they reflect the ridership and the concerns of the ridership as well.

Second, I just wanted to mention that as part of the transportation authorization bill, which I hope will pass the House and the Congress soon, includes a number of new start designations in the Washington area, the Maryland part of the Washington area, including the corridor city's transit way, which would extend the Metro line by not necessarily Metro, but transit services beyond Shady Grove, which, as you know, is one of the most crossed and used terminuses on the Metro system, up beyond Shady Grove to Clarksburg, and the goal is eventually toward Frederick. And I look forward to working with you as we do that to relieve the congestion on I–270, which very quickly gets filled up; and having that extension I think would help relieve a lot of that congestion.

With respect to the funding goals that you have outlined here this morning and the projections of shortfalls in the future and how this bill and the Federal contribution can help address those, my question is are the future security needs of the Metro system, including our responses to the terrorist threats, are those funds included in the numbers that you have provided us this morning? That is one question. And the other question relates to what measures are you taking now throughout the Metro system with respect to the threat of terrorist attacks?

As I am sure you know, there have been a number of both letters to the editors and articles in the Washington Post about riders responding to Metro's call for people to report suspicious activity, to report whether or not they see unattended bags and backpacks on the Metro. And at least according to the press reports, the response

from the Metro system has not been what it should be in terms of quickly responding to those requests. So if you could please address those questions.

Mr. WHITE. Yes. Thank you, Congressman, for those questions.

On the security funding, in our Metro Matters Funding Agreement there are proposed investments that have come out of two separate vulnerability assessments that have been conducted by the Federal Government, one by the Department of Transportation and the second one by the Department of Homeland Security. So they are not in the bill that the chairman has introduced; they are separate from that under the funding agreements that have already been executed.

However, there is one major caveat and proviso: it is assumed that those projects are 100 percent federally funded, and thus far there have been obviously limits to the amount of investments that the Federal Government has made on transit security. We did receive $6.5 million coming out of the $250 million that was approved for transit security. There is an allocation that we are awaiting, it is release of another $12 million. So there are sums of money, but they are still quite a bit short of the need that has been identified of about $143 million.

So the direct answer to your question is no, there is nothing in this bill related to the security side; it is under a separate set of assumptions that we are working on pursuing the appropriation and authorization actions of the Congress with respect to transit funding under the Department of Homeland Security. We know there are a number of things that are not investment-intensive that we can and should be doing. We do know that this money has some target hardening that we think is very important to do, and we believe very strongly we need to get this capital investment money.

And, in the interim, we are continuing to work with our 10,000 employees and with our 1.2 million passenger trips each day to try to help supplement them and have them be our eyes and ears to look out for suspicious actions. Obviously there was one issue that you reported just the other day that was in the newspaper that spoke to one of the responses by one of our train operators, which sort of drew into question how well they responded. In that particular instance, it was determined that this was really an unattended package, it didn't really fit the definition of what our people have been trained to look for.

However, what the train operator should have done when they went to that railcar to investigate that is, they should have taken that package and done something with it, either brought it over to a station manager or took it with them to their train operator compartment. That train operator did not do that; he left the package behind, creating some questions in the minds of customers and some concerns in the minds of customers. So clearly that was not a good execution action by that train operator, and we are completing our investigation work on that and there will obviously be a level of discipline that will have to be done in conjunction with that less than perfect response.

As it pertains to just general threat responses, our chief is very, very aggressive and proactive in her outreach and her review of

best practices across the country and the world. We are attempting to do every kind of procedure that has sort of been known and used elsewhere in the country and the world to keep our customers and our employees safe.

We are examining the issue of random searches. We have not implemented that measure. We would want to have a public discussion around that before we were to move in that direction, unless circumstances absolutely dictated that we do it. She has also done a considerable amount of outreach with the Federal family and State and local family of law enforcement, and we really see a higher presence of officers who are non-Metro officers than we have ever seen before as they are now more recognizing of the risk to our transit environment and more of a willingness on their part to help assume the risks of law enforcement.

So this partnership has really expanded the presence of enforcement, and we will continue to try and do that as we pursue other options, such as whether it makes sense to do inspections.

Mr. VAN HOLLEN. Mr. Chairman, if I could just briefly followup on that.

Chairman TOM DAVIS. Sure.

Mr. VAN HOLLEN. First of all, I am not advocating the random searches. I think you are right, you should go through a thorough process, an open process before you make any decisions in that regard.

Let me just make sure I understand your answer to the funding response, though. My understanding is that you are about $143 million short, as of today, with respect to funds to meet some of the security requirements that you are budgeting, is that right?

