

August 2006

# PUBLIC TRANSPORTATION

## New Starts Program Is in a Period of Transition





Highlights of [GAO-06-819](#), a report to congressional committees

## Why GAO Did This Study

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) authorized about \$7.9 billion in commitment authority, through fiscal year 2009, for the Federal Transit Administration's (FTA) New Starts program, which is used to select fixed guideway transit projects, such as rail and trolley projects, and to award full funding grant agreements (FFGAs). The New Starts program serves as an important source of federal funding for the design and construction of transit projects throughout the country.

SAFETEA-LU requires GAO to report each year on FTA's New Starts process. As such, GAO examined (1) the number of projects that were evaluated, rated, and proposed for FFGAs for the fiscal year 2007 evaluation cycle and the proposed funding commitments for the fiscal year 2007 budget; (2) procedural changes that FTA proposed for the New Starts program beginning with the fiscal year 2008 evaluation cycle; and (3) changes SAFETEA-LU made to the New Starts program and FTA's implementation of these changes. GAO reviewed New Starts documents and interviewed FTA officials and project sponsors, among other things, as part of its review. GAO is not making recommendations in this report. In commenting on a draft of this report, FTA provided technical clarifications, which we incorporated as appropriate.

[www.gao.gov/cgi-bin/getrpt?GAO-06-819](http://www.gao.gov/cgi-bin/getrpt?GAO-06-819).

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

## PUBLIC TRANSPORTATION

### New Starts Program Is in a Period of Transition

#### What GAO Found

For the fiscal year 2007 evaluation cycle, FTA evaluated and rated 20 projects, recommended 5 projects for new FFGAs and 2 projects with pending FFGAs. FTA also identified 5 other projects that may be eligible for funding outside of FFGAs. The administration's fiscal year 2007 budget proposal requests \$1.47 billion for the New Starts program, which is about \$200 million more than the amount received last year.

FTA proposed nine procedural, or nonregulatory, changes for the New Starts program beginning with the fiscal year 2008 evaluation cycle that were generally intended to improve the management of the New Starts process. These changes include linking the New Starts and National Environmental Policy Act planning requirements and processes and capping New Starts funding when projects enter the final design phase. As required by SAFETEA-LU, FTA published these proposals in policy guidance and sought public input. Members of the transit community supported changes that they thought would make the New Starts process more efficient, but many commenters expressed strong opposition to other changes, citing, for example, the time and resources required to analyze ridership and cost uncertainties. Consequently, FTA implemented only 4 of the proposed procedural changes, but indicated that a final decision on the other 5 proposed changes would be made through the rulemaking process.

SAFETEA-LU introduced eight statutory changes to the New Starts program that include establishing the Small Starts program and identifying new evaluation criteria. FTA has taken some initial steps to implement these changes, including issuing an Advanced Notice of Proposed Rulemaking (ANPRM) for the Small Starts program and proposed policy guidance for the New Starts program, both in January 2006. The Small Starts program is a new component of the New Starts program and is intended to offer an expedited and streamlined application and review process for small projects. The transit community, however, questioned whether the Small Starts program, as outlined in the ANPRM, would provide such a process. In July 2006, FTA introduced a new eligibility category called Very Small Starts, which is for the simplest and least costly projects. Very Small Starts projects will qualify for an even simpler and more expedited evaluation process. FTA also identified and sought public input on possible changes to the New Starts program that would have an impact on traditional New Starts projects, such as revising the evaluation process to incorporate the new evaluation criteria identified by SAFETEA-LU. According to FTA, a potential challenge in moving forward is incorporating both land use and economic development as separate criteria in the evaluation process, including developing appropriate measures for the criteria and avoiding duplication in counting benefits.

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## Abbreviations

ANPRM	Advanced Notice of Proposed Rulemaking
BRT	bus rapid transit
DOT	Department of Transportation
FD	Final design
FEIS	Final environmental impact statement
FFGA	full funding grant agreement
FHWA	Federal Highway Administration
FONSI	Finding of no significant impact
FTA	Federal Transit Administration
HOV	High-occupancy vehicle
LPA	locally preferred alternative
LRT	light rail transit
MOS	minimum operable segment
MPO	Metropolitan Planning Organization
NEPA	National Environmental Policy Act
NPRM	Notice of Proposed Rulemaking
PDA	Project development agreements
PE	Preliminary engineering
PMP	Project Management Plans
ROD	Record of decision
ROW	right-of-way
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
TEA-21	Transportation Equity Act for the 21 <sup>st</sup> Century

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United States Government Accountability Office  
Washington, DC 20548

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August 30, 2006

The Honorable Richard C. Shelby  
Chairman  
The Honorable Paul S. Sarbanes  
Ranking Minority Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Don Young  
Chairman  
The Honorable James L. Oberstar  
Ranking Democratic Member  
Committee on Transportation and Infrastructure  
House of Representatives

A significant portion of the federal government's share of new capital investment in mass transportation since the early 1970s has come through the Federal Transit Administration's (FTA) New Starts program, which awards full funding grant agreements (FFGAs) for fixed guideway projects, including rail, bus rapid transit, and ferry systems across the country.<sup>1</sup> An FFGA establishes the terms and conditions for federal participation in a project, including the maximum amount of federal funds available for the project, which by statute cannot exceed 80 percent of its net cost. Since fiscal year 1998, the New Starts program has provided state and local agencies with more than \$10.4 billion to help design and construct transit projects throughout the country.<sup>2</sup>

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) authorized the New Starts program through fiscal year 2009 and provided approximately \$7.9 billion in commitment authority<sup>3</sup> from fiscal year 2005 through fiscal year 2009.

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<sup>1</sup>Fixed guideway systems use and occupy a separate right-of-way for the exclusive use of public transportation services. These systems include fixed rail, exclusive lanes for buses and other high-occupancy vehicles, and other systems.

<sup>2</sup>This is the amount appropriated through fiscal year 2006, according to FTA.

<sup>3</sup>Commitment authority is the amount of funding Congress has authorized FTA to commit to New Starts projects for a given period of time.

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Competition for New Starts funds continues to grow: According to FTA, SAFETEA-LU identified over 300 projects as eligible to compete for New Starts funding, compared with 190 such projects identified by the previous authorization legislation, the Transportation Equity Act for the 21st Century (TEA-21). For that reason, SAFETEA-LU, like TEA-21, directs FTA to continue to prioritize projects for funding by evaluating, rating, and recommending potential projects on the basis of specific financial and project justification criteria including mobility improvements, cost-effectiveness, environmental benefits, and operating efficiencies. However, SAFETEA-LU made several changes to the New Starts evaluation and rating process, including identifying a new eligibility category for smaller fixed guideway projects and establishing new evaluation criteria. FTA is currently implementing these changes.

SAFETEA-LU also requires us to report each year on FTA's processes and procedures for evaluating, rating, and recommending New Starts projects for funding and on FTA's implementation of these processes and procedures. This report discusses (1) the number of projects that were evaluated, rated, and proposed for FFGAs for the fiscal year 2007 evaluation cycle<sup>4</sup> and the proposed funding commitments for the fiscal year 2007 budget; (2) procedural changes that FTA proposed for the New Starts program beginning with the fiscal year 2008 evaluation cycle; and (3) changes SAFETEA-LU made to the New Starts program and FTA's implementation of these changes. To address these objectives, we reviewed SAFETEA-LU; FTA guidance and regulations governing the New Starts program; and other relevant FTA documents, including the annual New Starts report. We also interviewed FTA officials, project sponsors from five projects in preliminary engineering and final design that were rated in the fiscal year 2007 evaluation cycle, and representatives from the American Public Transportation Association and the New Starts Working Group.<sup>5</sup> In addition, we reviewed comments to FTA's docket on New Starts and Small Starts and the Advanced Notice of Proposed Rulemaking (ANPRM) for Small Starts. Finally, we attended one of FTA's three meetings with project sponsors—the New Starts/Small Starts Seminar and

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<sup>4</sup>The fiscal year 2007 evaluation cycle began in May 2005 with the issuance of the New Starts reporting instructions. Applications were due in August 2005, and FTA evaluated the applications in the fall of 2005. The annual report was published in February 2006 and included funding recommendations for fiscal year 2007.

<sup>5</sup>The New Starts Working Group is an organization of New Starts project sponsors, metropolitan planning organizations, and private industry transit firms that advocate on behalf of the New Starts program and specific projects.

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Listening Sessions—in March 2006. We conducted our work from February 2006 through August 2006 in accordance with generally accepted government auditing standards. (See app. I for more information on our scope and methodology.)

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## Results in Brief

For the fiscal year 2007 evaluation cycle, FTA evaluated and rated 20 projects, proposed 5 projects for new FFGAs, and requested \$1.47 billion for the New Starts program. Of the 20 projects rated, 1 was rated as “high,” 17 were rated as “medium,” and 2 were rated as “low.” FTA recommended 12 of the 20 projects for funding. Specifically, FTA recommended 5 projects for new FFGAs and 2 projects with pending FFGAs.<sup>6</sup> In addition, FTA identified 5 other projects that may be eligible for funding outside of FFGAs. The administration’s budget request of \$1.47 billion for the New Starts program is about \$200 million more than the amount received last year. The majority of the \$1.47 billion would be allocated to projects with existing and pending FFGAs and projects proposed for new FFGAs.

FTA proposed nine procedural changes for the New Starts program, beginning with the fiscal year 2008 evaluation cycle that were generally intended to improve the management of the New Starts process. These changes include linking the New Starts and the National Environmental Policy Act (NEPA) planning requirements and processes and capping New Starts funding when projects enter the final design phase. As required by SAFETEA-LU, FTA published these proposals in policy guidance and sought public input. A total of 41 transit agencies, government entities, consultants, associations, and organizations submitted written comments to FTA’s docket in response to the proposed procedural changes. Project sponsors and other members of the transit community supported changes that they thought would make the New Starts process more efficient, but many commenters expressed strong opposition to other changes. For example, many commenters opposed FTA’s proposal that project sponsors analyze ridership and cost uncertainties, citing concerns about the lack of guidance on how to conduct the analysis as well as about the time and resources required to perform such an analysis. FTA implemented four of the nine proposed procedural changes and, on the basis of the comments

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<sup>6</sup>Projects with pending FFGAs have been previously recommended for FFGAs by FTA; however, the FFGAs have not been executed. FTA expects to execute both pending FFGAs by the end of fiscal year 2006.



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received, did not implement the other five changes. FTA, however, noted that it may revisit these proposed changes in the future.

SAFETEA-LU introduced eight changes to the New Starts program, such as establishing the Small Starts program and identifying new evaluation criteria. FTA has taken some initial steps to implement these changes, including issuing an ANPRM for the Small Starts program and guidance for the New Starts program, both in January 2006. The Small Starts program is a component of the New Starts program and is intended to offer an expedited and streamlined application and review process for small projects. The transit community, however, questioned whether the Small Starts program, as outlined in the ANPRM, would provide such a process. In July 2006, FTA simplified how Small Starts projects would be evaluated and rated and introduced a new eligibility category within the Small Starts program called Very Small Starts, which is for the least costly projects.<sup>7</sup> Very Small Starts projects will qualify for an even simpler and more expedited evaluation process. FTA's actions appear to have streamlined the Small Starts program more than was originally proposed in the ANPRM. FTA will have the opportunity to make additional modifications, as appropriate, as it works to develop the final rule for the Small Starts program over approximately the next 18 months. In its January 2006 guidance, FTA also identified and sought public input on possible changes to the New Starts program that would have an impact on traditional New Starts projects, such as revising the evaluation process to incorporate the new evaluation criteria identified by SAFETEA-LU. According to FTA, potential challenges in moving forward are incorporating both land use and economic development as separate criteria in the evaluation process, as required by the statute—including developing appropriate measures for these criteria and avoiding duplication in counting benefits. We have also previously reported similar challenges in measuring these types of benefits and noted that experts have suggested potential solutions, such as using qualitative information about the benefits rather than relying strictly on quantitative information and expanding the use of risk assessment or probability analysis in conjunction with economic analysis.<sup>8</sup> Some of FTA's proposed changes to the New Starts process, which would consider

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<sup>7</sup>In July 2006, FTA issued final interim guidance that will govern the Small Starts evaluation and rating process until the final rule is issued in early 2008.

<sup>8</sup>GAO, *Highway and Transit Investments, Options for Improving Information on Projects' Benefits and Costs and Increasing Accountability for Results*, GAO-05-172 (Washington, D.C.: Jan. 24, 2005).

