



Before the Subcommittee on Highways
and Transit, Committee on Transportation
and Infrastructure

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**PUBLIC
TRANSPORTATION**

**Preliminary Analysis of
Changes to and Trends in
FTA's New Starts and Small
Starts Programs**

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Highlights of [GAO-07-812T](#), a testimony to the Subcommittee on Highways and Transit, Committee on Transportation and Infrastructure

Why GAO Did This Study

Through the New Starts program, the Federal Transit Administration (FTA) identifies and recommends new fixed-guideway transit projects for funding—including heavy, light, and commuter rail; ferry; and certain bus projects. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) authorized the New Starts program through fiscal year 2009 and made a number of changes to the program, including creating a separate program commonly called Small Starts. This program is intended to offer an expedited and streamlined evaluation and rating process for smaller-scale transit projects. FTA subsequently introduced a separate eligibility category within the Small Starts program for “Very Small Starts” projects. Very Small Starts projects are simple, low-risk projects that FTA has determined qualify for a simplified evaluation and rating process.

This testimony discusses GAO’s preliminary findings on (1) FTA’s implementation of SAFETEA-LU changes to the New Starts program, (2) the extent to which the New Starts pipeline (i.e., projects in the preliminary engineering and final design phases) has changed over time, and (3) future trends for the New Starts and Small Starts pipelines. To address these objectives, GAO surveyed 215 project sponsors and interviewed FTA officials, 15 project sponsors, and 3 industry groups. Our survey response rate was 77 percent.

www.gao.gov/cgi-bin/getrpt?GAO-07-812T.

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.

PUBLIC TRANSPORTATION

Preliminary Analysis of Changes to and Trends in FTA's New Starts and Small Starts Programs

What GAO Found

FTA has made progress in implementing SAFETEA-LU changes, but more work remains. Project sponsors frequently identified two key issues for FTA to consider as it moves forward in implementing SAFETEA-LU changes: (1) further streamline the Small Starts program and (2) fully incorporate economic development as a criterion in the New Starts and Small Starts evaluation and rating processes. According to our analysis of the number and types of requirements for New Starts and Small Starts application processes, the Small Starts process has fewer requirements. However, project sponsors said that FTA should further streamline the process by, for example, eliminating requests for duplicate information requested in required worksheets. SAFETEA-LU added economic development to the list of project justification evaluation criteria that FTA must use to evaluate and rate projects. However, FTA currently assigns a weight of 50 percent each to cost-effectiveness and land use in calculating a project’s overall rating—the other 4 statutorily identified criteria, including economic development, are not weighted. We previously reported that FTA’s reliance on two evaluation criteria to calculate a project’s overall rating is drifting away from the multiple-measure evaluation and rating process outlined in statute. Further, without a weight for economic development, project sponsors say, the evaluation and rating process does not reflect an important benefit of certain projects. FTA officials said they are currently working to develop an appropriate economic development measure as part of their upcoming rulemaking.

The New Starts pipeline—that is, projects in different stages of planning—has changed in size and composition since the fiscal year 2001 evaluation and rating cycle, and a variety of factors have contributed to these changes. Since then, the number of projects in the New Starts pipeline has decreased by more than half. Additionally, the types of projects in the pipeline have changed during this time frame, as bus rapid transit projects are now more common than commuter or light rail projects. FTA officials attributed the decrease in the pipeline to their increased scrutiny of applications to help ensure that only the strongest projects enter the pipeline, and to their efforts to remove projects from the pipeline that were not advancing or did not adequately address identified problems. Project sponsors GAO interviewed provided other reasons for the pipeline’s decrease, including that the New Starts process is too complex, time-consuming, and costly. Our survey results reflect many of these same reasons for the decline in the pipeline.

Despite these concerns, GAO’s survey of project sponsors indicates future demand for New Starts, Small Starts, and Very Small Starts funding. The sponsors GAO surveyed reported having 137 planned projects and intend to seek New Starts, Small Starts, or Very Small Starts funding for almost three-fourths of these projects. Project sponsors GAO surveyed also reported considering a range of project type alternatives in their planning. The most commonly cited alternatives were bus rapid transit and light rail.

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to provide testimony on the Federal Transit Administration's (FTA) New Starts and Small Starts programs. As you know, since the early 1970s, a significant portion of the federal government's share of new capital investment in mass transportation has come through the New Starts program. Through the New Starts program, FTA identifies and recommends new fixed-guideway transit projects for funding—including heavy, light, and commuter rail; ferry; and certain bus projects.¹ Over the last decade, the New Starts program has provided state and local agencies with over \$10 billion to help design and construct transit projects throughout the country.

More recently, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) created, and FTA implemented, what is commonly called the Small Starts program. This program is intended to advance smaller-scale projects through an expedited and streamlined evaluation and rating process. Small Starts projects are defined as those with a total cost of less than \$250 million, and which require less than \$75 million in funding from this program. FTA subsequently introduced a new eligibility category within the Small Starts program called Very Small Starts, which is for projects that have a total capital cost of less than \$50 million. Very Small Starts projects will qualify for an even simpler and more expedited evaluation and rating process than Small Starts projects. In July 2006, FTA issued interim guidance on the Small Starts and Very Small Starts programs to govern the administration of the programs until the final rule is issued. FTA expects the final rule to be issued April 2008.