Mr. WHITE. That is correct, Congressman.

Mr. VAN HOLLEN. All right. I look forward to working with you and the chairman on those issues. I want to also thank you, Mr. White, and the others at Metro for your responsiveness to the questions that I know my office has raised and many others have raised. So thank you very much.

Chairman TOM DAVIS. Mr. White, I have a couple questions I just want to ask. On this alternative discipline policy, we note that two bus drivers who caused injuries to people after a Metro bus lost their control in 2000, a driver fell asleep at the wheel and hit a pole, another one which sent six passengers to the hospital; and they switched the driver's job and made her a subway station manager.

In another case a driver hit a pedestrian, Patricia Ann Skinner, a 35-year-old editor at a newsletter publishing company. The driver had seen Skinner, honked the horn repeatedly, waved her arms, but never applied the brakes. According to the accident investigation, it said Skinner's life changed forever that day because she lost a leg from the hip down. Metro paid her millions in an undisclosed settlement, according to the Washington Post. And the driver became a subway station manager.

This isn't how you get managers, is it?

A couple other questions. The agency continued to forge ahead with a pilot program introduced last year called Alternative Discipline instead of suspending and docking the pay of people who violate safety rules. Managers put a letter in their files and allowed

the workers to stay on the job. This has undergone some criticism. Is this still in operation? I would just get your reaction to what is going on.

And then I would ask Mr. Millar, is this commonplace and how is it working? Because that has been a common criticism and I have to raise it.

Mr. WHITE. No. I appreciate the question, Mr. Chairman.

Ironically, this concept came as a cost containment measure. We spoke about the various pressures that the Authority is under and the various thought processes that have driven us in different directions, and the board commissioned an independent review to come up with what are the various ideas that we can do to contain our costs.

One of the areas was the use of overtime. As you know, if we have an employee who is disciplined and is now off the clock, if you will, serving a suspension, what we have to do is we have to backfill that job and pay time and a half, usually through overtime, to someone to make up for that suspension. So the thought was that what you would do would be have the person still serve and work for the Authority without the need for the Authority to backfill that position on overtime, but also to have the discipline entered into their record so it is the progressive discipline and ultimately is treated with seriousness. And if there is a pattern of inappropriate behavior, it can lead up to suspensions or dismissals from the Authority.

So I think the theory was a good theory. It sort of was considered one of the more progressive labor management approaches in terms of how management works in a collective bargaining environment. Sometimes it has unintended consequences.

And what we have done, Mr. Chairman, is two things: we have carved out safety and security actions, inappropriate actions that are defined as safety and security issues are now carved out of this alternative discipline program that can lead to immediate suspensions or immediate dismissals; and, No. 2, it is a pilot only, and it will continue as a pilot. We have the right to re-evaluate that together with our union and to move off of alternative discipline.

Chairman TOM DAVIS. Thank you.

Mr. KAUFFMAN. Mr. Davis.

Chairman TOM DAVIS. Yes, please, Mr. Kauffman.

Mr. KAUFFMAN. If I could piggy-back on that, perhaps using a more recent example that was also brought up earlier, this issue of a bag being left behind and the lack of a perceived response. As you can imagine, we as a board were embarrassed by that and jumped into it, quite frankly, with both feet.

And we insisted to know, first, is there standard operating procedure; do we have something in place? You know, we have asked our riders to step up. What are we doing to step up to ensure that we are there for our riders? We got the information back; it made sense.

Then we insisted that management is out there and the word got down that this is not a forgivable type of thing. We want this done, we want it exactly enforced; we want the spot management checks and we want disciplinary action taken, because, again, if we are to ask our riders to be more vigilant in a time of crisis, then we need

to be also delivering top-quality service to our riders, and we expect the most of our employees.

Chairman TOM DAVIS. OK. Thank you.

I am going to allow Members, if they want, to stay and ask other questions. Would you like some questions? You have just come in here.

Mr. CUMMINGS. Yes, Mr. Chairman. I just have a few questions.

Chairman TOM DAVIS. Sure.

Mr. CUMMINGS. Thank you.

I was just wondering, this Post report, Mr. White, which says investigation also found that the agency ignored safety warnings—and this is what I am concerned about—and failed to effectively manage its program to transport the disabled. What is that about?

Let me tell you why I ask you that. As a member of the Transportation Committee in Baltimore, one of our biggest complaints is coming from the disabled, and considering we are celebrating now the 15th anniversary of ADA, I am just wondering why do we have those problems in this day and in this age?