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qualitative information about the project and the project's uncertainties, appear to be in line with these suggestions.

The Department of Transportation, including FTA, reviewed a draft of this report. FTA officials provided technical clarifications, which we incorporated as appropriate.

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## Background

SAFETEA-LU authorized a total of \$45.3 billion for a variety of transit programs, including financial assistance to states and localities to develop, operate, and maintain transit systems from fiscal year 2005 through fiscal year 2009. Under one program, New Starts, FTA identifies and selects fixed guideway transit projects for funding—including heavy, light, and commuter rail; ferry; and certain bus projects (such as bus rapid transit). The New Starts program serves as an important source of federal funding for the design and construction of transit projects throughout the country. FTA generally funds New Starts projects through FFGAs, which establish the terms and conditions for federal participation in a New Starts project and also define a project's scope, including the length of the system and the number of stations; its schedule, including the date when the system is expected to open for service; and its cost.

For a project to obtain an FFGA, it must progress through a local or regional review of alternatives and meet a number of federal requirements, including requirements for information used in the New Starts evaluation and rating process (see fig. 1). As required by SAFETEA-LU, New Starts projects must emerge from a regional, multimodal transportation planning process. The first two phases of the New Starts process—systems planning and alternatives analysis—address this requirement. The systems planning phase identifies the transportation needs of a region, while the alternatives analysis phase provides information on the benefits, costs, and impacts of different corridor-level options, such as rail lines or bus routes. The alternatives analysis phase results in the selection of a locally preferred alternative—which is intended to be the New Starts project that FTA evaluates for funding, as required by statute. After a locally preferred alternative is selected, project sponsors submit a request to FTA for entry

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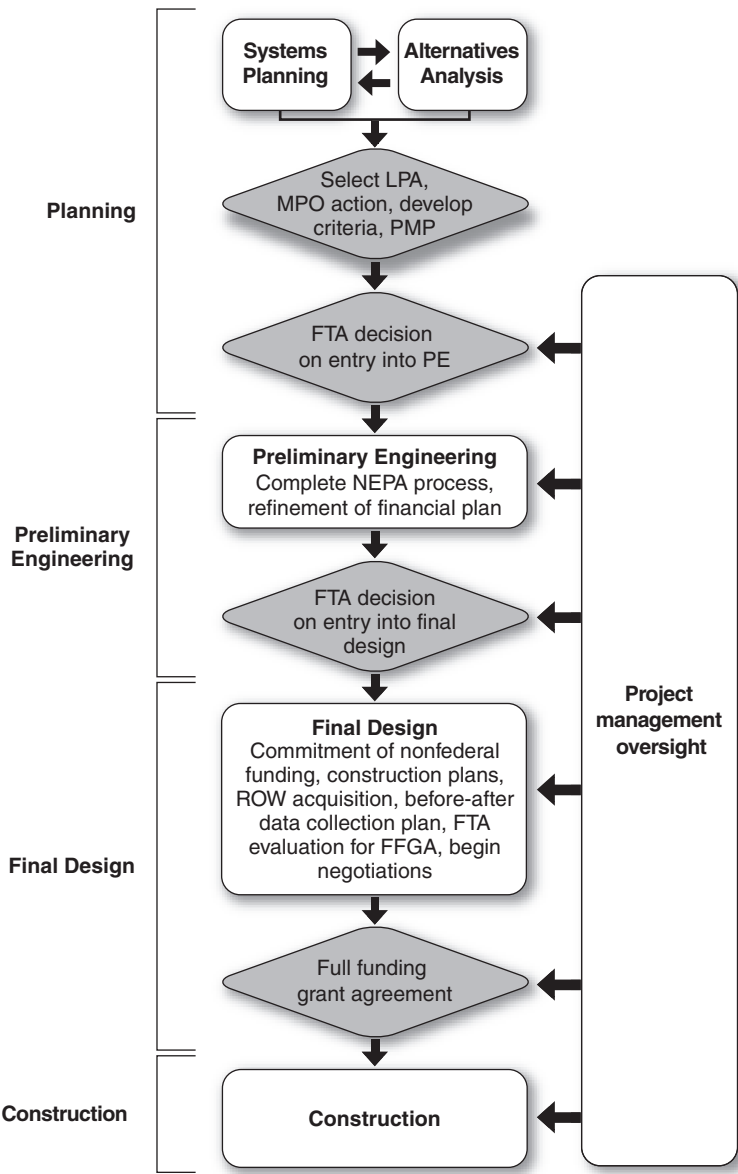
into the preliminary engineering phase.<sup>9</sup> Following completion of preliminary engineering and federal environmental requirements, the project may be approved by FTA to advance into final design,<sup>10</sup> after which the project may be approved by FTA for an FFGA and proceed to construction, as provided for in statute. FTA oversees grantee management of projects from the preliminary engineering phase through construction and evaluates the projects for advancement into each phase of the process, as well as annually for the New Starts report to Congress.



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<sup>9</sup>During the preliminary engineering phase, project sponsors refine the design of the proposal, taking into consideration all reasonable design alternatives and estimating their costs, benefits, and impact (e.g., financial or environmental). According to FTA officials, to gain approval for entry into preliminary engineering, a project must (1) be identified through the alternatives analysis process, (2) be included in the region's long-term transportation plan, (3) meet the statutorily defined project justification and financial criteria, and (4) demonstrate that the sponsors have the technical capability to manage the project during preliminary engineering. Some federal New Starts funding is available to projects for preliminary engineering activities, if so appropriated by Congress.

<sup>10</sup>Final design is the last phase of project development before construction and may include right-of-way acquisition, utility relocation, and the preparation of final construction plans and cost estimates.

**Figure 1: New Starts Planning and Development Process**



 Decision point  
 Major development stage

Source: FTA.

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Legend:

LPA = locally preferred alternative  
MPO = Metropolitan Planning Organization  
NEPA = National Environmental Policy Act  
PE = Preliminary engineering  
PMP = Project Management Plans  
ROW = right-of-way

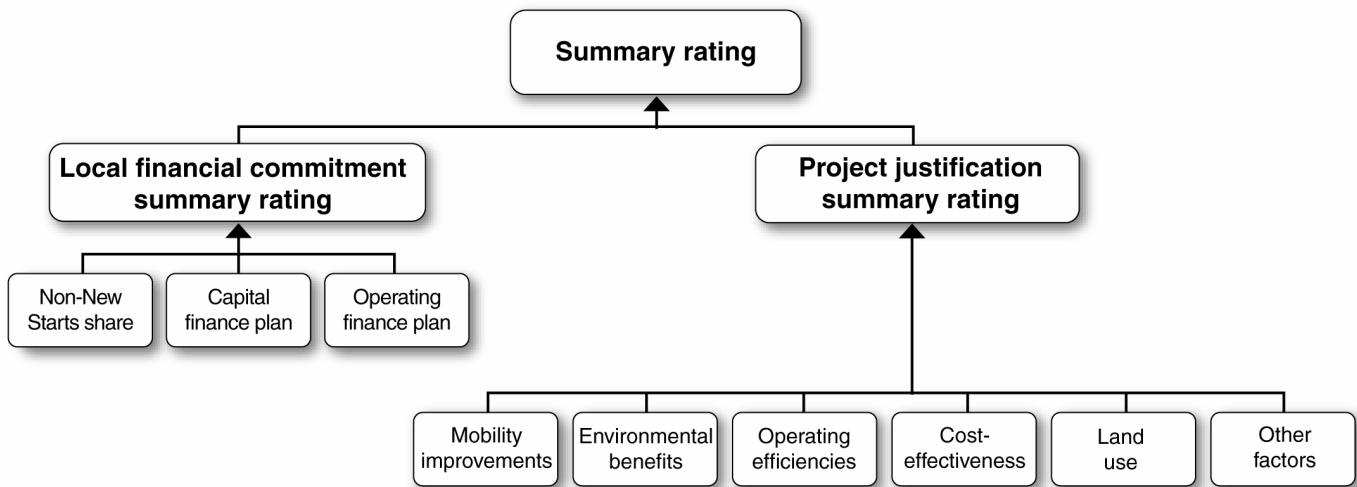
Note: NEPA requires federal agencies to prepare detailed statements assessing the environmental impact of and alternatives to major federal actions significantly affecting the environment. In the transportation context, the NEPA evaluation measures the impact of different alternatives by the extent to which the alternative meets the project purpose, need, and consistency with the goals and objectives of any local urban planning.

To help inform administration and congressional decisions about which projects should receive federal funds, FTA assigns ratings on the basis of various financial and project justification criteria, and then assigns an overall rating. For the fiscal year 2007 evaluation cycle, FTA primarily used the financial and project justification criteria identified in TEA-21.<sup>11</sup> These criteria reflect a broad range of benefits and effects of the proposed project, such as cost-effectiveness, as well as the ability of the project sponsor to fund the project and finance the continued operation of its transit system (see fig. 2). Projects are rated at several points during the New Starts process—as part of the evaluation for entry into preliminary engineering and final design, and yearly for inclusion in the New Starts annual report.

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<sup>11</sup>As will be discussed later in this report, SAFETEA-LU identified additional criteria for FTA to use in its evaluation and rating process. However, according to FTA's January 2006 proposed guidance, FTA does not plan to change the current framework and methodology for evaluating and rating New Starts projects before publishing the new final rule for its New Starts program, which is expected in January 2008. However, FTA did incorporate several SAFETEA-LU changes in the fiscal year 2007 evaluation and rating process, including using a revised rating scale and downgrading the emphasis placed on the federal share. These changes will be discussed later in this report.

Figure 2: New Starts Project Evaluation Criteria



Source: GAO analysis of FTA data.

FTA assigns the proposed project a rating for each criterion and then assigns a summary rating for local financial commitment and project justification. Finally, FTA develops an overall project rating. The exceptions to this process are statutorily “exempt” projects, which are those with requests for less than \$25 million in New Starts funding. These projects do not have requirements for submitting project justification information—although FTA encourages their sponsors to do so—do not receive ratings from FTA and are not eligible for FFGAs; thus, the number of projects in preliminary engineering or final design may be greater than the number of projects evaluated and rated by FTA.

As required by statute, the administration uses the FTA evaluation and rating process, along with the stage of development of New Starts projects, to decide which projects to recommend to Congress for funding.<sup>12</sup> Although many projects receive a summary rating that would make them eligible for FFGAs, only a few are proposed for FFGAs in a given fiscal year. FTA proposes projects for FFGAs when it believes that the projects will be able to meet certain conditions during the fiscal year for which funding is proposed. These conditions include the following:

<sup>12</sup>The administration’s funding recommendations are made in the President’s budget and are included in FTA’s annual New Starts report to Congress, which is released each February in conjunction with the President’s budget.

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- All non-New Starts funding must be committed and available for the project.
  - The project must be in the final design phase and have progressed to the point where uncertainties about costs, benefits, and impacts (e.g., environmental or financial) are minimized.
  - The project must meet FTA's tests for readiness and technical capacity, which confirm that there are no cost, project scope, or local financial commitment issues remaining.

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## FTA Proposed Five New Projects for FFGAs and Requested \$1.47 Billion for the New Starts Program in Fiscal Year 2007

FTA's *Annual Report on New Starts: Proposed Allocations of Funds for Fiscal Year 2007* (annual report) identified 24 projects in preliminary engineering and final design (see fig. 3). FTA evaluated and rated 20 of these projects,<sup>13</sup> and 4 projects were statutorily exempt from being rated because their sponsors requested less than \$25 million in New Starts funding.<sup>14</sup> FTA evaluated and rated fewer projects during the fiscal year 2007 cycle than in fiscal year 2006. According to FTA, this decrease occurred because 12 proposed projects are no longer in preliminary engineering or final design.<sup>15</sup> FTA stated in its annual report that the sponsors of these projects have either (1) fully implemented the project; (2) received the total New Starts funding requested to implement the project; (3) terminated or suspended project development activities; (4) withdrawn from the New Starts process while they address outstanding issues; or (5) decided not to pursue New Starts funding.