Although SAFETEA-LU made a number of changes to the New Starts program, including the creation of the Small Starts program, it also maintained many program requirements imposed by previous authorizing legislation. For example, SAFETEA-LU, like the Transportation Equity Act for the 21st Century, directs FTA to prioritize projects for funding by evaluating, rating, and recommending potential projects on the basis of specific financial commitment and project justification criteria—including mobility improvements, cost-effectiveness, economic development, land

¹Fixed-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.

use, environmental benefits, and operating efficiencies. Using these statutorily identified criteria, FTA evaluates potential projects annually and as a condition for advancement into each phase of the process, including preliminary engineering, final design, and construction. FTA refers to projects in the preliminary engineering or final design phases as the “pipeline” through which successful projects advance to receive funding.

My testimony today examines (1) FTA’s implementation of SAFETEA-LU changes to the New Starts program, (2) the extent and nature of changes in the New Starts pipeline since the fiscal year 2001 evaluation and rating cycle,² and factors that have contributed to trends in the program; and (3) projected trends for the New Starts and Small Starts pipelines. My comments are based on our ongoing work for the House Committee on Transportation and Infrastructure and the Senate Committee on Banking, Housing, and Urban Affairs as well as our body of work on the New Starts program.³ We plan to complete our ongoing work and report in full to the Committees this summer. For our ongoing work, we surveyed all project sponsors that are located in urbanized areas with populations over 200,000 and that have an annual ridership of over 1 million.⁴ In total, we surveyed 215 project sponsors, asking them about their past experiences with the New Starts program and plans to apply to the program in the future. Of the 215 project sponsors, 166 project sponsors responded to the survey—for a survey response rate of 77 percent. We also interviewed 15 project sponsors, including all 10 sponsors who applied for the Small Starts and Very Small Starts programs for the fiscal year 2008 evaluation cycle. The other 5 project sponsors were selected on the basis of their agencies’ experience with the New Starts process, size, and location. In addition, we

²The fiscal year 2001 evaluation cycle began in 1999—applications were due in August 1999, and FTA evaluated the applications in the fall of 1999. The annual report was published in the spring of 2000 and included funding recommendations for fiscal year 2001.

³TEA-21 required GAO to report 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. SAFETEA-LU continued this requirement. See the Related GAO Products at the end of this testimony for a listing of previous reports on these programs.

⁴Project sponsors we surveyed may or may not have previously applied to the New Starts or Small Starts program, but because of their size and ridership, would be more likely to plan the types of transit projects that would potentially qualify for New Starts funding. Project sponsors are typically transit agencies, but may also include city transportation offices and metropolitan planning organizations, among other entities. In this report, project sponsors are current sponsors of transit projects as well as past or potential sponsors of such projects.

interviewed FTA officials and representatives from industry associations. We also reviewed FTA's guidance on the New Starts and Small Starts programs, the Advanced Notice of Proposed Rule Making (ANPRM) for Small Starts, and the provisions of SAFETEA-LU and of its predecessor, the Transportation Equity Act for the 21st Century (TEA-21), that address the New Starts program. We conducted our work from November 2006 through April 2007 in accordance with generally accepted government auditing standards.

Summary:

- FTA has made progress in implementing SAFETEA-LU changes, including issuing guidance for the New Starts program and interim guidance for the Small Starts program. However, work remains in implementing these changes. Project sponsors frequently identified two key implementation issues: further streamlining the Small Starts program and fully incorporating economic development into the New Starts and Small Starts evaluation and rating process. According to our analysis of the number and types of requirements for the New Starts and Small Starts application processes, the Small Starts process has fewer requirements. However, project sponsors said that despite the fewer requirements, FTA should further streamline the Small Starts application process. For example, project sponsors suggested eliminating requests for duplicate information requested in required worksheets. In addition, project sponsors noted that FTA has not fully incorporated economic development—a new project justification evaluation criterion identified by SAFETEA-LU—into the New Starts and Small Starts evaluation and rating processes. Specifically, FTA currently assigns a weight of 50 percent each to cost-effectiveness and land use in calculating a project's overall rating, but does not assign a weight to the other four statutorily identified criteria, including economic development. FTA officials noted that they do not weight economic development given the difficulties they have experienced in developing measures that both accurately quantifies the benefits and distinguishes competing projects. However, we previously reported that FTA's reliance on two evaluation criteria to calculate a project's overall rating is drifting away from the multiple-measure evaluation and rating process outlined in statute. In addition, without a weight for economic development, project sponsors say, the evaluation and rating process does not reflect an important benefit of certain projects. FTA officials told us that they understand the importance of economic development to the transit community and the concerns raised by project sponsors, and said they are currently working to develop an appropriate economic development measure. FTA stated that these issues would be addressed as part of its upcoming rulemaking process.