Mr. WHITE. Yes, Congressman Cummings. I think you have two questions: one is on the safety side and how the management and staff respond to that; and, second, how we are managing our disabled services, our paratransit disabled services. I think what the review found was that in some cases we have a checkered record of how quickly management responds to internal audit reviews and findings, safety and quality assurance reviews and findings, all of which result in a report, a set of findings and recommendations, and a set of recommended corrective actions for that particular manager or that particular department to implement.

We are not proud to say that there have been instances where some of the management response has been much slower than it should have been or in some cases were ignoring the kinds of recommendations that came out of these internal audit findings. That is not an acceptable situation.

What we have now implemented recently is what I call an intervention process, where there will be clearly a system of internal reviews that will, if necessary, bucket all the way up into my office to ensure that the corrective actions are taken. The audit department will track these. If, working cooperatively with the management of the organization, it is determined that someone is not acting appropriately or quickly, there will be an intervention process, there will be consequences for that manager for not moving forward with that, and we will ensure that the necessary intervention takes place.

We have a lot of good internal checks and procedures, and I think we got all the kinds of things that a big complex agency needs to have, but we just don't always have perfect execution everyday, and we have to make sure that we reduce the frequency with which that happens. So that is my answer, Congressman, to the issue of the responses on safety and internal audit findings.

On the disabled service, this is a very difficult problem that challenges WMATA and every transit agency across the country, to meet its responsibilities under the Americans With Disabilities Act to provide a complementary set of paratransit services. You speak to the problems that have happened in Baltimore. I think every

system across the country has struggled with providing quality service that meets the responsibilities of the ADA for disabled people who are absolutely dependent upon that service for their quality of life, and trying to ensure that service is done in a way that is also affordable. We cannot deny trips to eligible people who have a need to make those trips, and we are also trying to reconcile that against all these competitive budget pressures that we are trying to manage.

In our case, Congressman Cummings, we are seeing 20 to 25 percent annual growth rates under this paratransit contract. It started at about $10 million 7 or 8 years ago; it is over $50 million now. So it is an extraordinary unfunded mandate that is very difficult for local transit agencies to respond to. We had an independent review done of this, Congressman, different ways.

We have looked at the Baltimore model. I know they have come up with some new ways of implementing that service. We have a new request for proposals on the street. We have a whole new way we are going to try and deliver that service and step up Metro's internal capabilities to ensure that the contractor is performing successfully.

So I think we have recognized the kinds of things that need to be done to make the service better than it is today. We certainly pledge to you, to the members of this committee, to our disabled community that we are very focused on making sure that we fulfill our responsibilities of meeting that requirement.

Mr. CUMMINGS. Let me ask you this very quickly, two things. Your research, did they discover why it is that, I mean, that is quite a bit, five times, I think, the increase, why that is, as far as the need for disabled services?

And the other thing that I am concerned about is just the general idea of service to those who ride. Sometimes, you know, there comes a point when you have to fire people, Mr. White, sadly. And I am just wondering when I read this piece in the Post, that supervisors who exercised poor judgment or were involved in safety incidents were reassigned rather than fired.

And I know that it is hard to come by jobs and all that, and I sympathize with people in getting jobs. But, I tell you, I think that we owe the public excellence, and sometimes I think that they don't always get the excellence that they deserve. And if there is any other kind of business that people are not presented with the kind of service, you go out of business. I practiced law for a number of years, and if I didn't do the job, and do it well, I was out of business.

So, I mean, I know what you said a moment ago about the buck possibly having to stop at your office. I would hope that it doesn't have to go that far. But the word has to go out that the public deserves to have excellent service.

Mr. WHITE. Yes, sir. Your point is well taken. We accept your comment. I will take the second question first and then kind of finish back up on the paratransit side.

Absolutely, we need more management accountability. There are people who have been dismissed from the Authority over the last several months, at least a half a dozen very senior managers who have been asked to leave the Authority or who have been encour-

aged to take early retirement. We recognize that we need to be more active in dealing with some of the inconsistencies of management performance. I pledge to you, sir, that we are going to be much more aggressive than we have been in the past to make sure that management is on top of its game and it is accountable for its performance and for its behavior.

We have designated a higher number of people who have at-will employment status. I serve at the pleasure of the board of directors and I am an at-will employee to my 12-member board, and we have to have more of our managers recognize that they also have the same degree of performance requirement and insecurity around, if they have a track record of nonperformance, then, as an at-will employee, they may face the dismissal call. And they have to be prepared to face that and recognize that their job status is now in at-will.

That I think has shaken up a number of people in the organization who can't fall into the comfort of a personnel and disciplinary system that allows people to sort of skate for a while until a compelling record can be made against a management performance that would lead to dismissal. When you are at-will, you are in an entirely different ball game, and I think that has gotten the attention that it was intended to get inside of the organization.