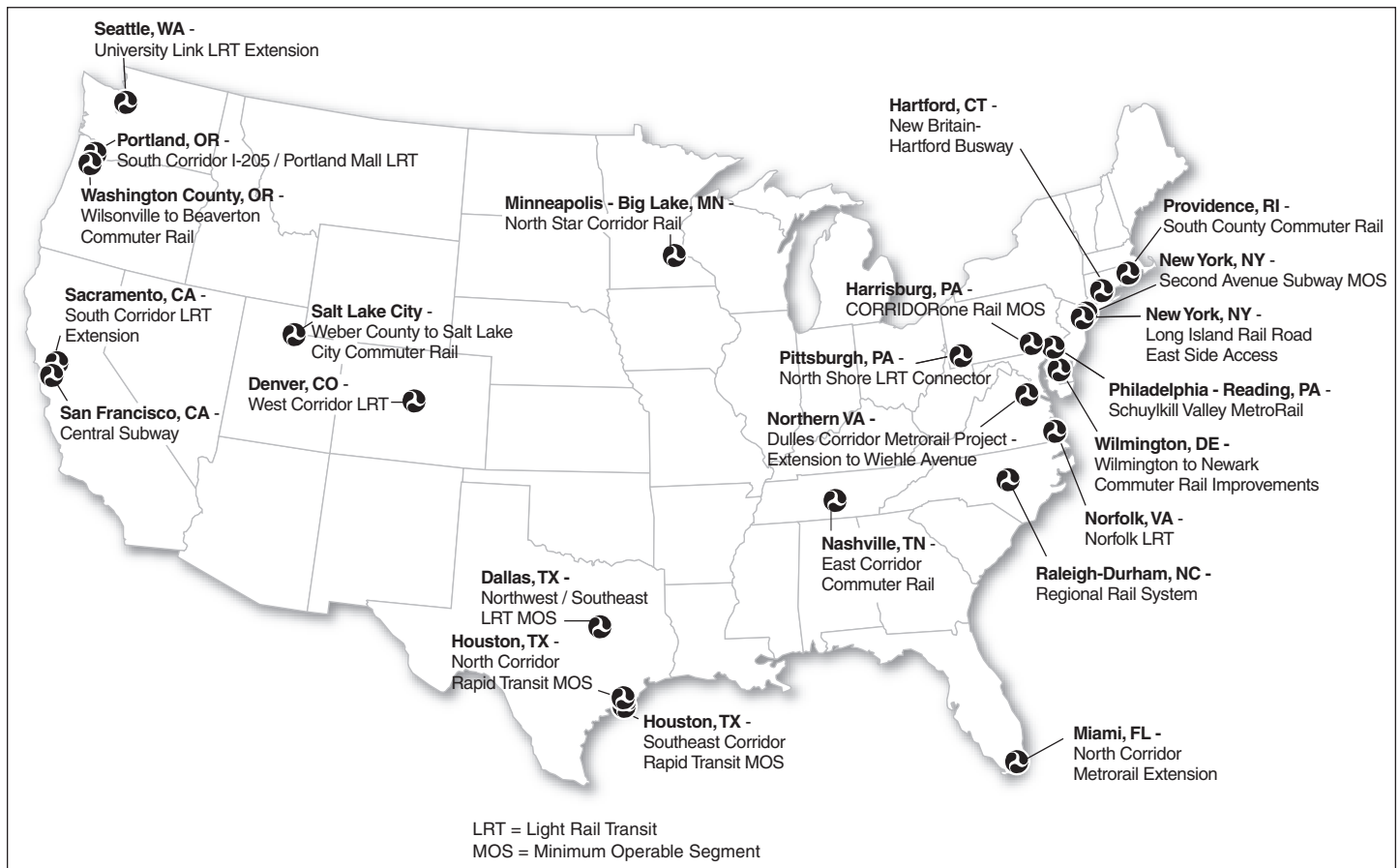
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<sup>13</sup>FTA does not evaluate and rate projects that already have FFGAs or that are in alternatives analysis.

<sup>14</sup>Projects with requests for less than \$25 million in New Starts funding were not evaluated and rated during the fiscal year 2007 cycle; however, these projects will be evaluated and rated as "Small Starts" once the final rule for the Small Starts program is in place, as specified in section 5309(e)(B) of SAFETEA-LU.

<sup>15</sup>These projects include Boston, Silver Line Phase III; El Paso, Starter Line; Ft. Collins, Mason Transportation Corridor; Kansas City, Southtown BRT; Las Vegas, Resort Corridor Downtown Monorail; Los Angeles, Exposition Corridor; New Orleans, Desire Streetcar; Orange County, CenterLine LRT; San Diego, Mid-Coast LRT; San Jose, Silicon Valley Rapid Transit Corridor; South Wasilla, Track Realignment; and Tampa Bay, Regional Rail System.

**Figure 3: New Starts Projects in Final Design and Preliminary Engineering, Fiscal Year 2007**



Source: FTA.

Of the 20 projects that were rated in the fiscal year 2007 evaluation cycle, 1 was rated as “high,” 17 were rated as “medium,” and 2 were rated as “low.” Under TEA-21, during fiscal years 2000 through 2006, FTA designated projects as highly recommended, recommended, or not recommended, based on the results of FTA’s evaluation of each of the criteria for project justification and local financial commitment. SAFETEA-LU replaced this rating scale with a 5-point scale of high, medium-high, medium, medium-low, and low. To help transition to the new rating scale, FTA used a 3-point scale of high, medium, and low for the fiscal year 2007 evaluation cycle, but used the same decision rules to determine overall project ratings as it did in previous years (see table 1). According to FTA officials, FTA intends to work closely with the industry to implement the SAFETEA-LU



provisions so that they can be applied in subsequent annual project evaluation cycles. In addition, FTA's current schedule anticipates that the final rule will be completed in time to use the 5-point scale for the fiscal year 2010 evaluation cycle.

**Table 1: Comparison of the Fiscal Year 2006 and Fiscal Year 2007 Rating Scales**

<b>Decision rule</b>	<b>Fiscal year 2006 evaluation cycle rating scale</b>	<b>Fiscal year 2007 evaluation cycle rating scale</b>
At least "medium-high" for finance and project justification	Highly recommended	High
At least "medium" for finance and project justification	Recommended	Medium
Not rated at least "medium" for finance and project justification	Not recommended	Low

Source: FTA's New Starts annual report.

FTA's evaluation process informed the administration's recommendation to fund 12 projects. FTA recommended five projects for new FFGAs. The total capital cost of these five projects is estimated to be \$3.3 billion, of which the total federal New Starts share is expected to be \$1.9 billion. In addition, FTA recommended funding for two projects with pending FFGAs. The total capital cost of these two projects is estimated to be \$8.2 billion, of which the total federal New Starts share is expected to be \$2.8 billion. FTA also recommended reserving \$101.9 million in New Starts funding for five "other projects." In its annual report, FTA stated that four of the five other projects (1) were in or nearing final design, (2) received overall medium or higher ratings, and (3) had medium or better cost-effectiveness ratings, or (4) were exempt from the requirement to achieve a medium cost-effectiveness rating.<sup>16</sup> According to FTA, no other project in preliminary engineering or final design met these criteria. The fifth project—Washington, D.C., Largo Metrorail Extension—did not meet these criteria but was congressionally designated for funding in SAFETEA-LU.<sup>17</sup> Similar to last year, FTA did not specify funding levels for the five

<sup>16</sup>SAFETEA-LU exempted four projects from a requirement to have a medium cost-effectiveness rating.

<sup>17</sup>SAFETEA-LU, section 3043(a) (31) and 3043(j).

other projects because it wanted to ensure that the projects were moving forward as anticipated before making specific funding recommendations to Congress. FTA also notes in its annual report that some projects may encounter unexpected obstacles that slow their progress. For example, FTA stated that some of the projects must still complete the environmental planning process and address FTA-identified concerns related to capital costs or project scope. Reserving funds for these projects without specifying a particular amount for any given project will allow the administration to make “real time” funding recommendations when Congress is making appropriations decisions. FTA does not expect that all five other projects will be recommended for funding in fiscal year 2007. (See table 2 for more information about the 12 projects recommended for funding.)

**Table 2: Projects Proposed for FFGAs and Other Funding, Fiscal Year 2007**

**Dollars in millions<sup>a</sup>**

Project name	Location	New Starts project category	Total capital cost	New Starts share of capital cost
West Corridor LRT	Denver, CO	New FFGA	\$593.0	49%
South Corridor I-205/Portland Mall LRT	Portland, OR	New FFGA	557.4	60
Wilsonville to Beaverton Commuter Rail	Washington County, OR	New FFGA	117.3	50
Northwest/Southeast LRT MOS	Dallas, TX	New FFGA	1,406.2	50
Weber County to Salt Lake City Commuter Rail	Salt Lake City, UT	New FFGA	611.7	80
Long Island Rail Road East Side Access	New York, NY	Pending FFGA	7,779.3	34
North Shore LRT Connector	Pittsburgh, PA	Pending FFGA	393.0	55
Second Avenue Subway MOS	New York, NY	Other	4,947.8	26
Norfolk LRT	Norfolk, VA	Other	203.7	49
Dulles Corridor Metrorail Project – Extension to Wiehle Avenue	Northern VA	Other	1,840.1	50
University Link LRT Extension	Seattle, WA	Other	1,720.0	41
Largo Metrorail Extension	Washington, D.C.	Other	433.87	60

Source: GAO summary of information in the New Starts annual report.

Legend:

LRT = Light rail transit  
MOS = Minimum operable segment

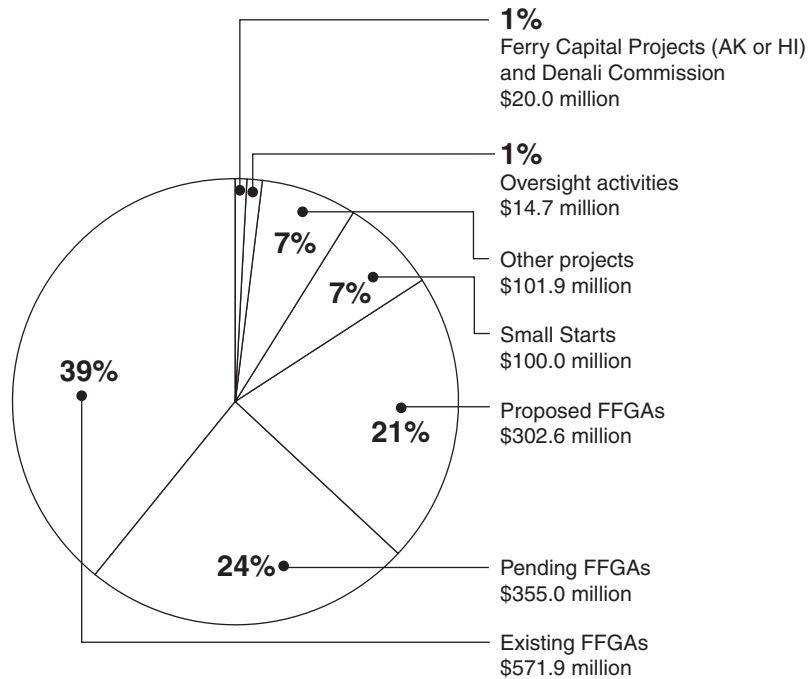
<sup>a</sup>The numbers included in this table are what was recommended by FTA in the New Starts annual report but the actual total capital cost and percent of New Starts share is subject to change at the time FTA executes the FFGA.

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The administration's fiscal year 2007 budget proposal requests that \$1.47 billion be made available for the New Starts program. This total includes funding for 16 projects already under an FFGA. Figure 4 illustrates the planned uses of the administration's proposed fiscal year 2007 budget for New Starts, including the following:

- \$571.9 million would be shared among the 16 projects with existing FFGAs,
- \$355 million would be shared between the 2 projects with pending FFGAs,
- \$302.6 million would be shared by the 5 projects proposed for new FFGAs,
- \$101.9 million would be shared by as many as 5 "other" projects to continue their development, and
- \$100 million would be used for new Small Starts projects.

**Figure 4: Planned Uses of Administration's Proposed Fiscal Year 2007 Budget for New Starts**



Source: GAO analysis of FTA data.

Note: FTA is authorized to use up to 1 percent of amounts made available for the New Starts/Small Starts program for project management oversight activities. SAFETEA-LU also authorized New Starts funds to be set aside for each fiscal year from 2006 through 2009 for projects in Alaska and Hawaii, for fixed guideway systems and extension projects utilizing ferry boats, ferry boat terminals, or approaches to ferry boat terminals. Finally, FTA is also authorized to provide \$5 million for each fiscal year from 2006 through 2009 for the Denali Commission, which provides critical utilities, infrastructure, and economic support throughout Alaska, particularly in remote communities. According to FTA, the Small Starts program, authorized in SAFETEA-LU, does not go into effect until fiscal year 2007, and FTA had no projects in the pipeline when this report was prepared.

