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**Congress of the United States**  
**House of Representatives**  
**Committee on Appropriations**  
**Washington, DC 20515-6015**

July 15, 2003

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Federal Transit Administration  
400 Seventh Street, NW  
Washington, DC 20590

This letter is to express disapproval of your July 11<sup>th</sup> notice of intent to execute a Federal full-funding grant agreement (FFGA) with the Central Puget Sound Regional Transit Authority (Sound Transit). Your submission is premature for these reasons:

- You have failed to provide the Committee with a copy of the proposed FFGA. As stated in the annual Department of Transportation Appropriations Acts, FTA is to provide the Committee with a copy of the proposed FFGA in the materials submitted with notification. This was not included with your submission.
- You have not complied with prior Congressional direction, which you reference in your July 11<sup>th</sup> letter, wherein you state, "Conference reports for previous Department of Transportation Appropriations Acts directed FTA to enter into an FFGA *only when there were no outstanding issues that would have a material effect on the estimated cost of a project or the local financial commitment to complete that project*". The July 7<sup>th</sup> report from the Department of Transportation's Inspector-General titled, "Audit of the Seattle Central Link Light Rail Project's Initial Segment" clearly states that there are outstanding issues that have a material effect on the local financial commitment, and which have not been met. As stated on page 14 of that report, the IG recommends that the Sound Transit Board of Directors must formally agree that:
  1. Alternative local revenues will be committed promptly to the light rail project if and to the extent that a funding deficit or shortfall is occasioned by the loss of excise tax revenues and related fees [due to Washington State's ballot proposition I-776];
  2. Sound Transit's finance plan will be amended to reflect this commitment and identify alternative revenue source(s) in the event it is determined that motor vehicle excise taxes and related fees are no longer collectible; and

3. Sound Transit's commitment must include that it will arrange its finances and revenues in a manner that assures the existing transit system is maintained and operated at current levels of service (i.e., those services would not be jeopardized by the funding commitments covered in items one and two).

-- The project management oversight program review upon which FTA relies (attached to your letter) is dated January 21, 2003, and fails to incorporate the potential enormous impact of the Washington State voters' adoption of Proposition I-776, and the pending State Supreme Court litigation over that ballot proposition's approval. This is necessary to address the concerns raised by the Inspector-General's report.

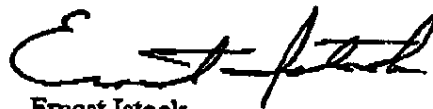
Although previously issued (1999) bonds secured by the motor vehicle excise tax may not be in jeopardy, the IG report notes (on page 8) that the contested fees are one of three sources (in addition to sales and car rental taxes) intended for use in securing \$1.152-billion in future bonds to cover the costs of this project. That means a potential collapse of revenue intended to cover 40% of the project's overall costs. For a project costing \$174 million per rail mile, and seeking a half-billion dollars of federal funding, a contingency of this magnitude must be covered, as recommended in the IG's report.

Action by Sound Transit's governing board to adopt a sufficient financial contingency plan must occur before FTA agrees to an FFGA and before any submission to Congress. To do otherwise would improperly deprive the Congress of its 60-day review of this extremely-crucial factor. This is such a major issue that the sufficiency of Sound Transit's action must be weighed by Congress before a proposed FFGA can be properly evaluated. It should be re-emphasized that the IG report properly requires that the only acceptable assurance is a formal, complete, official and fully binding action by Sound Transit's governing board. No lesser level of assurance, nor incomplete coverage of the requirements can suffice. That official action should cover the aspects previously mentioned in this letter.

We reserve the right to take further issue with any proposed FFGA, as no copy of the proposed FFGA has been received to date. Further, no proposal could be approved until after the detailed requirements in this letter have been met.

Finally, please ensure that any future notice of intent advises Congress expressly that any proposed FFGA would specify that potential cost overruns would be the sole financial responsibility of Sound Transit, as further mentioned in the IG's report.

Sincerely,



Ernest Istook  
Chairman

Subcommittee on Transportation, Treasury  
and Independent Agencies Appropriations