On the paratransit side, the increase I think has been driven by a number of things. We do have a very active lifestyle of disabled people in our community, and they really have, ironically, as the service got better, they found it to be more desirable to do and increased the utilization of the service. And then when more demand gets put on the system, it makes it tougher to keep the reliability up, and then the reliability seems to drop down while the demand increases until we can get that whole thing corrected.

Another thing is that we want to make sure that only people who are the intended users of the service, we have tightened down on eligibility certifications to make sure that only those people who meet the definitions of disability under ADA are qualified. And if anybody has an individual pattern of abuse in the use of the service, like they chronically, habitually cancel their service at the last second or they don't show for their service call, that there are consequences, including their being removed and suspended from the service.

So we have attempted to take some proactive steps to make sure that the people use the service properly, only those people who are eligible to use the service do use it, and we are trying to encourage people financially, by offering free fares, to move on to the regular service, the accessible Metrorail and Metro bus service, including allowing their companion to ride for free. So we have tried to do a set of actions that I think are designed to try and make the system perform better.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Chairman TOM DAVIS. Thank you for your questions.

I have to get some questions on the record. I have to talk, Ms. Siggerud, to you.

How essential do you think Metro is to the Federal Government's operations? Can you provide any examples of Metro's unique contributions to those operations?

Ms. SIGGERUD. I think it is clear from what you have heard today that Metro is very essential to the Federal Government's operations. There are a number of Federal policies that have led directly to that result. The siting of Federal agencies at or near transit stops and the increase in the number of benefits that Federal employees have had available to them to encourage them to use transit has led to I believe the statistic is about 40 percent of Federal employees using Metrorail at some point. So it is clear that the Federal Government relies on Metro. If we look at, for example, the case of Hurricane Isabel a few years ago, OPM decided to close the Federal Government because Metrorail was unable to operate above ground during those winds.

There are also a couple of unique contributions I might talk about, some security issues. The Metro Police are full partners with the Secret Service and the Capitol Police in terms of providing explosive detection and other kinds of security whenever the President, the Vice President, or a foreign dignitary needs that kind of service.

Chairman TOM DAVIS. What would be the effect on the Government's operations if Metro weren't viable?

Ms. SIGGERUD. Well, I think we have heard a clear case that the Federal Government does need a well functioning and well managed system. If the Metro transit service were not available, clearly those 40 percent of employees who ride Metro would either be using other transit services or, more likely, using our roads. We know that Washington, DC, is in fact the second or the third—I believe the third—most congested area in the country.

Chairman TOM DAVIS. OPM claims that it does not rely on Metro, surprisingly, in part because Federal employees could telework instead of coming to work. Now, that really, in my opinion, doesn't jive with the anemic telecommunicating rates that I have seen coming out of the Federal Government. Any comment on that?

Ms. SIGGERUD. Sure.

Chairman TOM DAVIS. It seems to be missing.

Ms. SIGGERUD. Yes. I know that you have been a very big supporter of telework and getting more Federal agencies to make that available to their employees. But I think the reality of the situation is that telework is appropriate for some employees and on a part-time basis, it is not a full-time solution to the mobility problems that face our region.

Office of Personnel Management also encourages car-pooling. That is another option to using transit. However, the Hurricane Isabel example that I mentioned, along with the various weather situations that hit us in the winter here, make it clear that OPM makes decisions about the operating status of the Government that is very clearly reliant on Metro's operating status.

Chairman TOM DAVIS. Mr. White, how are Metro's operations affected by these special events: inaugurations, protests? Now you have the Nationals games, which I guess is helping ridership and some of those areas.

Mr. WHITE. Well, those are good problems to have when we provide an essential service to the community and the kinds of things that people come to the National Capital Region to enjoy. Some of

those that happen every year, like the 4th of July types of events; the inauguration, which takes place every 4 years. Some of the occasional events such as the President Reagan state funeral and other things like that, when we find those major events that take place, obviously the Federal response, there is a fair amount of shutting down of the road and perimeter systems, there is a lot of perimeter security that has taken place when hundreds of thousands of people are coming to the downtown area to try to enjoy the festivities and the celebrations. And everybody is told and recommended to take Metro to do that.

So we are a workhorse every day; we are like a Clydesdale when it comes to these kinds of special events in terms of the burden that is put on Metro. Virtually every person that can work is working that particular day. We run the wheels off of every train we have and most of the buses that we have to support those events.