## FTA Proposed Nine Procedural Changes to the New Starts Program and Adopted Four after Considering Comments from the Transit Community

In January 2006, FTA proposed nine procedural changes for the New Starts program beginning with the fiscal year 2008 evaluation cycle. These changes include linking the New Starts and NEPA planning requirements and processes and capping New Starts funding when projects enter the final design phase. FTA's guidance states that these procedural changes are generally intended to improve the management of the New Starts process and to ensure the accuracy and consistency of the information submitted to the agency as part of the New Starts evaluation and rating process. According to FTA, these procedural changes do not alter the New Starts evaluation and rating framework, and they are not subject to the formal rule-making process. Table 3 summarizes the proposed procedural changes and FTA's rationale for proposing these changes.

**Table 3: Procedural Changes Proposed by FTA**

Proposed procedural change	Description	FTA's rationale for change
NEPA <sup>a</sup> interfaces	Sponsors must complete NEPA scoping before preliminary engineering (PE).	To mitigate conflicts between NEPA and New Starts by fostering earlier interaction and general consensus among participants about the alternatives considered during NEPA review.
NEPA interfaces	Sponsors must present New Starts evaluation of locally preferred alternative with NEPA evaluation of alternatives.	To ensure the use and disclosure of information for decision making.
NEPA interfaces	Sponsors must achieve an acceptable New Starts rating before the final environmental impact statement (FEIS), record of decision (ROD), or finding of no significant impact (FONSI) is issued.	To minimize the need for additional environmental reviews after a project's scope is changed to improve the New Starts ratings, and to ensure the public is presented with accurate information on projects that are acceptable for New Starts funding.
Preservation of information for before and after study <sup>b</sup>	Sponsors must document the information produced during the planning phase that will be needed for the before-and-after study and update the information and analysis before entering final design (FD).	To ensure that information is preserved and will be available to be analyzed in the before-and-after study required by SAFETEA-LU.
Certification of technical methods, planning assumptions, and project development procedures	Individuals must certify the tools and techniques used in the analysis to ensure that the approaches have been developed and applied according to professional standards and FTA guidelines.	To ensure that local and federal decision makers are provided with accurate information when evaluating New Starts projects.
Analysis of ridership and cost uncertainties	Sponsors must analyze uncertainties when developing ridership forecasts and cost estimates.	To respond to SAFETEA-LU's emphasis on improving the reliability of forecasts used in the evaluation process.

Proposed procedural change	Description	FTA's rationale for change
Project development agreements	FTA will selectively require projects to establish a project development agreement (PDA).	To ensure that project sponsors advance through phases of project development, to focus project sponsors' effort/FTA oversight on principal issues, and to provide basis for FTA rescission of PE/FD approval.
New Starts FFGA funding level set at final design approval	FFGA New Starts funding amount will be capped once the project is approved for FD.	To ensure submission of reliable cost and ridership forecasts for decision making, to minimize cost increases between stages of development, and to clarify FTA's participation in project costs.
Mode-specific constants	All sponsors will be allowed to represent the benefits from improvements in transit service attributes, such as reliability, span of service, and passenger amenities, when developing their projects.	To acknowledge and capture previously unmeasured attributes of fixed guideway projects in areas considering new modes, to enhance consistent treatment of projects nationally, and to improve the reliability of travel forecasts.

Source: GAO summary of the proposed changes and FTA's rationale for proposing these changes.

<sup>a</sup>NEPA requires federal agencies to prepare detailed statements assessing the environmental impact of and alternatives to major federal actions significantly affecting the environment. In the transportation context, the NEPA evaluation measures the impact of different alternatives by the extent to which the alternative meets the project purpose, need, and consistency with the goals and objectives of any local urban planning.

<sup>b</sup>A before and after study is similar to an outcome evaluation in that it compares the forecasted benefits and costs of a project with the actual benefits and costs of the project after the project is completed.

As we have previously recommended and SAFETEA-LU now requires, FTA published its proposed procedural changes in policy guidance and sought public comments on them.<sup>18</sup> FTA obtained comments on its proposals by asking sponsors to submit comments to the docket for up to 60 days. In addition, FTA held three *New Starts/Small Starts Seminar and Listening Sessions* ("listening sessions") across the country. The listening sessions were intended to solicit comments from attendees on the implementation of New Starts and Small Starts provisions of SAFETEA-LU, as well as to share information about planning and project development activities for projects seeking New Starts funding. FTA received 41 written comments in response to these changes, including

<sup>18</sup>GAO, *Public Transportation: Opportunities Exist to Improve the Communication and Transparency of Changes Made to the New Starts Program*, GAO-05-674 (Washington, D.C.: June 28, 2005). SAFETEA-LU requires that FTA publish, for comment and response, policy guidance on the new fixed guideway capital project review and evaluation process and criteria at the following times: (1) 120 days after the enactment of SAFETEA-LU, (2) each time significant changes are made to the process and criteria, and (3) at least every 2 years.

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submissions from 33 transit agencies and government entities and 8 consultants, associations, and organizations. Most of the project sponsors and industry representatives we interviewed told us that they appreciated FTA's efforts to obtain their input and to encourage an open discussion about the proposed changes. Similarly, FTA officials said that they were pleased with the volume of written comments they received from the docket and the strong attendance at the three listening sessions conducted in February and March 2006.

Although the project sponsors and industry representatives were supportive of some proposals that they thought would improve the New Starts program, they also expressed a number of concerns about all of the changes. (See table 4 for a summary of these concerns.) For example, the commenters were generally supportive of FTA's proposal to require sponsors to keep and update the information produced during alternatives analysis prior to each phase of project development until the FFGA is awarded, since this information is necessary for the before-and-after study. In contrast, most project sponsors and transit industry groups opposed FTA's proposed certification of technical methods, planning assumptions, and project development procedures, citing concerns that such a certification would raise questions about professional liability and lead to potential federal prosecution, and noting that a single individual is typically not responsible for producing all the underlying assumptions used to develop cost estimates and ridership forecasts. On the basis of the comments received, FTA adopted four proposals, including the mandatory completion of NEPA scoping before entry into preliminary engineering (PE), the presentation of the New Starts information in the NEPA documents, the preservation of information for the before and after study, and the capping of New Starts funds upon approval into final design. For two of the four adopted proposals, FTA slightly revised its original proposals on the basis of the comments received. FTA did not adopt five proposals; however, FTA noted that it may revisit these proposed changes in the future.

**Table 4: Summary of Common Transit Community Concerns and FTA’s Responses to the New Starts Procedural Changes**

Proposed procedural change	Common concerns expressed by the transit community	FTA’s response
NEPA interfaces (Sponsors must complete NEPA scoping before preliminary engineering.)	<ul style="list-style-type: none"> <li>• Increases time and cost of project development</li> <li>• Makes it more difficult to achieve local buy-in of the planning process</li> </ul>	Adopted.
NEPA interfaces (Sponsors must present New Starts evaluation of locally preferred alternative with NEPA evaluation of alternatives.)	<ul style="list-style-type: none"> <li>• FTA is not using the formal rule-making process</li> <li>• Subjects FTA to litigation</li> </ul>	Adopted. However, FTA clarified that it will not develop a new rating for the NEPA document, but simply report on the project’s most recent rating.
NEPA interfaces (Sponsors must achieve an acceptable New Starts rating before the final environmental impact statement (FEIS), record of decision (ROD), or finding of no significant impact (FONSI).)	<ul style="list-style-type: none"> <li>• Recommended that FTA use the formal rule-making process due to the extent of changes</li> <li>• Could escalate project costs</li> <li>• May jeopardize nonfederal funding</li> </ul>	Not adopted. But if FTA needs to issue a supplemental document to reflect a scope change required to justify a “medium” or better rating, then a rating will not be issued until this document is completed. FTA will also describe the impact that a New Starts rating of less than “medium” may have on advancing projects.
Preservation of information for before and after study	<ul style="list-style-type: none"> <li>• The lack of guidance on before and after study and data collection methods</li> <li>• FTA is not using the formal rule-making process</li> <li>• Encourages FTA to consider land use and economic development in analyses</li> </ul>	Adopted.
Certification of technical methods, planning assumptions, and project development procedures	<ul style="list-style-type: none"> <li>• Technical information and key assumptions are often generated by multiple individuals or organizations, making it difficult to assign responsibility for certification</li> <li>• No industry-accepted standards to use for certification</li> <li>• May create liability concerns for companies and consultants</li> <li>• Duplicates other FTA reviews</li> </ul>	Not adopted. However, FTA expanded the scope of technical procedures and assumptions covered by existing Chief Executive Officer certification.
Analysis of ridership and cost uncertainties	<ul style="list-style-type: none"> <li>• Increases time and cost of project development</li> <li>• No guidance on characterizing uncertainties</li> <li>• No discussion of how uncertainties will be addressed in cost-effectiveness measure</li> </ul>	Not adopted. FTA plans to issue guidance clarifying the information needed to identify uncertainties, which will be subject to the notice and comment process.



Proposed procedural change	Common concerns expressed by the transit community	FTA's response
Project development agreements (PDA)	<ul style="list-style-type: none"> <li>• No criteria for when PDAs will be used</li> <li>• May increase time of project development</li> <li>• PDAs will be used in a punitive way</li> <li>• Process may be duplicative of FTA's PE and FD approval points</li> </ul>	Not adopted. However, FTA will work with sponsors who request the use of a PDA, and this proposal may be revisited during the rule-making process.
New Starts FFGA funding level set at final design approval	<ul style="list-style-type: none"> <li>• No acknowledgment of increased costs due to higher prices of materials or unforeseeable circumstances</li> <li>• Negotiation of FFGA should be moved forward to coincide with FD entry</li> <li>• May inhibit innovative contracting procedures (e.g., design build)</li> <li>• FTA is not using the formal rule-making process</li> </ul>	Adopted. FTA will broaden the scope of PE activities and establish PE "exit criteria," consider requests for additional New Starts funding for costs out of the sponsor's control, and exempt projects in FD from future New Starts policy changes.
Mode-specific constants	<ul style="list-style-type: none"> <li>• May be unnecessary for areas with existing data for different modes</li> <li>• Unclear how values were developed</li> <li>• Experts need to be involved in establishing constants and guidance</li> </ul>	Not adopted. FTA will analyze options and may set values in the future, which will be subject to the Notice and Comment process.

Source: GAO summary of public comments and FTA's response to these comments.

Note: The concerns summarized in this table reflect the comments submitted by members of the transit community and do not necessarily reflect our views or opinions.

More recently, FTA hired a consulting firm to conduct an assessment of the New Starts project development process. According to FTA's Deputy Administrator, the impetus for the review is to streamline the project development process while still ensuring that projects recommended for funding are delivered in a timely manner and stay within budget. We have previously reported that project sponsors have raised concerns about the number of changes FTA has made to the New Starts process, such as requiring project sponsors to prepare risk assessments, and the time and cost associated with implementing these changes.<sup>19</sup> According to FTA, the results of the review may help inform the development of the Notice of Proposed Rulemaking (NPRM) for the New Starts program.

<sup>19</sup> [GAO-05-674](#).

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## **SAFETEA-LU's Changes to the New Starts Program Include Identifying New Evaluation Criteria to Establishing the Small Starts Program**

SAFETEA-LU made a number of changes to the New Starts program, including establishing a new eligibility category, the Small Starts program, and identifying new evaluation criteria. The Small Starts program is intended to expedite and streamline the application and review process for small projects, but the transit community has questioned whether FTA would implement the program in a way that would do so. FTA has also proposed and sought public input on the new evaluation criteria and other possible changes to the New Starts program that would affect traditional New Starts projects. In addition, FTA identified possible implementation challenges, including how to distinguish between land use and economic development criteria in the evaluation framework.

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## **FTA Has Started to Implement SAFETEA-LU Changes and Will Continue to Do So through the Rule-making Process**

SAFETEA-LU introduced eight changes to the New Starts program, codified an existing practice, and clarified federal funding requirements. The changes include the creation of the Small Starts program and the introduction of new evaluation criteria, such as economic development. In addition, SAFETEA-LU codified FTA's requirement that project sponsors conduct before and after studies for all completed projects. SAFETEA-LU also clarified the federal share requirements for New Starts projects. Specifically, SAFETEA-LU continues to require that the federal share for a New Starts project may be up to 80 percent of the project's net capital project cost, unless the project sponsor requests a lower amount, and prohibits the Secretary of Transportation from requiring a nonfederal share of more than 20 percent of the project's total net capital cost. This language changes FTA's policy of rating a project as low if it seeks a federal New Starts share of more than 60 percent of the total cost. FTA had instituted this policy beginning with the fiscal year 2004 evaluation cycle in response to language contained in appropriation committee reports. Table 5 describes SAFETEA-LU provisions for the New Starts program and compares them with TEA-21's requirements.