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- The New Starts pipeline has changed in size and composition since the fiscal year 2001 evaluation and rating cycle, and a variety of factors have contributed to these changes. Since the fiscal year 2001 evaluation and rating cycle, the number of projects in the New Starts pipeline has decreased by more than half. In addition, the types of projects in the pipeline have changed, as bus rapid transit projects are now more common than commuter or light rail projects, although they still represent a small amount of the total cost for all projects in the pipeline. FTA officials and project sponsors offered different reasons for the decrease in the New Starts pipeline. FTA officials said that they had increased their scrutiny of applications to help ensure that only the strongest projects enter the pipeline. According to these officials, they took steps to remove projects from the pipeline that were not advancing or that did not adequately address identified problems—although the officials noted that most project sponsors voluntarily withdrew projects from the pipeline rather than having FTA remove them. Project sponsors we interviewed provided other reasons for the decrease in the New Starts pipeline. In particular, they maintained that the New Starts process is too complex, time-consuming, and costly. Our survey results confirm some of the reasons offered by project sponsors. Among the project sponsors we surveyed with completed transit projects, the most common reasons given for not applying to the New Starts program was that the process is too lengthy or that the sponsor wanted to move the project along faster than could be done in the New Starts process. About two-thirds of these project sponsors reported that their most recent project was eligible for the New Starts program, yet more than one-fourth of them did not apply to the program.⁵ The lengthy nature of the New Starts process is due, at least in part, to the rigorous and systematic evaluation and rating process established by law—which we have previously noted could serve as a model for other transportation programs. FTA has recognized that the process can be lengthy and in 2006, FTA commissioned a study to examine, among other issues, opportunities for accelerating and simplifying the process for implementing the New Starts program. FTA is currently reviewing the study’s findings and recommendations.
 - Despite these concerns, our survey of project sponsors indicates that there will be a future demand for New Starts, Small Starts, and Very Small Starts funding. The project sponsors we surveyed reported having 137 planned projects—that is, projects currently undergoing an alternative analysis or

⁵Of the 54 project sponsors with a completed transit project, 35 reported that their most recently completed project was eligible for New Starts funding. Of those 35 sponsors, 10 did not apply to the program.

other corridor-based planning study.⁶ According to the project sponsors, they plan to seek New Starts, Small Starts, or Very Small Starts funding for almost three-fourths (73 percent) of these 137 projects. Project sponsors we surveyed also indicated that they were considering a range of project type alternatives in their planning. The most commonly cited alternatives were bus rapid transit and light rail. Our survey results also indicate that, through its Small Starts and Very Small Starts programs, FTA is attracting project sponsors that would not otherwise apply for the New Starts program or have not previously applied to the New Starts program. For example, of 28 project sponsors that intend to seek Small Starts or Very Small Starts funding for their planned projects, 13 have not previously applied for New Starts, Small Starts, or Very Small Starts funding.⁷

Background

SAFETEA-LU authorized over \$45 billion for federal transit programs, including \$8 billion for the New Starts program, from fiscal year 2005 through fiscal year 2009. Under New Starts, FTA identifies and recommends fixed-guideway transit projects for funding—including heavy, light, and commuter rail; ferry; and certain bus projects (such as bus rapid transit). FTA generally funds New Starts projects through full funding grant agreements (FFGA), which establish the terms and conditions for federal participation in a New Starts project. FFGAs 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). New Starts projects must emerge from a regional, multimodal transportation planning process. The first two phases

⁶Alternatives analysis (also known as major investment study or multimodal corridor analysis) is conducted to evaluate a range of transportation alternatives (including appropriate modal and alignment options) developed to address transportation problems and mobility needs in a given corridor. The alternatives analysis study is intended to provide information to local officials on the benefits, costs, and impacts of alternative transportation investments developed to address the purpose and need for an improvement in the corridor.

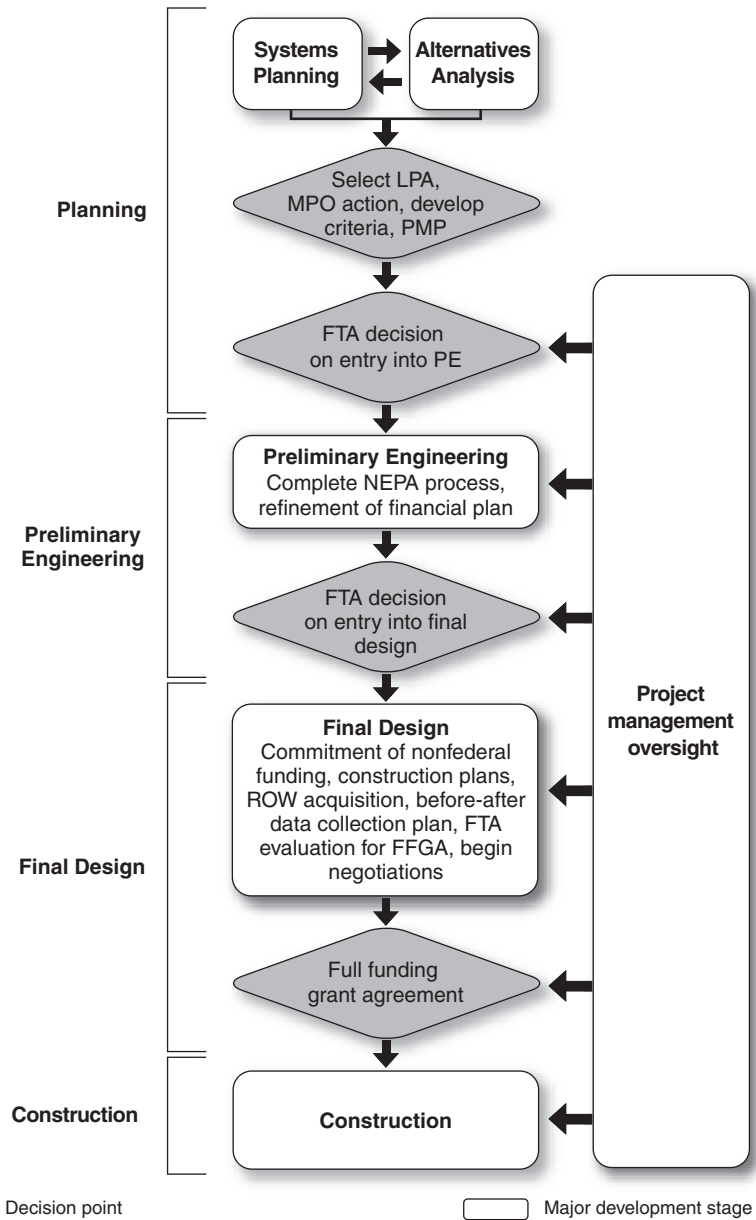
⁷Thirty project sponsors that responded to our survey intend to seek Small Starts or Very Small Starts funding for their planned projects, however two of those sponsors did not answer whether they had previously applied for New Starts, Small Starts, or Very Small Starts funding.