So it is something we sort of built into our culture of the organization in terms of how we do that—and we are probably best when it comes to these special events—but clearly it places a big burden on the organization in terms of how we use our manpower and the costs associated with it. We like to have that burden, but it is a challenge to us nevertheless.

Chairman TOM DAVIS. The main thrust of the system has been moving people out from the suburbs into the city to places of work. How much are we getting that is now counter to that, people moving from the city to employment places in the suburbs? And shouldn't that be an object of Metro, to try to enhance that?

Mr. WHITE. Absolutely, Mr. Chairman. When the people deigned the system some 40 years ago, it was based upon the predicted growth patterns that were going to take place. And certainly on the rail side, we are a radial rail system. Our job is to bring people from the suburbs to the central city through major radial corridors of travel. And the whole layout of the Metrorail system was based upon those predicted travel points of origin and destination, population and employment. And I think that has been the case.

But over the last decade, I think we have seen that we have what we call clusters of employment centers. The District of Columbia will always be the largest single job center. I don't think anybody is predicting that not to be the case. But there is an explosion of activity centers in the suburban areas that are their own employment and trip generation centers that makes this travel pattern in the metropolitan area now a spider Web travel pattern; it is no longer radial.

Chairman TOM DAVIS. Unfortunately, a lot of that is not around Metro stations.

Mr. WHITE. And a lot of that is not around Metro. This is where the bus system needs to play a bigger part. A rubber tire system is much more versatile than a heavy rail fixed investment.

Chairman TOM DAVIS. But are you seeing much going out on the blue line, the orange line? Do you see an increase now of people coming out to the suburbs?

Mr. WHITE. There is tremendous reverse commute travel, which is, of course, great for public transportation because it makes a more effective use of our capacity for two-way use, rather than one-way.

Chairman TOM DAVIS. To the extent that is enhanced, that helps the system, right, because the trains are going there anyway?

Mr. WHITE. It absolutely does. For example, the Tysons investment that we talked about, that is a 30 percent reverse commute corridor. That is extremely high reverse commute, and a good example of an area that is not served by public transportation today that, when it is served, is much more effective two-way travel.

Chairman TOM DAVIS. Of course. That makes sense.

Ms. Norton.

Ms. NORTON. Just a couple more questions, Mr Chairman.

Let me raise a very tricky question, but I think it has to be raised for the public record. My understanding is there has been no fare increase for 8 years. Is that true? If that is true—this is my question, and here I want to raise a disclaimer to my constituents: I am not here advocating a fare increase. Hear me, hear me.

Nevertheless, I wonder if we are doing anybody any favor. I remember WASA, the chairman will remember when we had to reform WASA altogether. It had a similarly long period of no fare increase, and then we were going to reform it, some of the money is going to have to come from rate payers and, of course, then everybody screams and yells.

So the real question is, do you want to take the screaming and yelling little by little or what is the theory behind keeping fares unchanged for 8 years? Are you sending the message that you really don't intend to raise fares? And isn't it fair for the public to believe that is the message they have? If that is not the message, what is it that you intend to do?

Mr. KAUFFMAN. Ms. Norton, if I could start, and I am sure others may wish to weigh in. Certainly what the customer pays is a part of covering the total cost of the ride. Only you were gracious enough to remember that we went 8 years without a fare increase. What most of our riders remember is the last 2 years they have gotten fare increases. The challenge is how to find a predictable increase, frankly, that would be tied to a defendable indicator, whether some sort of a measure, whether it is cost of living——

Ms. NORTON. Is that so hard to do?

Mr. KAUFFMAN. It is to get agreement on what that is.

Ms. NORTON. Has anybody tried on your board?

Mr. KAUFFMAN. We have tried actually on the board to do either a 2-year budget or to tie it to a regular indicator. The challenge, Ms. Norton, has been what this committee is talking about today: in the absence of having a level table so we know what the total funding pie is going to be, getting into what that fixed percentage is on the rider is put up in the air.

What I would certainly have to acknowledge is that today there is a great disparity on the percent of the cost of the ride borne by our rail versus the cost of the ride borne by our bus customer. Right now, on a regular basis, over three-quarters of the cost of providing service to our rail customer is paid for by the customer; whereas, somewhat less than a third is paid on the bus side. So trying to determine what is a fair predictable increase is also at bar.

Ms. NORTON. Well, again, I happen not to think that is rocket science. It is interesting you say it is linked to dedicated funding

or anything else. I do think that, again, it would help us on this side to see some at least skull work being done by Metro on this very troublesome issue.

Mr. KAUFFMAN. Well, it is, but let me just, again, be very frank. My colleagues from Maryland would probably just as soon have it all borne by the customer. So we have to strike the balances of jurisdiction.