**Table 5: Comparison of SAFETEA-LU's and TEA-21's New Starts Provisions**

Provisions	SAFETEA-LU	TEA-21	Status of implementation
Establish the Small Starts program	<ul style="list-style-type: none"> <li>Projects seeking less than \$25 million in New Starts funds will no longer be exempt from the ratings process once the Small Starts rule is finalized.</li> <li>Establishes a new capital investment program called Small Starts for projects that (1) have a total project cost of less than \$250 million and (2) are seeking less than \$75 million in federal Small Starts funding.</li> </ul>	<ul style="list-style-type: none"> <li>Projects seeking less than \$25 million in New Starts funding were exempt from ratings process.</li> <li>No separate program for small fixed guideway or nonfixed guideway projects.</li> </ul>	FTA issued the ANPRM in January 2006 and interim final guidance in August 2006 for the Small Starts program. By law, exempt projects will continue to be eligible for funding without being rated until the final rule on Small Starts is issued.
Codify the before-and-after study requirement	Project sponsors with FFGAs must conduct a study that (1) describes and analyzes the impacts of the new fixed guideway capital project on transit services and transit ridership, (2) evaluates the consistency of predicted and actual project characteristics and performance, and (3) identifies sources of differences between predicted and actual outcomes. Project sponsors must prepare an information collection and analysis plan, which must be approved prior to execution of the FFGA.	Not required under TEA-21, but FTA required, as part of its December 2000 Final Rule, project sponsors to conduct a before and after study on completed projects.	FTA's May 2006 guidance requires that project sponsors document the information produced during the planning phase that will be needed for the before-and-after study and update the information and analysis before entering FD.
Revise New Starts overall project rating scale	Overall project rating is based on a 5-point scale of "high," "medium-high," "medium," "medium-low," and "low;" Projects are required to receive an overall rating of "medium" or higher to be recommended for funding.	Overall project rating was based on 3-point scale: "highly recommended," "recommended," and "not recommended."	FTA used a 3-point scale for the fiscal year 2007 evaluation, but changed ratings to "high," "medium," and "low."
Identify reliability of cost estimate and ridership forecast as a consideration in evaluation process	Requires Secretary to analyze, evaluate, and consider the reliability of the forecasting methods used by New Starts project sponsors and their contractors to estimate costs and ridership.	Not required under TEA-21.	FTA identified options for incorporating reliability of forecasts in the evaluation process and sought public input in its January 2006 guidance.

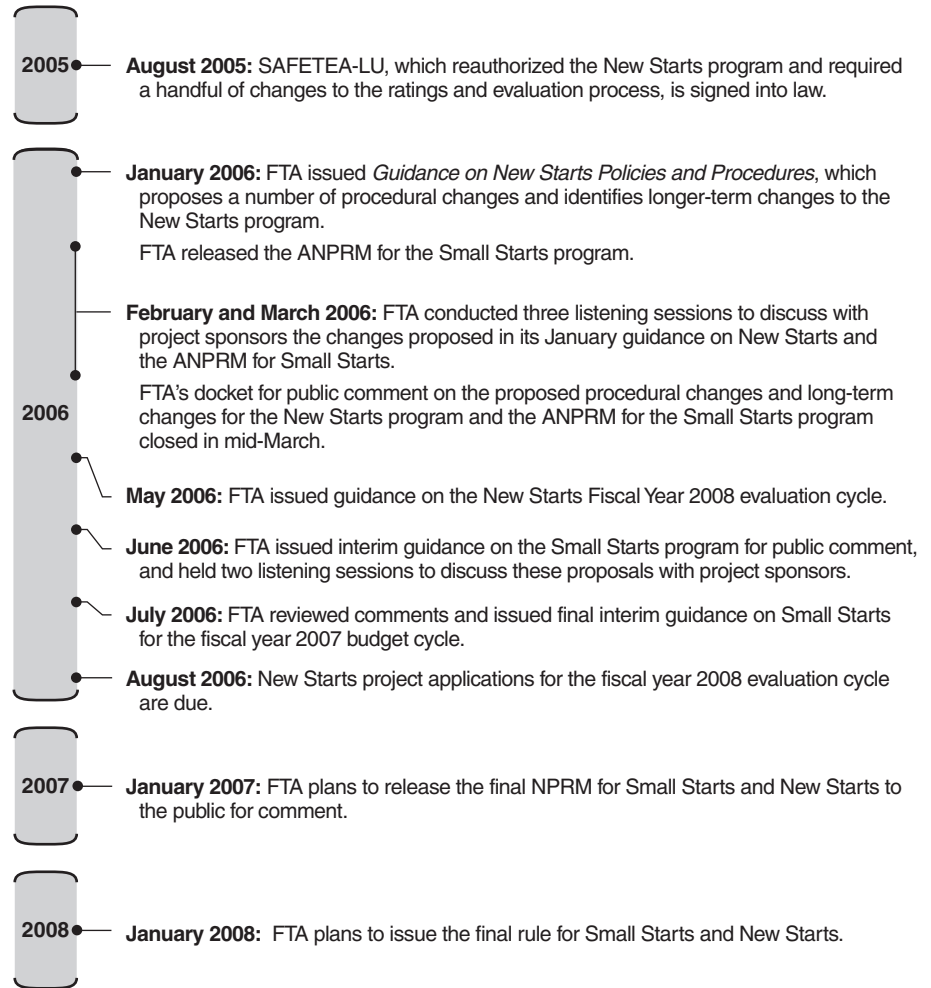
<b>Provisions</b>	<b>SAFETEA-LU</b>	<b>TEA-21</b>	<b>Status of implementation</b>
Add economic development criterion to evaluation process	Projects will be evaluated based on a review of their effects on local economic development.	Not required under TEA-21.	FTA identified options for incorporating economic development in the evaluation process and sought public input in its January 2006 guidance and ANPRM for Small Starts.
Identify land use as a specific evaluation criterion	Projects will be evaluated based on a review of their public transportation supportive land use policies and future patterns.	Land use was not identified as an evaluation criterion by TEA-21. However, TEA-21 identified land use as a "consideration" in the evaluation process, and FTA incorporated it into the evaluation process.	FTA identified options for incorporating land use in the evaluation process and sought public input in its January 2006 guidance and ANPRM for Small Starts.
Clarify nonfederal financial commitment	The Secretary is not authorized to require a nonfederal financial commitment for a project that is more than 20 percent of its net capital cost.	Federal share could not exceed 80 percent. But, in response to language contained in appropriations committee reports, FTA instituted a preference policy favoring projects that seek a federal New Starts share of no more than 60 percent of the total project cost beginning with the fiscal year 2004 evaluation cycle.	FTA implemented this provision in its fiscal year 2007 evaluation cycle.
Establish incentives for accurate cost and ridership forecasts	A higher share of New Starts funding may be made available to project sponsors if project's cost is not more than 10 percent higher and ridership is not less than 90 percent of those estimates when project was approved for PE.	No similar provision in TEA-21.	FTA's May 2006 guidance requires that projects requesting entry into PE submit information on the variables and assumptions used to prepare forecasts and the parties responsible for developing the different elements of the forecasts. This information could potentially be used to apply the incentive provision.
Require FTA to publish policy guidance	New Starts policy guidance must be published for notice and comment no later than 120 days after the enactment of SAFETEA-LU, each time significant changes are made, and at least every 2 years.	Not specifically addressed in TEA-21.	FTA issued draft policy guidance in January 2006 and final guidance in May 2006. FTA also issued draft interim Small Starts guidance in June 2006 and final interim guidance in July 2006.
Assess contractors' performance	The Secretary will submit an annual report to congressional committees analyzing the consistency and accuracy of the cost and ridership estimates made by contractors to public transportation agencies developing new capital projects.	Not required under TEA-21.	FTA's May 2006 guidance requires that projects requesting entry into PE submit information on the variables and assumptions used to prepare forecasts and the parties responsible for developing the different elements of the forecasts.

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Source: GAO analysis of SAFETEA-LU and TEA-21.

FTA has taken some initial steps in implementing SAFETEA-LU changes. For example, in January 2006, FTA published the proposed New Starts policy guidance and, as will be discussed later in this report, the ANPRM for the Small Starts program. In addition, in the final policy guidance published in May 2006, FTA took steps to support its use of incentives for accurate cost and ridership forecasts and assessing contractors' performance by requiring that projects requesting entry into PE submit information on the variables and assumptions used to prepare forecasts and the parties responsible for developing the different elements of the forecasts. FTA will continue to implement the changes outlined in SAFETEA-LU through the rule-making process over the next 1½ years. Specifically, in response to SAFETEA-LU changes, FTA is developing the NPRM for the New Starts and Small Starts programs. FTA plans to issue the NPRM in January 2007, with the goal of implementing the final rule in January 2008. Figure 5 shows a time line of FTA's actual and planned implementation of SAFETEA-LU changes.

**Figure 5: Time Line for Implementing SAFETEA-LU Changes to the New Starts Program**



Source: GAO.

## Small Starts Program Is Intended to Offer a Streamlined Process, but Transit Community Members Question Whether It Will Do So

The creation of the Small Starts program was a significant change made by SAFETEA-LU. The Small Starts program is a discretionary grant program for public transportation capital projects that (1) have a total cost of less than \$250 million and (2) are seeking less than \$75 million in federal Small Starts program funding. The Small Starts program is a component of the existing New Starts program that, according to the conference reports accompanying SAFETEA-LU, is intended to provide project sponsors with an expedited and streamlined evaluation and ratings process. Table 6 compares New Starts and Small Starts program statutory requirements.

**Table 6: Comparison of Small Starts and New Starts Program Statutory Requirements**

<b>Program requirements</b>	<b>Small Starts</b>	<b>New Starts</b>
Definition of eligibility	<p>Projects qualify as Small Starts if less than \$75 million in federal fixed guideway funding is sought, provided the total project cost is also less than \$250 million.</p> <p>Provides funding for new fixed guideway systems and extensions, as well as corridor-based bus capital projects.</p>	<p>Projects qualify as New Starts if they are seeking \$75 million or more in federal New Starts funding.</p> <p>Provides funding for new fixed guideway systems and extensions.</p>
Project justification criteria	<ul style="list-style-type: none"> <li>• Cost-effectiveness</li> <li>• Public transportation supportive land-use policies</li> <li>• Economic development</li> <li>• Reliability of forecasting</li> </ul>	<ul style="list-style-type: none"> <li>• Mobility improvements</li> <li>• Environmental benefits</li> <li>• Operating efficiencies</li> <li>• Cost-effectiveness</li> <li>• Public transportation supportive land-use policies</li> <li>• Economic development</li> <li>• Reliability of forecasting</li> </ul>
Local financial commitment criteria	<ul style="list-style-type: none"> <li>• Stability and reliability of financial plan for capital costs</li> <li>• Stability and reliability of financial plan for operating and maintenance costs</li> <li>• Level of non-Small Starts funding</li> </ul>	<ul style="list-style-type: none"> <li>• Stability and reliability of financial plan for capital costs</li> <li>• Stability and reliability of financial plan for operating and maintenance costs</li> <li>• Level of non-New Starts funding</li> </ul>
Project development process	<ul style="list-style-type: none"> <li>• Alternatives analysis</li> <li>• Project development</li> <li>• Construction</li> </ul>	<ul style="list-style-type: none"> <li>• Alternatives analysis</li> <li>• Preliminary engineering</li> <li>• Final design</li> <li>• Construction</li> </ul>
Funding instrument	<p>Project will use a Project Construction Grant Agreement.</p>	<p>Project requires a signed FFGA, which sets scope, cost, and schedule for the project, as well as the maximum New Starts share, source of other funds, and schedule for obligating funds.</p>

Source: GAO analysis of FTA data.

In January 2006, FTA published an ANPRM to give interested parties an opportunity to comment on the characteristics of and requirements for the Small Starts program. In its ANPRM, FTA suggested that the planning and project development process for proposed Small Starts projects could be simplified by allowing analyses of fewer alternatives for small projects, allowing the development of evaluation measures for mobility and cost-effectiveness without the use of complicated travel demand modeling procedures in some cases, and possibly defining some classes of preapproved low-cost improvements as effective and cost-effective in certain contexts. FTA also sought the transit community’s input on three

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key issues in its ANPRM, including eligibility, the rating and evaluation process, and the project development process. For each of these issues, FTA outlined different options for how to proceed and then posed questions for public comment.