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 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, the project sponsor submits an application to FTA for the project to enter the preliminary engineering phase.⁸ When this phase is completed and federal environmental requirements are satisfied, FTA may approve the project's advancement into final design,⁹ after which FTA may approve the project for an FFGA and proceed to construction, as provided for in statute. FTA oversees grantees' management of projects from the preliminary engineering through construction phases and evaluates the projects for advancement into each phase of the process, as well as annually for the New Starts report to Congress.

⁸During 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 the preliminary engineering phases. Some federal New Starts funding is available to projects for preliminary engineering activities, if so appropriated by Congress.

⁹Final 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



Source: FTA.

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 statutorily defined evaluation criteria—including both financial commitment and project justification criteria—and then assigns an overall rating.¹⁰ These evaluation 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. 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. Projects are rated at several points during the New Starts process—as part of the evaluation for entry into the preliminary engineering and final design phases, and yearly for inclusion in the New Starts annual report.

As required by statute, the administration uses the FTA evaluation and rating process, along with the phase of development of New Starts projects, to decide which projects to recommend to Congress for funding.¹¹ 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

¹⁰The exceptions to the evaluation process are statutorily “exempt” projects, which are those with requests for less than \$25 million in New Starts funding. Sponsors of these projects are not required to submit project justification information (although FTA encourages their sponsors to do so). FTA does not rate these projects and the projects are not eligible for FFGAs. As a result, the number of projects in the preliminary engineering or final design phases may be greater than the number of projects evaluated and rated by FTA. Exempt projects will continue to be eligible for funding without being rated until the final rule for Small Starts is issued.

¹¹The 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.

the projects will be able to meet the following conditions during the fiscal year for which funding is proposed:

- All non-federal project 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 (i.e., environmental or financial) are minimized.
- The project must meet FTA's tests for readiness and technical capacity, which confirm that there are no remaining cost, project scope, or local financial commitment issues.

FTA Has Made Progress in Implementing SAFETEA-LU Changes, but Work Remains

SAFETEA-LU made a number of changes to the New Starts program and FTA has made progress in implementing some of those changes. However, FTA has more work to do to implement these changes. In particular, although the Small Starts program has fewer application and document submission requirements than the New Starts program, project sponsors have expressed concern that the Small Starts program could be further streamlined. In addition, SAFETEA-LU added economic development to the list of evaluation criteria, but FTA has not fully incorporated this criterion into the New Starts and Small Starts evaluation and rating processes.

FTA Has Taken Steps to Implement SAFETEA-LU's Changes to the New Starts Program

SAFETEA-LU introduced a number of changes to the New Starts program. For example, SAFETEA-LU added economic development to the list of evaluation criteria that FTA must use in evaluating and rating New Starts projects and required FTA to issue notice and guidance each time significant changes are made to the program. In addition, SAFETEA-LU established the Small Starts program, a new capital investment grant program to provide funding for lower-cost fixed- and non-fixed-guideway projects such as bus rapid transit, streetcars, and commuter rail projects. This program is intended to advance smaller-scale projects through an expedited and streamlined evaluation and rating process. Small Starts projects are defined as those that require less than \$75 million in federal funding and have a total cost of less than \$250 million. According to FTA's guidance, Small Starts projects must (a) meet the definition of a fixed

guideway for at least 50 percent of the project length in the peak period¹² or (b) be a corridor-based bus project with the following minimum elements:

- substantial transit stations,
- traffic signal priority/pre-emption, to the extent, if any, that there are traffic signals on the corridor,
- low-floor vehicles or level boarding,
- branding of the proposed service, and
- 10 minute peak/12 minute off-peak running times (i.e., headways) or better while operating at least 14 hours per weekday.

FTA has made progress in implementing SAFETEA-LU changes. For example, it published the New Starts policy guidance in January 2006 and February 2007, and interim guidance on the Small Starts program in July 2006. The July 2006 interim guidance introduced a separate eligibility category within the Small Starts program for “Very Small Starts” projects. Small Starts projects that qualify as Very Small Starts are simple, low-cost projects that FTA has determined qualify for a simplified evaluation and rating process. These projects must meet the same eligibility requirements as Small Starts projects and be located in corridors with more than 3,000 existing riders per average weekday who will benefit from the proposed project. In addition, the projects must have a total capital cost less than \$50 million (for all project elements) and a per-mile cost of less than \$3 million, excluding rolling stock (e.g., train cars). Table 1 describes SAFETEA-LU provisions for the New Starts program and the status of the implementation of those provisions as of April 2007.

¹²The fixed guideway portion need not be contiguous, but should be located to result in faster and more reliable running times.