Ms. NORTON. And I have real concern when fares apply across the board, you know, if you are low-income or high-income, which leads to my next question. Is there any other system which has subsidized fares? Some of our people can actually get away with paying, if they work for the Federal Government, virtually no fares or at least a subsidized fare. Is that found anywhere else in the United States?

Mr. MILLAR. Perhaps I should lead the comment on that. It is not uncommon at all to have employer subsidy, such as has been discussed today with the Federal Government, to WMATA. They go under various names: transit check is one very common one, and things of that sort. So that is a pretty typical and common way that fares are subsidized around the country.

Ms. NORTON. I am sorry, I was distracted.

Mr. MILLAR. OK. I am sorry.

Ms. NORTON. A typical way is what?

Mr. MILLAR. The subsidization of transit fares by employers is fairly common around the country. It certainly happens more here than other places.

Ms. NORTON. Well, it happens more here because we have the granddaddy of all employers. What I want to know, and this is what I would ask Ms. Schneider, is whether or not there are any businesses in this region that have followed the leadership, the very ample and, I must say, generous leadership, on this score, it seems to me, the Federal Government has stepped up to the plate. Are there any employers who have done that? Does the Board of Trade, Chamber of Commerce, Federal City Council have any recommendation to employers along that score? Do you think they should?

Ms. SCHNEIDER. There are significant numbers of businesses that provide support for their employees who use public transit. I don't have the exact number, but we can get that number for you. But it is comparable to what the Federal Government provides.

Mr. WHITE. Ms. Norton, in our transit benefit program that we are speaking of right now, there is approximately 150,000 Federal employees that are enrolled, taking advantage of that benefit that the Federal Government provides to them. And I believe the number is around 60,000 to 70,000 members who are private sector members who also take advantage of that benefit that is offered by their private sector employer, be it a pre-tax benefit or the full kind of benefit that the Federal Government offers.

Ms. NORTON. That is very, very important; it is an example of where the Federal Government takes leadership. And, in a real sense, private employers have to do it. You may have worked for a Federal employer or you may work for a Federal employer, and then the private employer wants you and you say, oh my goodness, I get this very good subsidy from the Federal Government and, in-

creasingly, everybody understands what they have to do in order to compete with one another.

This is a final question. I was struck, Ms. Siggerud, by your analysis of what happened when the New York City Transit Agency tied funding to oversight. And then you outlined how the oversight was done; it looks like it was fairly effective. And here I am referring to the part of your testimony that says, again, tied to oversight. For example, the mean distance between failures has increased from less than 7,000 miles in 1981 to nearly 140,000 miles in 2003.

This is a system that already had dedicated funding, I take it, at the time. So my question is whether you think it is the oversight that matters most, given, I take it, that in 1981 New York already had some dedicated funding. They must have been talking about increased funding to the system.

Ms. SIGGERUD. I haven't done the analysis to know whether the funding or the oversight was more important, but I think that what is important is that they go hand in hand. What the MTA oversight felt was that if we are going to make additional revenue available to the New York City subway and transit system, that we ought to have some accountability. And as my statement said, there was a capital board set up, along with, I believe, don't quote me, but I believe there was also an inspector general set up for that organization.

Ms. NORTON. Inspector general capital program oversight?

Ms. SIGGERUD. Right.

Ms. NORTON. And transportation capital review board? All three were there?

Ms. SIGGERUD. Correct. All those were established, and they report variously, but mostly to the Governor of the State of New York. And Mr. Millar also has some information on that.

But what I think is important with regard to Metro here is we noted that there are a variety of levels and types of oversight that occur. You have the Federal oversight that relates to compliance with Federal law and with the use of Federal capital funds; you have an auditor general and a variety of other organizations. I think the key here is to ask the question whether, when you put all of that together, we answer the sorts of questions that we can identify the major operating and managing challenges that are facing WMATA.

And in creating an inspector general, should this legislation go forth, it needs to be charged with really complimenting and integrating the existing oversight and reporting to the board on the performance concepts. I believe Mr. Millar mentioned looking at the performance of the system and understanding the components of it are very important. The inspector general should be charged with those sorts of high-level tasks, in addition to integrating all of the other oversight that occurs.

Ms. NORTON. Ms. Siggerud, you, faithful to GAO's sense of the Federal deficit, indicated that the Federal Government would have to make sure that whatever was done for Metro met its competing priorities. And I just want to say for the record the breakdown of this system 1 day is billions of dollars that the Federal Government

could never recover, and the chairman's job and my job is to make people understand that.