FTA's ANPRM for Small Starts generated a significant volume of public comment. Members of the transit community were supportive of some proposals for the Small Starts program, but also had a number of concerns. In particular, the transit community questioned whether FTA's proposals would, as intended, provide smaller projects with a more streamlined evaluation and rating process. As a result, some commenters recommended that FTA simplify some of its original proposals in the NPRM to reflect the smaller scope of these projects. For example, several project sponsors and industry representatives thought that FTA should redefine the baseline alternative as the "no-build" option<sup>20</sup> and make the before-and-after study optional for Small Starts projects to limit the time and cost of their development. In addition, others were concerned that FTA's proposals minimized the importance of the new land use and economic development evaluation criteria introduced by SAFETEA-LU, and they recommended that the measures for land use and economic development be revised.

Since FTA does not plan to issue its final rule for the New Starts and Small Starts programs until early 2008, FTA issued final interim guidance for the Small Starts program in July 2006 to ensure that project sponsors would have an opportunity to apply for Small Starts funding and proposed projects could be evaluated in the upcoming cycle (i.e., the fiscal year 2008

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<sup>20</sup>FTA requires that the benefits and costs of the proposed New Starts project be assessed in comparison with a baseline alternative defined as the best that can be done without building a new fixed guideway. The purpose of the baseline alternative is to distill the benefits (and costs) of the proposed New Starts project from the benefits that could be achieved through low-cost improvements, such as route realignments and increases in service frequency, that would not entail the significant cost of a New Starts project's infrastructure. FTA defines the no-build alternative in two ways: (1) an alternative that incorporates "planned" improvements that are included in the fiscally constrained long-range plan for which need, commitment, financing, and public and political support are identified and are reasonably expected to be implemented or (2) an alternative that adds only "committed" improvements together with minor transit service expansions or adjustments that reflect a continuation of existing service policies in newly developed areas.



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evaluation cycle).<sup>21</sup> The final interim guidance describes the process that FTA plans to evaluate proposed Small Starts projects to support (1) the decision to approve or disapprove their advancement to project development and (2) decisions on project construction grant agreements, including whether proposed projects are part of a broader strategy to reduce congestion.<sup>22</sup> In addition, FTA introduced a separate eligibility category within the Small Starts program for “Very Small Starts” projects in the final interim guidance. Small Starts projects that qualify as Very Small Starts are projects that have all of the following elements:

- have substantial transit stations;
- include traffic signal priority and preemption, where appropriate;
- provide low-floor vehicles or level boarding;
- include branding of the proposed service;
- offer 10 minute peak and 15 minute off-peak headways or better while operating at least 14 hours per weekday;<sup>23</sup>
- are in corridors with existing riders who will benefit from the proposed project and number more than 3,000 on an average weekday; and
- have a total capital cost of less than \$50 million (including all project elements) and less than \$3 million per mile (excluding rolling stock).

According to the final interim guidance, FTA intends to scale the planning and project development process to the size and complexity of the

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<sup>21</sup>Prior to the issuance of the final interim guidance, FTA issued proposed interim guidance on the Small Starts program in June 2006 for review and comment. FTA received comments from members of the transit community. A concern expressed in the comments was that Very Small Starts projects unfairly favored bus projects, due to the exclusion of fixed guideway as a criterion for eligibility. Based on the comments received, FTA made several changes to the final interim guidance, including eliminating the requirement that Very Small Starts projects do not include the construction of a new fixed guideway.

<sup>22</sup>FTA’s emphasis on congestion relief reflects DOT’s ongoing efforts to reduce the nation’s congestion. Specifically, in May 2006, DOT issued the *National Strategy to Reduce Congestion on America’s Transportation Network*, which outlines a six-point plan for reducing congestion. To implement this plan, DOT states that it will use discretionary resources, potentially including Small Starts funds, to the maximum extent possible.

<sup>23</sup>This feature is not required for commuter rail or ferries.

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proposed projects. Therefore, Very Small Starts projects will undergo a very simple and streamlined evaluation and rating process. For instance, according to the guidance, Very Small Starts projects are cost-effective and produce land use and economic development benefits commensurate with their costs; thus, if a project meets the Very Small Starts eligibility criteria, it will automatically receive “medium” ratings for land use and cost-effectiveness. Small Starts projects that do not meet all of the criteria for Very Small Starts projects will be evaluated and rated using a framework similar to that used for traditional New Starts projects, with the exception that fewer measures are required and their development is simplified. In particular, FTA’s evaluation and rating process for Small Starts will diverge from the traditional New Starts process in several ways. For example,

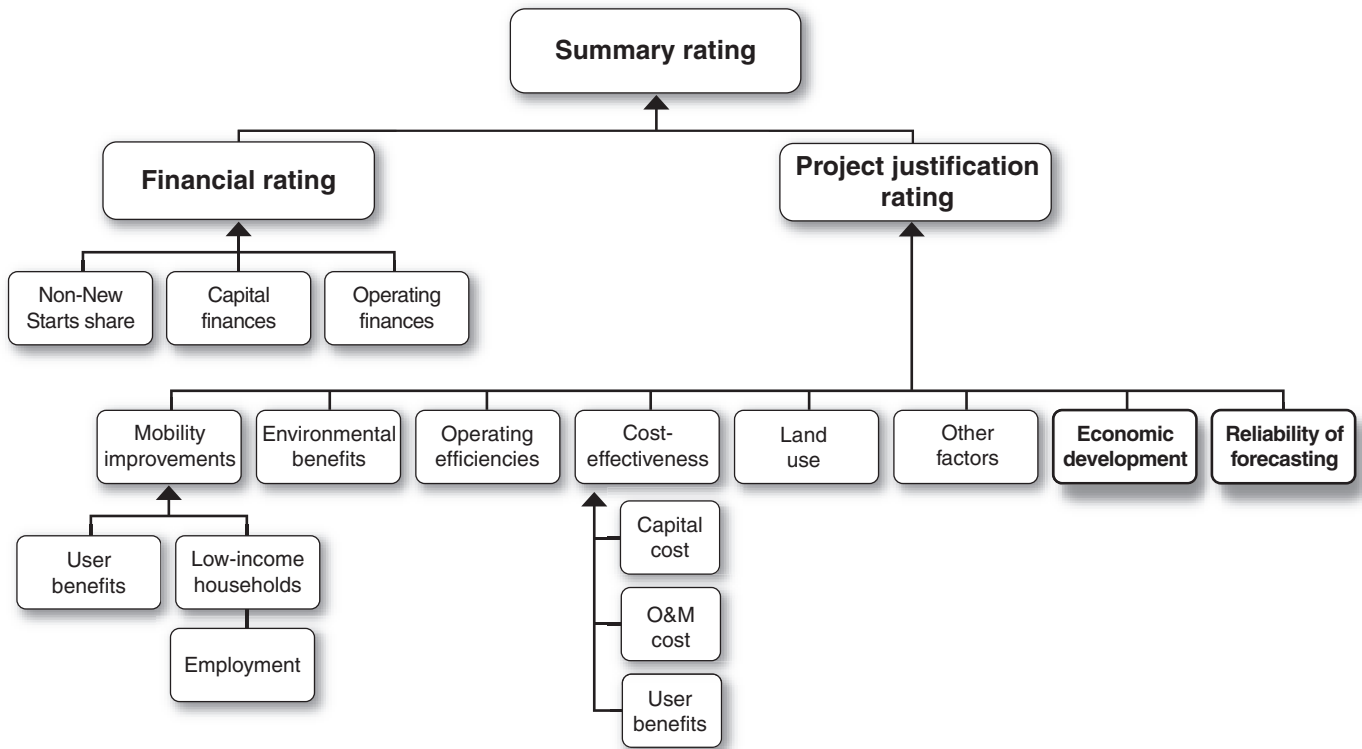
- the project’s cost-effectiveness will be rated based on a shorter time frame (i.e., opening year);
- other technically acceptable ridership forecasting procedures, besides traditional “four-step” travel demand models can be used;
- the opening year’s estimate of user benefits will be adjusted upward when determining a project’s cost-effectiveness;
- the financial and land use reporting requirements have been simplified; and
- the project’s economic development benefits and inclusion in a congestion reduction strategy will be considered an “other factor” in the evaluation process.

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### FTA Also Identified Possible Changes to the New Starts Program in Response to SAFETEA-LU as Well as Implementation Challenges

In response to SAFETEA-LU, FTA identified possible changes to the New Starts program that would affect traditional New Starts projects in its January 2006 guidance. According to FTA, some SAFETEA-LU provisions could lead to changes in the definition of eligibility, the evaluation and rating process, and the project development process. (See app. II for a description of the different changes FTA is considering.) In the guidance, FTA outlined changes it is considering and solicited public input, through a series of questions, on the potential changes. For example, FTA identified two options for revising the evaluation and rating process to reflect SAFETEA-LU’s changes to the evaluation criteria. The first option would extend the current process to include economic development impacts and the reliability of cost and ridership forecasts. (See fig. 6.)

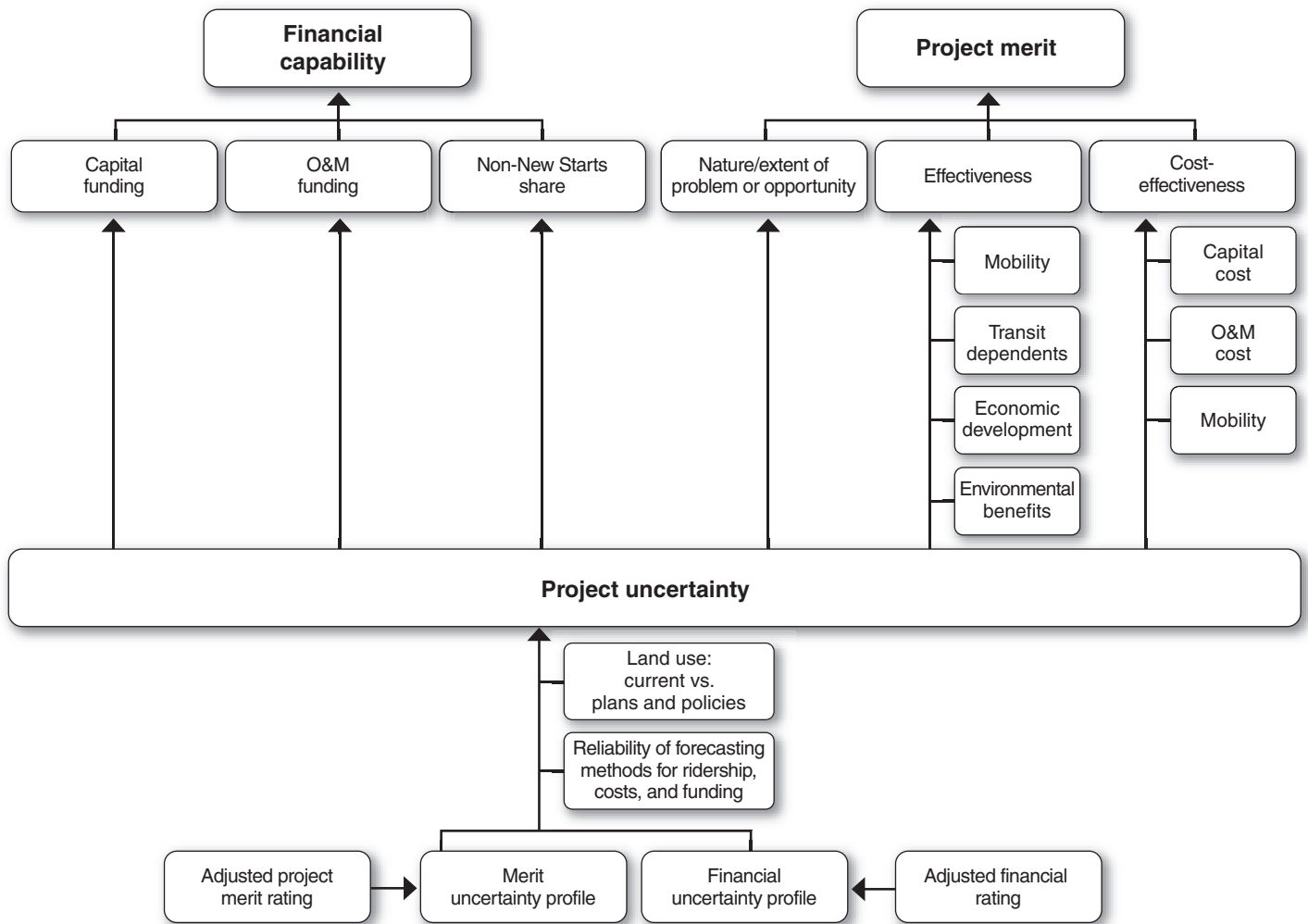
Figure 6: FTA's "Option 1" for Revising the New Starts Evaluation and Ratings Framework



Source: GAO analysis of FTA data.