Table 1: Implementation of SAFETEA-LU's New Starts Provisions, as of April 2007

SAFETEA-LU provisions	Description	Status of implementation	Remaining action(s)
Establish the Small Starts program	<p>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.</p> <p>A new capital investment program called Small Starts provides funding 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.</p>	FTA issued the final interim guidance for July 2006. By law, exempt projects will continue to be eligible for funding without being rated until the final rule for Small Starts is issued.	Rulemaking needed to establish Small Starts program.
Document 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.	FTA's May 2006 policy 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 final design.	Rulemaking needed to establish requirement.
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.	FTA has since published its New Starts policy guidance for notice and comment each time significant changes have been made, such as for its draft New Starts policy guidance in January 2006 and February 2007, and its final New Starts policy guidance in May 2006.	None.

SAFETEA-LU provisions	Description	Status of implementation	Remaining action(s)
Revise New Starts overall project rating scale	The 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.	FTA used a 3 point-scale project rating scale for the fiscal year 2007 and 2008 evaluation and rating cycles, but changed ratings to "high," "medium," and "low." FTA's February 2007 policy guidance proposed implementing the 5-point scale starting in May 2007.	Issue final guidance on implementing the 5-point scale in May 2007.
Identify reliability of cost estimate and ridership forecast as a consideration in evaluation process	The Secretary is required 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.	FTA's January 2006 policy guidance for New Starts and advanced notice of proposed rulemaking for Small Starts proposed an approach for incorporating reliability into project evaluations.	Rulemaking needed to establish requirement.
Add economic development criterion to evaluation process	Projects will be evaluated based on a review of their effects on local economic development.	FTA considers economic development as an unweighted "other factor" criterion in the evaluation process. FTA has sought comment from various parties on appropriate measures for economic development.	Rulemaking needed to solicit comment on and finalize measures for economic development.
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.	FTA considers land use as a weighted criterion in the evaluation process.	None.
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.	In its reporting instructions for New Starts issued in May 2006, FTA clarified that a nonfederal commitment of more than 20 percent of the project's net capital cost is not required, although a greater nonfederal commitment is encouraged.	None.
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 preliminary engineering.	FTA implemented that a higher share of New Starts funding may be made available to project sponsors if the project cost and ridership estimates are within 10 percent of the original estimates in its fiscal years 2007 and 2008 evaluation cycle.	None.

SAFETEA-LU provisions	Description	Status of implementation	Remaining action(s)
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.	FTA submitted an annual report to congressional committees in August 2006 that described how FTA intends to analyze the consistency and accuracy of the costs and ridership estimates made by contractors to public transportation agencies developing new capital projects.	None.

Source: GAO analysis of SAFETEA-LU and FTA data.

Work Remains in Implementing SAFETEA-LU Changes

Although FTA has made progress in implementing SAFETEA-LU changes, more work remains. Project sponsors identified two key issues for FTA to consider as it moves forward in implementing SAFETEA-LU changes: further streamline the Small Starts program and fully incorporate economic development into the New Starts and Small Starts evaluation and rating processes. FTA officials agree that the Small Starts program can be further streamlined. Further, FTA officials said they understand the importance of economic development, and are currently working to develop an appropriate economic development measure.

Project Sponsors Would Like FTA to Further Streamline the Small Starts Program

In implementing the Small Starts program, FTA has taken steps to streamline the application and evaluation and rating process for smaller-scale transit projects, as envisioned by SAFETEA-LU. According to our analysis of the number and types of requirements for the New Starts and Small Starts application processes, the Small Starts process has fewer requirements. For example, in the categories of travel forecasting, project justification, and local financial commitment, the requirements were reduced. In addition, FTA developed simplified methods for travel forecasts that predict transportation benefits and reduced the number of documents that need to be submitted as part of the Small Starts application process. For example, the number of documents required for the Small Starts application is one-quarter fewer than those for the New Starts program. Furthermore, FTA established the Very Small Starts program, which has even fewer application and document submission requirements than the Small Starts program.

Despite these efforts, many of the project sponsors we interviewed find the Small Starts application process time consuming and costly to complete, and would like to see FTA further streamline the process. Frequently, project sponsors said that the current Small Starts application process takes as long and costs as much to complete as the New Starts application process, even though the planned projects cost less. For

example, a project sponsor who applied for the Small Starts program told us that FTA asks its applicants to submit templates used in the New Starts application process that call for information not relevant for a Small Starts project. For example, while project sponsors are only required to submit an opening year travel forecast as part of their Small Starts application, the template FTA provides project sponsors asks for information on additional forecasting years. The project sponsor suggested that FTA develop a separate set of templates for the Small Starts program that would ask only for Small Starts-related information. FTA officials told us that in these cases, they would not expect project sponsors to provide the additional information that is not required. Another project sponsor we interviewed told us that although FTA tried to streamline the process by requiring ridership projections only for the opening year of Small Starts projects, the environmental impact statement still mandates the development of multi-year ridership projections.¹³ Such extensive ridership projections take a considerable amount of work, staff time, and funding to produce. Several other project sponsors who applied to the Small Starts or Very Small Starts programs expressed additional concerns about having to provide duplicate information, such as project finance and capital cost data that can be found in other required worksheets. FTA officials do not believe that such duplicate information is burdensome for projects sponsors to submit. However, because some of the project sponsors are smaller-sized entities and have no previous experience with the New Starts program, the concerns expressed by project sponsors likely reflect their inexperience and lack of in-house expertise and resources.