In terms of competing priorities, you have 200,000 people. You try putting them out of commission by what happens to Metro in 1 day, and you will figure out what your competing priorities ought to be. I am very concerned——

Chairman TOM DAVIS. It would make Tractor Man look like nothing.

Ms. NORTON. Tractor Man is a very good example. At least that was when people were at work and were going home.

Finally, let me say I am very concerned. As a member of the Homeland Security Committee, I sat in a hearing with Ms. Hanson, your chief, and learned that Metro has gotten $15 million since September 11th for security that is dedicated funding; whereas, before September 11th, for safety it had gotten $50 million for security.

I know you are ahead of many other systems, but I am concerned that your blue ribbon panel costs do not include and could not include security. I am not sure how much real preventative maintenance it includes. It is one thing to step up and fund the system. It is another thing to kind of keep that going so that you don't fall back and don't have to, therefore, do it all over again.

Anyway, we are going to try, but I must say that those of you at the table representing the business community, representing Metro and its board and, therefore, our region, really have to step up first. Once you step up, it seems to me it gives the chairman and the regional delegation what it takes to move forward, put something on the table for the Federal Government and say "your move."

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Thank you.

I want to thank all of you for being here. This is an important first hearing for us. We will do more, but this is a draft. The legislation that we have put forward is kind of our opening. There will be a lot of give and take as we move forward, and I look forward to working with all of you as we try to perfect this, move it out of committee and to the House floor.

The hearing is adjourned.

[Whereupon, at 12:12 p.m., the committee was adjourned.]

[The prepared statements of Hon. Henry A. Waxman, Hon. Diane E. Watson, and Hon. Elijah E. Cummings follow:]

Statement of
Rep. Henry A. Waxman, Ranking Minority Member
Committee on Government Reform
Keeping Metro on Track: The Federal Government's Role in Improving Accountability and Performance at Washington's Transit Agency

July 28, 2005

Mr. Chairman, thank you for holding this hearing.

I am a strong supporter of mass transit and I want Metro to be a success. The federal government needs Metro to be a success. The Washington Metropolitan Area Transit Authority (WMATA) system provides access to many federal buildings and almost half of Metro's peak period riders are federal employees and contractors.

Metro is also vital to the millions of people who visit the nation's capital annually. In addition, Metro is critical to alleviating the region's traffic problems. As a member from Los Angeles, one of the District's few rivals in traffic congestion, I particularly appreciate the region's reliance on WMATA's system of trains and buses.

And the use of Metro reduces air pollution in a region that has been identified as having unhealthy air quality. A large part of the

problem with the region's air is motor vehicle pollution. Public transit is a key to improving the region's air quality.

Unfortunately, recent Metro stories have not been good. Last month, on the same day that WMATA employees were busy at Metro stations handing out rebuttals to the *Washington Post* "Off the Rails" exposé on Metro, WMATA was forced to single-track and manually control many of its trains, adding on an hour to the normal evening commute of many riders. The stories from the *Washington Post* are not new. Delays, crowding, jerky rides, merging issues, transfer station gridlock, broken escalators, earsplitting brakes, and now overheated metro stations have become routine.

These problems must be fixed in order for Metro to be a success. I understand that traffic concerns have pushed some to consider expansion. But expansion won't be successful unless WMATA improves the current system. WMATA needs additional funds to move from 6-car trains to its goal of 8-car trains. Indeed, at times there are 4-car trains during morning rush hours and after Washington National games.

In addition, it appears that WMATA is suffering from the same problem plaguing many of our federal agencies: inadequate contract oversight.

Finally, WMATA needs to continue to work on being more open and transparent with the public. I was pleased to hear that WMATA recently changed its policy regarding public access to information.

I want to thank the witnesses for being here today. We will continue to monitor WMATA's actions and this hearing will help hold WMATA accountable to the public.

Opening Statement
Congresswoman Diane E. Watson
Government Reform Committee
Hearing: "Keeping Metro On Track: The Federal Government's Role in Balancing Investment with Accountability at Washington's Transit Agency"
July 28, 2005

Mr. Chairman, terrorist threats to the innocent public are an unfortunate reality in our world. I was saddened to hear of the London subway attacks, but not entirely surprised in the current global environment. It was blatantly apparent that enhanced information and planned emergency countermeasures would be helpful, both for the British government and the nation.

The United States must also be cautious and informed on the proper levels of preparedness. The Washington Metropolitan Area Transit Authority is the nation's fourth largest transit system and the nation's second busiest subway system. To make the transportation system safe, and operational, it is very important to put the proper support in place.

The federal government, by most accounts, is the largest beneficiary of the transport service. Metrorail and Metrobus serve over 300 federal offices, and millions of people access all the attractions that the United States capitol can offer.