Specifically, FTA suggested that economic development impacts and the reliability of forecasts simply be added to the list of criteria considered in developing the project justification rating. The second option would be to develop a broader process to include the evaluation criteria identified by SAFETEA-LU and to organize the measures to support a more analytical discussion of the project and its merits. (See fig. 7.) According to FTA, the second option would broaden the evaluation process beyond a computation of overall ratings based on individual evaluation measures and develop better insights into the merit of a project than are possible from using the quantified evaluation measures alone. In addition, the second option would also consider the major uncertainties associated with any of the information used to evaluate the project, such as ridership forecasts, cost estimates, projected land use, and other assumptions. According to FTA, understanding a project's uncertainties is needed for informed decision making.

**Figure 7: FTA's "Option 2" for Revising the New Starts Evaluation and Ratings Framework**



Source: FTA.

In its guidance, FTA also identified potential challenges in implementing some SAFETEA-LU changes. In particular, FTA described the challenges of incorporating and distinguishing between two measures of indirect

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benefits<sup>24</sup> in the New Starts evaluation process—land use and economic development impacts.<sup>25</sup> For example, FTA noted that its current land-use measures (e.g., land-use plans and policies) indicate the transit-friendliness of a project corridor both now and in the future, but do not measure the benefits generated by the proposed project. Rather, the measures describe the degree to which the project corridor provides an environment in which the proposed project can succeed. According to FTA’s guidance, FTA’s evaluation of land use does not include economic development benefits because FTA has not been able to find reliable methods of predicting these benefits. FTA further stated that because SAFETEA-LU introduces a separate economic development criterion, the potential role for land use as a measure of development benefits becomes even less clear, given its potential overlap with the economic development criterion. In addition, FTA noted that many economic development benefits result from direct benefits (e.g., travel time savings), and therefore including them in the evaluation could lead to double counting the benefits FTA already measures and uses to evaluate projects. Furthermore, FTA noted that some economic development impacts may represent transfers between regions rather than a net benefit for the nation,<sup>26</sup> raising questions of whether these impacts are useful for a national comparison of projects. To address some of the challenges, FTA suggested that an appropriate strategy might be combining land use and economic development into a single measure.

In our January 2005 report on the costs and benefits of highway and transit investments, we identified many of the same challenges of measuring and forecasting indirect benefits, such as economic development and land-use impacts.<sup>27</sup> For example, we noted that it is challenging to predict changes

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<sup>24</sup>Direct benefits of transportation investments, such as lowered transportation costs and improved access to goods and services, result in individuals, households, and firms acting to take advantage of those benefits. These actions can then lead to several types of indirect benefits, such as increased property values and new development.

<sup>25</sup>SAFETEA-LU added economic development to the list of evaluation criteria; it also identified land use as a specific evaluation criterion. Under TEA-21, land use was not identified as an evaluation criterion, but rather as a “consideration” in the evaluation process, and FTA incorporated it into the evaluation process.

<sup>26</sup>Indirect benefits, such as economic development, may represent transfers of economic activity from one area to another; and, while such a transfer may represent real benefits for the jurisdiction making the transportation investment, it is not a real economic benefit from a national perspective because the economic activity is simply occurring in a different location.

<sup>27</sup>[GAO-05-172](#).

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in land use because current transportation demand models are unable to predict the effect of a transportation investment on land-use patterns and development, since these models use land-use forecasts as inputs into the model. In addition, we noted that certain benefits are often double counted when evaluating transportation projects. In particular, indirect benefits, such as economic development, may be more correctly considered transfers of direct user benefits or economic activity from one area to another. Therefore, estimating and adding such benefits to direct benefits could constitute double counting and lead to overestimating a project's benefits. Despite these challenges, experts told us that evaluating land use and economic development impacts is important since they often drive local transportation investment choices.<sup>28</sup> To help overcome some of the challenges, experts suggested several potential solutions, including using qualitative information about the benefits rather than relying strictly on quantitative information and expanding the use of risk assessment or probability analysis in conjunction with economic analysis. For example, weather forecasters talk about the probability of rain rather than suggesting that they can accurately predict what will happen. This approach could illustrate that projects with similar rates of return have very different risk profiles and different probabilities of success. FTA's second option for revising the New Starts evaluation process, which would consider qualitative information about the project and the project's uncertainties, appear to be in line with these suggestions.

FTA received a large number of written comments on its online docket in response to its proposed changes. (See app. II for common comments submitted for each proposed change.) While members of the transit community were supportive of some proposals, they expressed concerns about a number of FTA's proposed changes. For example, a number of commenters expressed concerns about FTA's options for revising the evaluation process, noting that both proposals deemphasized the importance of economic development and land use. For example, as described in FTA's January 2006 guidance, land use would receive less weight in calculating the overall project rating in both proposals than it

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<sup>28</sup>For our January 2005 report on the costs and benefits of highway and transit investments, we contracted with the National Academy of Sciences to convene a balanced, diverse panel of experts to discuss the use of benefit-cost analysis in highway and transit decision making and gather views about options to improve the information available to decision makers. The experts selected for the panel were knowledgeable about benefit-cost analysis, transportation policy and planning, highway and transit use and transportation decision making. For more information about our expert panel, see [GAO-05-172](#).

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receives in the current process. Some commenters also noted that land use and economic development should not be combined into a single measure and that they should receive the same weight as cost-effectiveness in the evaluation and rating process. These commenters argued that combining land use and economic development into a single measure or assigning them less weight than cost-effectiveness serves to deemphasize these benefits.

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## Concluding Observations

FTA's New Starts program is in a period of transition. SAFETEA-LU made a number of significant changes to the program, and FTA is off to a good start in implementing these changes. Tough decisions and implementation challenges remain, however. For example, FTA must determine how to incorporate economic development into the evaluation process and implement the Small Starts program in the upcoming evaluation cycle. Through the issuance of the final interim guidance on the Small Starts program, FTA has acted to provide a streamlined evaluation process for small projects by simplifying the evaluation measures and introducing the Very Small Starts eligibility category. As the Small Starts program is implemented in the upcoming cycle, FTA officials will have the opportunity to determine whether the Small Starts program is sufficiently streamlined and whether the streamlined evaluation process provides adequate information to differentiate among projects for funding purposes. FTA will also have the opportunity to make necessary modifications to the Small Starts program as it learns through its experience in implementing the program and working to develop the final rule. Thus, the coming months will be a critical period for the New Starts program, as FTA works through these remaining decisions and implementation challenges to fully incorporate SAFETEA-LU changes.

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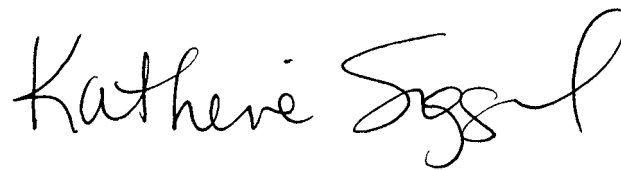
## Agency Comments

We provided a draft of this report to the Department of Transportation, including FTA, for review and comment. FTA officials provided technical clarifications, which we incorporated as appropriate.

We are sending copies of this report to the congressional committees with responsibilities for transit issues; the Secretary of Transportation; the Administrator, Federal Transit Administration; and the Director, Office of Management and Budget. We also will make copies available to others upon request. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

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If you or your staff have any questions on matters discussed in this report, please contact me on (202) 512-2834 or at [siggerudk@gao.gov](mailto:siggerudk@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Individuals making key contributions to this report were Nikki Clowers, Assistant Director, Vidhya Ananthakrishnan, and Daniel Hoy.

A handwritten signature in black ink that reads "Katherine Siggerud". The signature is written in a cursive style with a large, looping "S" for the first letter of the last name.

Katherine Siggerud  
Director, Physical Infrastructure



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# Appendix I: Scope and Methodology

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To address our objectives, we reviewed the administration's fiscal year 2007 budget request, the Federal Transit Administration's (FTA) annual New Starts report, FTA's New Starts policy guidance and Small Starts Advanced Notice of Proposed Rulemaking (ANPRM), public comments received on FTA's docket on New Starts and Small Starts, FTA's fiscal year 2008 reporting instructions for the New Starts program, federal statutes pertaining to the New Starts program, and previous GAO reports. We also interviewed FTA officials and representatives from the American Public Transportation Association and the New Starts Working Group. In addition, we attended FTA's *New Starts/Small Starts Seminar and Listening Session* with project sponsors in Washington, D.C., in March 2006.

We also conducted semistructured interviews with the sponsors of five projects that were evaluated and rated in the fiscal year 2007 evaluation cycle, including Raleigh, Regional Rail System; Dallas, Northwest/Southeast Light Rail Transit MOS; Minneapolis, Northstar Corridor Rail; Philadelphia, Schuylkill Valley Metrorail; and Seattle, University Link Light Rail Transit Extension. We selected these projects because they represent different phases of project development (preliminary engineering and final design), received different overall project justification and finance ratings, varied in size based on the project's total capital cost, received different levels of New Starts funding, and are geographically diverse. We obtained this information from FTA's annual New Starts report for fiscal year 2007. Our interviews were designed to gain project sponsors' perspectives on three main topics, including the impact of FTA's proposed changes to the New Starts application and project development process during the fiscal year 2008 evaluation cycle, FTA's implementation of the newly established Small Starts program, and FTA's plans to align and revise its evaluation and ratings process with the changes required by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Specifically, we asked for their opinions on how FTA plans to measure and weight new criteria in its evaluation framework. We provided all project sponsors with a list of topics and questions prior to our interviews, and we reviewed the comments they submitted to FTA's docket. Because the five projects were selected as part of a nonprobability sample, the results cannot be generalized to all projects.

In addition to our interviews, we analyzed the content of the comments submitted to FTA's docket on the New Starts policy guidance and the Small Starts ANPRM to systematically determine the project sponsors' views on key issues and identify common themes in their responses to

different questions. We received from FTA a summary of all the written comments submitted to the docket on both the Small Starts ANPRM and the New Starts guidance on policies and procedures. These comments were organized by topic. To verify the accuracy of the summaries, we checked 20 percent of the comments against the original source documents.<sup>1</sup> Two analysts reached consensus on the coding of the responses, and a third analyst was consulted in case of disagreement to ensure that our codes were reliable.

To ensure the reliability of the information presented in this report, we interviewed FTA officials about FTA's policies and procedures for compiling the New Starts annual reports, including FTA's data collection and verification practices for New Starts information. Specifically, we asked the officials whether their policies and procedures had changed significantly since we reviewed them for our 2005 report on New Starts.<sup>2</sup> FTA officials told us that there were no significant changes in their data collection and verification policies and procedures for New Starts information. Therefore, we concluded that the FTA information presented is sufficiently reliable for the purposes of this report.

We conducted our work from February 2006 through August 2006 in accordance with generally accepted auditing standards, including standards for data reliability.

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<sup>1</sup>All written comments are available at <http://dms.dot.gov>.

<sup>2</sup>[GAO-05-674](#).

# Appendix II: FTA's Proposed Changes to the New Starts Program

In its January 2006 guidance, FTA identified possible long-term changes to the New Starts program. According to FTA, some of these changes were driven by SAFETEA-LU, while others were designed to improve the New Starts program or correct past problems. Table 7 summarizes FTA's proposed changes to the definition of eligibility, the evaluation and rating process, and the project development process as well as FTA's rationale for the proposed changes and the transit community's response to the proposed changes.