In reviewing the Small Starts application process requirements, we also found that the application is not, in some cases, tailored for Small Starts applicants and, in several instances, requests duplicate information. FTA officials acknowledged that the Small Starts application process could be further streamlined and are working to reduce the burden, such as minimizing the duplicate information project sponsors are currently required to submit. However, FTA officials noted that some requirements are statutorily-defined or reflect industry-established planning principles. For example, SAFETEA-LU requires that projects, even Small Starts projects, emerge from an alternatives analysis that considered various options to address the transportation problem at hand. Therefore, only certain aspects of the process can or should be streamlined.

¹³FTA officials clarified that the level of ridership projections required is dependent on the nature of the project.

Project Sponsors Would Like FTA to Fully Incorporate the Economic Development Criterion into the Evaluation Process

Project sponsors also noted that FTA has not fully incorporated economic development—a new project justification evaluation criterion identified by SAFETEA-LU—into the evaluation process. Specifically, FTA currently assigns a weight of 50 percent each to cost-effectiveness and land use to calculate a project’s overall rating; the other four statutorily-identified criteria, including economic development, mobility improvements, operating efficiencies, and environmental benefits, are not weighted. To reflect SAFETEA-LU’s increased emphasis on economic development, FTA has encouraged project sponsors to submit information that they believe demonstrates the impacts of their proposed transit investments on economic development. According to FTA, this information is considered as an “other factor” in the evaluation process, but not weighted. However, FTA officials told us that few project sponsors submit information on their projects’ economic development benefits for consideration as an “other factor.” We previously reported that FTA’s reliance on two evaluation criteria to calculate a project’s overall rating is drifting away from the multiple-measure evaluation and rating process outlined in statute and current New Starts regulations.¹⁴ Thus, we recommended that FTA improve the measures used to evaluate New Starts projects so that all of the statutorily-defined criteria can be used in determining a project’s overall rating, or provide a crosswalk in the regulations showing clear linkages between the criteria outlined in statute and the criteria and measures used in the evaluation and rating process in the upcoming rulemaking process.

Many of the project sponsors and all industry groups we interviewed also stated that certain types of projects are penalized in the evaluation and rating process because of the weights assigned to the different evaluation criteria. Specifically, by not weighting economic development, the project sponsors and industry groups said that the evaluation and rating process does not consider an important benefit of some transit projects. They also expressed concern that the measure FTA uses to determine cost-effectiveness does not adequately capture the benefits of certain types of fixed guideway projects—such as streetcars—that have shorter systems and provide enhanced access to a dense urban core rather than transport commuters from longer distances (like light or heavy rail). Project sponsors and an industry group we interviewed further noted that FTA’s

¹⁴GAO, *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).

cost effectiveness measure has influenced some project sponsors to change their project designs from more traditional fixed-guideway systems like light rail or streetcars to bus rapid transit, expressly to receive a more favorable cost-effectiveness rating from FTA.

According to FTA officials, they understand the importance of economic development to the transit community and the concerns raised by project sponsors, and said they are currently working to develop an appropriate economic development measure. FTA is currently soliciting input from industry groups on how to measure economic development, studying possible options, and is planning to describe how it will incorporate economic development into the evaluation criteria in its upcoming rulemaking. FTA officials also stated that incorporating economic development into the evaluation process prior to the issuance of a regulation would have the potential of creating significant evaluation and rating uncertainty for project sponsors. Furthermore, they agreed with our previous recommendation that this issue should be addressed as part of their upcoming rulemaking, which they expect to be completed in April 2008.

FTA officials noted that they have had difficulty developing an economic development measure that both accurately measures benefits and distinguishes competing projects. For example, FTA officials said that separating economic development benefits from land use benefits—another New Starts evaluation criterion—is difficult. 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, raising questions about the usefulness of these benefits for a national comparison of projects.¹⁵ We have also reported on many of the same challenges of measuring and forecasting indirect benefits, such as economic development and land use

¹⁵Indirect benefits, such 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.

impacts.¹⁶ For example, we noted that certain benefits are often double counted when evaluating transportation projects. We also noted that 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 indirect benefits to direct benefits could constitute double counting and lead to overestimating a project's benefits. Despite these challenges, we have previously reported that it is important to consider economic development and land use impacts, since they often drive local transportation investment choices.¹⁷

FTA Officials and Project Sponsors Attribute Changes in the Size and Composition of the New Starts Pipeline to Different Factors

The number of projects in the New Starts pipeline has decreased since the fiscal year 2001 evaluation and rating cycle, and the types of projects in the pipeline have changed. FTA and project sponsors ascribed these changes to different factors, with FTA officials citing their increased scrutiny of applications and projects, and the project sponsors pointing to the complex, time-consuming, and costly nature of the New Starts process. FTA is considering different ideas on how to improve the New Starts process, some of which may address the concerns identified by project sponsors.

The Number of Projects in the New Starts Pipeline Has Decreased, and the Types of Projects Have Changed

Since the fiscal year 2001 evaluation cycle, the number of projects in the New Starts pipeline—which includes projects that are in the preliminary engineering or final design phases—has decreased by more than half, from 48 projects in the fiscal year 2001 evaluation cycle to 19 projects in the fiscal year 2008 evaluation cycle. Similarly, the number of projects FTA has evaluated, rated, and recommended for New Starts FFGAs has decreased since the fiscal year 2001 evaluation and rating cycle. Specifically, as shown in table 2, the number of projects that FTA evaluated and rated decreased by about two-thirds, from 41 projects to 14 projects.