This hearing is important to highlight the multi-jurisdictional challenges that the WMATA faces and the funding shortfalls that it is fighting. The bottom line is that the District of Columbia, Virginia, and Maryland will have to create a reliable funding stream for WMATA.

This hearing should also serve as an educational tool to see how Congress may be of assistance. This critical service to our government, and to our nation, should be treated as a public asset that affirms our way of life. Public transit and the ability to go wherever we wish is a large part of the essence of America. Let us learn from London and Madrid. Let's find a solution that will strengthen the Metro system, but allow it to function as a business in our society. It can be done.

To conclude, I want to thank the witnesses for their willingness to come forward and testify in order for all of us to educate America, and increase our preparedness.

I yield back.

COMMITTEE ON GOVERNMENT REFORM
By Rep. Elijah Cummings
OVERSIGHT HEARING on
"Keeping Metro On Track: The Federal Government's Role in Balancing Investment with Accountability at Washington's Transit Agency"

July 28, 2005
10:00 am
Room 2154, Rayburn House Office Building

Mr. Chairman:

I want to thank you for holding this hearing to assess how the federal government can pair increased investment in the Washington Metro system with the development of new systems to increase accountability at Metro.

The Metro Board of Directors recently approved an operating budget for fiscal 2006 that will exceed $1 billion for the first time in the system's history. Metro estimates that just over 56% of that operating budget will be recovered from farebox revenues – which is notably among the highest farebox recovery rates in the nation.

Unfortunately, Metro is also unique among American transit systems in that it lacks a dedicated source of funding to provide those funds that are not recovered through the farebox. Metro therefore continues to rely on subsidies appropriated by the jurisdictions in Maryland, Virginia, and the District of Columbia that together participate in the interstate compact that governs the Metro system.

In fiscal 2006, Maryland, Virginia, and the District of Columbia are expected to provide a combined total of more than $471 million to meet the system's operating expenses.

The subsidies provided by these jurisdictions for Metro's operations have grown significantly in recent years. For fiscal year 2006, the total operating subsidy provided by my state of Maryland is likely to be over $177 million including debt service. Maryland will also provide an additional $146 million in fiscal 2006 to meet the Metro system's capital costs.

Maryland is committed to assist Metro in maintaining the investment that has been made in the system and in expanding the capacity of the system to meet the needs of a growing ridership. However, Maryland is unique among U.S. states in bearing the costs of two major transit systems, and Metro's growing needs are outpacing the ability of my state and of the other participating jurisdictions to provide adequate funding. Therefore, I strongly support Metro's petition for increased federal participation in meeting the operating costs of the system.

I also strongly believe that increased federal participation should bring with it increased oversight and the creation of new systems that will enforce increased accountability.

The apparent lapses in budget management and safety oversight recently uncovered by the *Washington Post* likely occurred in part

due to inadequate oversight over the Metro system. What are some of the holes in the current oversight system?

First, the jurisdictions that currently provide operating subsidies have little oversight over the annual budgets for which they are paying. While I cannot speak to the budget processes in Virginia, I know that in Maryland, only draft Metro budgets are available to the General Assembly during its annual legislative sessions, which end in April – several months before Metro adopts its final annual budget.

Appropriators in my state therefore usually have little chance to meaningfully review the Metro budget, and Maryland's annual appropriation usually has to be increased through budget amendments during the course of the fiscal year after Metro's final budget is approved.

There is also a noticeable absence of independent organizations within Metro's governing structure that are empowered to undertake independent analyses of its budget.

The Metro Board of Directors does not have its own staff and relies on numbers and budget analyses provided by Metro's staff, who of course are also accountable to the Chief Executive of the system. Further, the system's Auditor General reports to the Chief Executive, rather than directly to the Board.

The Tri-State Oversight Committee, which is ostensibly responsible for overseeing safety on the Metro system, similarly lacks a staff. The Committee also has limited funding resources, and apparently no authority to levy fines or impose other significant penalties for safety violations.

The Metro Board does not include a representative of riders. Metro has now proposed developing a Riders' Advisory Council.

However, as reported, Metro's plan does not call for giving this Council independent staff members or analysis capabilities. Again, this Council would be dependent on Metro staff for budget and policy information.

I strongly believe it is time that Congress revisit the Compact governing Metro to modernize its oversight structures both to give the participating jurisdictions – including legislative bodies – more oversight over the funds they are providing and to create more independent agencies capable of analyzing Metro's finances on a regular and on-going basis.

I look forward to hearing from today's witnesses and I yield back.

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