**Table 7: Changes to the New Starts Program Proposed by FTA and the Transit Community's Response**

Proposed change	FTA's rationale for change	Comments submitted by the transit community
<p><b>Definition of Eligibility</b></p> <p><i>Definition of a fixed guideway:</i> FTA asks whether a Bus Rapid Transit project is a "fixed guideway" project and whether FTA should fund high-occupancy vehicle (HOV) projects to the degree that they provide benefits to public transit riders.</p>	<p>A fixed guideway has not been specifically defined in the statute.</p>	<ul style="list-style-type: none"> <li>• The current definition of fixed guideway works well; thus, FTA should make no changes.</li> <li>• A minimum percentage of the guideway (e.g., 30-75 percent) should be dedicated in order for a project to get funding.</li> <li>• HOV projects should be funded by the Federal Highway Administration (FHWA).</li> </ul>
<p><b>Project evaluation and ratings process</b></p> <p><i>Evaluation framework:</i> FTA proposes two options for revising the evaluation framework. Option 1 would extend the current framework to include economic development impacts and the reliability of forecasting methods for costs and ridership. Option 2 would be a broader framework that incorporates the new evaluation factors specified by SAFETEA-LU and, according to FTA, organizes the measures to better describe the merits of the project, its effectiveness, and its cost-effectiveness.</p>	<p>The current evaluation framework can be restructured to provide a more informative analytical discussion of the project and its merits for New Starts funding.</p>	<ul style="list-style-type: none"> <li>• Both proposed options raise concerns because they continue to define cost-effectiveness only in terms of mobility.</li> <li>• Neither proposed option gives enough weight to land use and economic development.</li> </ul>
<p><i>Nature of the problem or opportunity evaluation measure:</i> FTA asks (1) whether measures that represent the nature of the problem or the opportunity the proposed projects are designed to address should be included in the evaluation framework and (2) how FTA should evaluate or rate projects that address significant transportation problems compared with projects that take advantage of opportunities to improve service.</p>	<p>New Starts projects are intended to solve specific transportation problems, take advantage of opportunities to improve transportation services, or support economic development. In particular, it is important in evaluating projects to understand what problem the project is intended to solve.</p>	<p>Funding should be available for projects seeking to shape economic development or to provide a solution to mobility problems.</p>

**Appendix II: FTA’s Proposed Changes to the New Starts Program**

<b>Proposed change</b>	<b>FTA’s rationale for change</b>	<b>Comments submitted by the transit community</b>
<p><i>Economic development impacts measure:</i> FTA identifies two options for characterizing economic development benefits: (1) regional economic benefits and (2) station area development impacts. FTA sought comment on whether there was preference for either option, as well as on how to evaluate economic development and land use as distinct and separate measures.</p>	<p>SAFETEA-LU identified economic impacts as a new evaluation criterion.</p>	<ul style="list-style-type: none"> <li>• Station area development benefits better isolate the effect of the transit project. There are too many other variables associated with regional economic benefits.</li> <li>• FTA should use both regional and station area economic benefits.</li> <li>• Land use and economic development should be separate measures and have as much weight as cost-effectiveness</li> <li>• Differentiating between land use and economic development is difficult.</li> </ul>
<p><i>Mobility benefits measure:</i> FTA proposes to measure mobility by using a combination of user benefits per passenger mile and project ridership. FTA also asked whether other measures of mobility benefits could be used.</p>	<p>The measure of mobility benefits ought to capture the number of travelers that will benefit as well as the magnitude of the benefit.</p>	<ul style="list-style-type: none"> <li>• FTA should continue to work toward capturing transportation benefits to highway users in a project corridor.</li> <li>• FTA should analyze the impact of nonhome-based trips, trips generated by special events, and automobile trips not taken because of enhanced pedestrian activity established in a project corridor.</li> </ul>
<p><i>Mobility for transit dependents measure:</i> FTA proposes to measure mobility for transit dependents by the share of user benefits accruing to the passenger in the lowest income stratum, compared with the regional share of the lowest income stratum. FTA asked whether this proposed measure would cause any implementation difficulties and whether there were other measures FTA should consider.</p>	<ul style="list-style-type: none"> <li>• Since low-income populations and households without access to automobiles depend critically on the public transportation system to provide basic mobility, access to jobs, health care, and other critical services, projects that improve transit services for these populations have special merit.</li> <li>• FTA’s previous measure—percentage of low-income households in the project corridor—did not measure whether low-income riders actually used the system.</li> </ul>	<p>An implementation difficulty would be the inconsistencies in regional travel demand models—that is, some models are based on income, others on automobile ownership, and some on both.</p>
<p><i>Environmental benefits measure:</i> FTA proposes to continue using the same environmental benefits measure, which uses the projected change in regional vehicle miles traveled, to estimate the change in various harmful types of vehicle emissions and energy consumption.</p>	<p>No other measures have been identified.</p>	<p>FTA should retain its current measure of environmental benefits.</p>
<p><i>Operating efficiency measure:</i> FTA proposes removing this measure as a separate evaluation criterion, relying instead on an evaluation of cost-effectiveness to address the statutory criterion. According to FTA, the impact of the project on operating and maintenance costs is captured in the calculation of cost-effectiveness.</p>	<p>The current measure—projected systemwide change in operating cost per passenger mile—does not distinguish among proposed projects, while the projected operating cost of the system is a key component in calculating cost-effectiveness.</p>	<p>FTA should use the cost-effectiveness evaluation measure to address the operating efficiency criterion.</p>

**Appendix II: FTA’s Proposed Changes to the  
New Starts Program**

Proposed change	FTA’s rationale for change	Comments submitted by the transit community
<p><i>Cost-effectiveness measure:</i> FTA proposes to broaden the current cost-effectiveness measure to include nontransportation benefits, such as economic development benefits, land use impacts, and mobility benefits to transit dependents. FTA also suggests using two cost-effectiveness measures—one for the forecast year as is done today and the second calculated for the year the project opens.</p>	<p>The current measure reflects breakpoints that anticipate nontransportation benefits, but this is not readily apparent to the industry or decisionmakers.</p>	<ul style="list-style-type: none"> <li>• Broadening the cost-effectiveness measure would increase the time and cost of project development.</li> <li>• FTA should use the consumer price index, not the gross domestic product price index, to adjust the dollar value of the cost-effectiveness threshold.</li> </ul>
<p><i>Financial capabilities measure:</i> FTA proposes changing the way the financial rating factors related to uncertainty are incorporated into the evaluation process. Specifically, FTA suggests using the project sponsor’s ability to absorb funding shortfalls and cost overruns as an explicit measure of financial risk.</p>	<p>SAFETEA-LU identifies the following factors that FTA must use in evaluating financial capability: (1) the reliability of forecasting methods for costs and ridership, (2) existing grant commitments, (3) the degree to which funding sources are dedicated, (4) debt obligations of the project sponsor, and (5) the non-New Starts funding share.</p>	<ul style="list-style-type: none"> <li>• It is unclear from the guidance who is responsible for assessing the reliability of financial forecasts.</li> <li>• The emphasis placed on the reliability of the financial forecast should correlate to the stage of project development.</li> </ul>
<p><i>Reliability of forecasts measures:</i> FTA proposes to assess the risk and uncertainty inherent in project evaluation. Specifically, FTA plans to evaluate the uncertainty associated with the nature and severity of the problem, as well as individual measures of project merit and cost-effectiveness measures.</p>	<p>SAFETEA-LU requires that the reliability of the forecasting methods used to estimate costs be considered in the evaluation of New Starts projects. The reliability factor is a way of assessing the likelihood the cost and ridership projections will be achieved.</p>	<ul style="list-style-type: none"> <li>• Proposal is confusing.</li> <li>• Recent experience with risk assessments suggests that the proposal would require substantial effort with little reduction in uncertainty.</li> <li>• FTA should place significant weight on the project sponsor’s ability to enhance the reliability of forecasts through the proven quality control methods.</li> </ul>
<p><i>Development of project ratings:</i> Currently, FTA develops separate ratings for project justification and local financial commitment, and then derives an overall project rating from these component ratings using decision rules. FTA proposes to use a similar process for rating projects. However, SAFETEA-LU requires that the reliability of forecasts be incorporated into the ratings process and FTA suggests different options for accomplishing this, such as using probability weightings or using uncertainty indicators to decide the outcome for ratings at the margins. FTA also seeks input about the weights that should be assigned to each measure.</p>	<p>SAFETEA-LU requires that the reliability of the forecasting methods used to estimate costs be considered in the evaluation of New Starts projects.</p>	<p>Economic development and land use should receive the same weight as cost-effectiveness.</p>

**Appendix II: FTA's Proposed Changes to the New Starts Program**

Proposed change	FTA's rationale for change	Comments submitted by the transit community
Project development process		
<p><i>Local endorsement of the financial plan:</i> FTA proposes to require that project sponsors specify all proposed sources of funding in the financial plan, and that the sponsoring agency provide a letter endorsing the proposed financial strategies and amounts of planned funding by those agencies identified as funding sources.</p>	<ul style="list-style-type: none"> <li>• SAFETEA-LU requires that FTA ensure that proposed New Starts projects are supported by an acceptable degree of local financial commitment and resources.</li> <li>• FTA has experienced situations in which a project's financial plans state that local agencies will provide funding, but in reality those local agencies do not support the project plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Securing an endorsement will be overly burdensome and delay project development.</li> <li>• FTA should not dictate when project sponsors receive financial commitments.</li> <li>• It is hard to fully secure funding commitments in preliminary engineering (PE) and final design (FD).</li> </ul>
<p><i>Approval of the baseline alternative:</i> FTA proposes to maintain the current approval process and definition of the baseline alternative. However, FTA asks whether the baseline can be more clearly defined and whether there is a way to report on the benefits of the project, including the benefits attributable to the difference between the no-build and the baseline alternatives.</p>	<p>There has been significant confusion over the definition of the baseline alternative.</p>	<ul style="list-style-type: none"> <li>• More clarity is needed on how FTA defines baseline alternative.</li> <li>• Selection of baseline alternative should not be driven by FTA.</li> </ul>
<p><i>On-board transit survey:</i> FTA is considering requiring that a recent survey of transit riders be used to inform the travel-forecasting procedures used during alternatives analysis. FTA suggests that "recent" could be defined as within the 5 years preceding a request to enter PE.</p>	<p>Data on current ridership patterns are essential to the development of reliable forecasts.</p>	<ul style="list-style-type: none"> <li>• Surveys are expensive and may be unnecessary in some areas.</li> <li>• FTA should consider other means of collecting data on ridership, such as electronic fare collection data and small sample surveys.</li> </ul>
<p><i>Preliminary engineering purpose and exit criteria:</i> FTA is considering defining the PE phase as the process of finalizing the project's scope, cost, and financial plan such that (1) all environmental impacts are identified and adequate provisions are made for their mitigation in accordance with the National Environmental Policy Act, (2) all major or critical project elements are designed to the level that no significant unknown impacts relative to their costs will result, and (3) all cost estimating is complete to a level of confidence necessary for the sponsor to implement the financing strategy.</p>	<p>FD is intended to be used to develop documents for construction. As such, all issues related to significant scope and cost should be resolved in PE.</p>	<ul style="list-style-type: none"> <li>• A clearer definition of the PE phase is needed to help project sponsors target resources.</li> <li>• Design costs will be frontloaded, thereby increasing the costs of PE.</li> </ul>

**Appendix II: FTA's Proposed Changes to the New Starts Program**

<b>Proposed change</b>	<b>FTA's rationale for change</b>	<b>Comments submitted by the transit community</b>
<p><i>Project reaffirmation by the metropolitan planning organization (MPO):</i> FTA is considering requiring that the sponsoring agencies reaffirm their adoption of the project, in its final configuration and costs, in the MPO's long-range transportation plan as part of the application to advance the project to FD.</p>	<p>Before a project is approved for advancement into PE, the project must be adopted by the MPO into its long-range transportation plan. However, a project's scope and costs may change during the PE phase. Thus, this requirement would ensure that a revised project still conforms to the MPO's transportation plans and financial constraint requirements.</p>	<ul style="list-style-type: none"> <li>• Creates another step that will increase the time and cost of project development.</li> <li>• Duplicates sponsoring agencies' ongoing work with the MPO and provides no added certainty.</li> <li>• Will likely have limited impact on local financial endorsement.</li> <li>• Inconsistent with FHWA regulations.</li> </ul>
<p><i>New Starts funding share incentives:</i> FTA asks how it should implement the provision in SAFETEA-LU that would give FTA discretion to provide a higher percentage of New Starts funding than that requested by the project sponsor as an incentive to produce reliable ridership and cost estimates.</p>	<p>SAFETEA-LU allows the Secretary to provide a higher grant percentage than requested by the project sponsor if (1) the net cost of the project is not more than 10 percent higher than the net cost estimated at the time the project was approved for advancement into PE, and (2) the ridership estimated for the project is not less than 90 percent of the ridership estimated for the project at the time the project was approved for advancement into PE.</p>	<ul style="list-style-type: none"> <li>• Incentive money should be invested back into the New Starts program.</li> <li>• Incentive should focus on the project's outcomes like project impacts.</li> </ul>

Source: GAO analysis of FTA guidance and public comments posted on FTA's docket.

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