¹⁶GAO, *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).

¹⁷[GAO-05-172](#).

Table 2: Number of Projects in the Pipeline, Evaluated and Rated Projects, by Fiscal Year

Fiscal year	Number of projects in the pipeline^a	Number of projects evaluated and rated^b
2001	48	41
2002	40	26
2003	43	25
2004	52	27
2005	37	23
2006	30	18
2007	22	18
2008	19	14

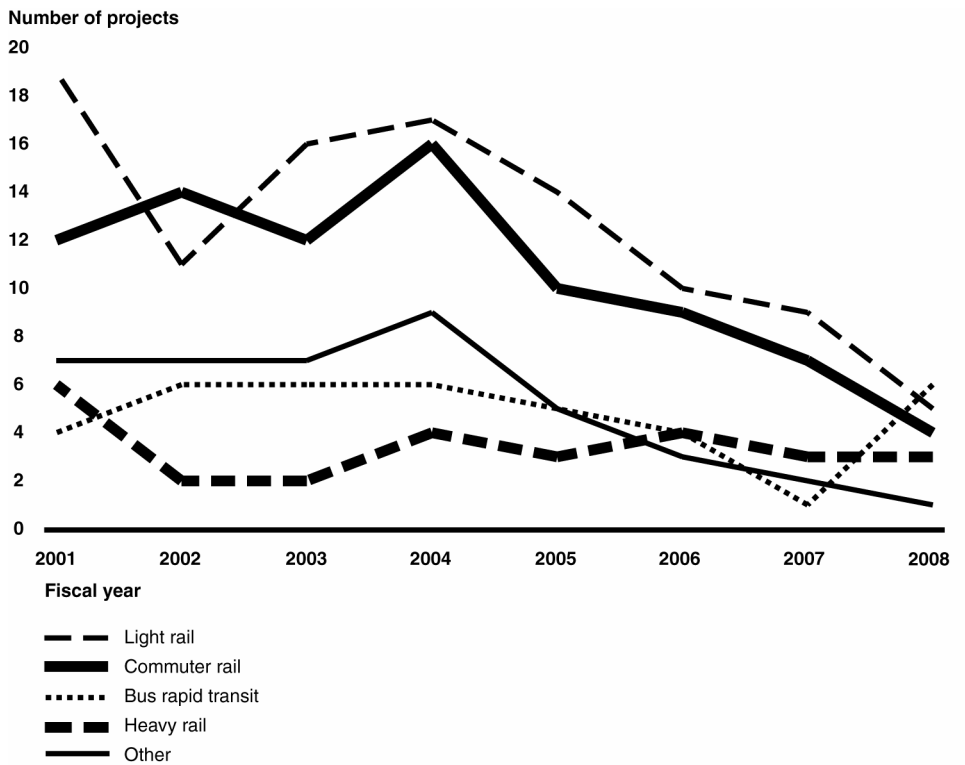
Source: GAO analysis of FTA data.

^aIncludes projects that were evaluated and rated for the fiscal year evaluation cycle, as well as “exempt” projects.

^bIncludes projects in final design and preliminary engineering, both recommended and not recommended, but does not include “exempt” projects and those categorized by FTA as “not rated.”

The composition of the pipeline—that is, the types of projects in the pipeline—has also changed since the fiscal year 2001 evaluation cycle. During fiscal years 2001 through 2007, light rail and commuter rail were the more prevalent modes for projects in the pipeline. In fiscal year 2008, bus rapid transit became the most common transit mode for projects in the pipeline. Overall, heavy rail has become a less common mode for projects in the pipeline since fiscal year 2001 (see fig. 2). The increase in bus rapid transit projects is likely due to a number of factors, including SAFETEA-LU’s expanded definition of fixed guideways and foreign countries’ positive experiences with this type of transit system. In particular, SAFETEA-LU expanded the definition of fixed guideways for the Small Starts program to include corridor-based bus projects. To be eligible, a corridor-based bus project must (1) operate in a separate right-of-way dedicated for public transit use for a substantial portion of the project, or (2) represent a substantial investment in a defined corridor.

Figure 2: Types of Projects in the New Starts Pipeline, by Fiscal Year



Source: GAO.

FTA and Project Sponsors Attributed the Decrease in the New Starts Pipeline to Different Factors

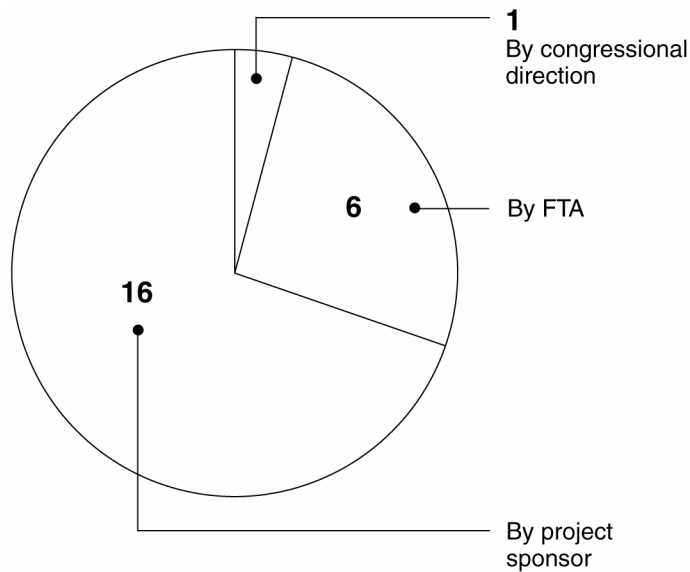
FTA and project sponsors identified different reasons for the decrease in the New Starts pipeline. FTA officials cited their increased scrutiny of applications to help ensure that only the strongest projects enter the pipeline, and said they had taken steps to remove projects from the pipeline that were inactive, not advancing, or did not adequately address identified problems. FTA officials told us that they believe projects had been progressing too slowly through the pipeline in recent years and therefore needed encouragement to move forward or be removed from the pipeline. Along these lines, since fiscal year 2004, FTA has issued warnings to project sponsors that alert them to specific project deficiencies that must be corrected by a specified date in order for the project to advance through the pipeline. If the deficiency is not corrected, FTA removes the project from the pipeline. To date, FTA has issued warnings for 13 projects. Three projects have only recently received a warning and their status is to be determined; 3 projects have adequately addressed the deficiency identified by FTA; 1 project was removed by FTA for failing to

address the identified deficiency; and 6 projects were withdrawn from the pipeline by the projects' sponsor. FTA officials told us that project sponsors are generally aware of FTA's efforts to better manage the pipeline.

Although FTA has taken steps to remove inactive or stalled projects from the pipeline, FTA officials noted that most projects have been withdrawn by their project sponsors, not FTA. According to FTA data, 23 projects have been withdrawn from the New Starts pipeline between 2001 and 2007. Of these, 16 were withdrawn at the request of the project sponsors, 6 were removed in response to efforts initiated by FTA, and 1 was removed at congressional direction (see fig. 3).¹⁸ Of the projects that were withdrawn by project sponsors, the most common reasons were that the projects were either reconfigured (the project scope or design was significantly changed) or reconsidered, or that the local financial commitment was not demonstrated. Similarly, FTA initiated the removal of 4 of the 6 projects for lack of a local financial commitment, often demonstrated by a failed referendum at the local level. Of the 23 projects withdrawn from the New Starts pipeline, 3 were expected to reenter the pipeline at a later date.

¹⁸The 16 projects withdrawn by project sponsors and the 6 projects withdrawn by FTA include the 7 projects that received a warning and were subsequently withdrawn from the pipeline by project sponsors or FTA.

Figure 3: Number of Projects Withdrawn or Removed from the New Starts Pipeline Since 2001



Source: GAO analysis of FTA data.

The project sponsors we interviewed provided other reasons for the decrease in the number of projects in the New Starts pipeline. The most common reasons cited by project sponsors are that the New Starts process is too complex, costly, and time-consuming:

- **Complexity and cost of the New Starts process:** The majority of project sponsors we interviewed told us that the complexity of the requirements, including those for financial commitment projections and travel forecasts—which require extensive analysis and economic modeling—create disincentives to entering the New Starts pipeline. Sponsors also told us that the expense involved in fulfilling the application requirements, including the costs of hiring additional staff and private grant consultants, discourages some project sponsors with fewer resources from applying for New Starts funding.
- **Time required to complete the New Starts process:** More than half of the project sponsors we interviewed said that the application process is too time-consuming or leads to project delays. One project sponsor we interviewed told us that constructing a project with New Starts funding (as opposed to without) delays the time line for the project by as much as several years, which in turn leads to increased project costs as inflation and expenses from labor and materials increase with the delay. The

lengthy nature of the New Starts process is due, at least in part, to the rigorous and systematic evaluation and rating process established by law—which we have previously noted could serve as a model for other transportation programs. In addition, FTA officials noted that most project delays are caused by the project sponsor, not FTA. Other reasons cited by project sponsors for the decrease in the pipeline include that project sponsors are finding other ways to fund projects, such as using other federal funds or seeking state, local, or private funding. One project sponsor remarked that sponsors try to avoid the New Starts process by obtaining a congressional designation, so that they can skip the cumbersome New Starts application process and construct their project faster. In addition, three other project sponsors we interviewed said that since the New Starts process is well-established and outcomes are predictable, many potential project sponsors do not even enter the pipeline because they realize their projects are unlikely to receive New Starts funding.

Our survey results also reflect many of the reasons for the decline in the New Starts pipeline. Among the project sponsors we surveyed with completed transit projects, the most common reasons given for not applying to the New Starts program were that the process is too lengthy or that the sponsor wanted to move the project along faster than could be done in the New Starts process. About two-thirds of these project sponsors reported that their most recent project was eligible for New Starts, yet more than one-fourth of them did not apply to the program.¹⁹ Instead, these project sponsors reported using other federal funding and state, local, and private funding—with other federal and local funding being the most commonly used and private funding least commonly used—to fund their most recently completed project. Further, we also found that two-thirds of the large project sponsors we surveyed applied to the New Starts program for its most recently completed project while only about one-third of medium and smaller project sponsors did.²⁰ Other reasons these project sponsors cited for not applying include sufficient funding from other sources to complete the project, concern about jeopardizing other projects submitted for New Starts funding, and

¹⁹Of the 54 project sponsors with a completed transit project, 35 reported that their most recently completed project was eligible for New Starts funding. Of those 35 sponsors, 10 did not apply to the program.

²⁰For the purposes of our survey, we defined small project sponsors as those with an annual ridership of less than 10 million; medium project sponsors with an annual ridership of between 10 and 50 million, inclusive; and large project sponsors with an annual ridership of more than 50 million trips.

difficulty understanding and completing the process and the program's eligibility requirements.

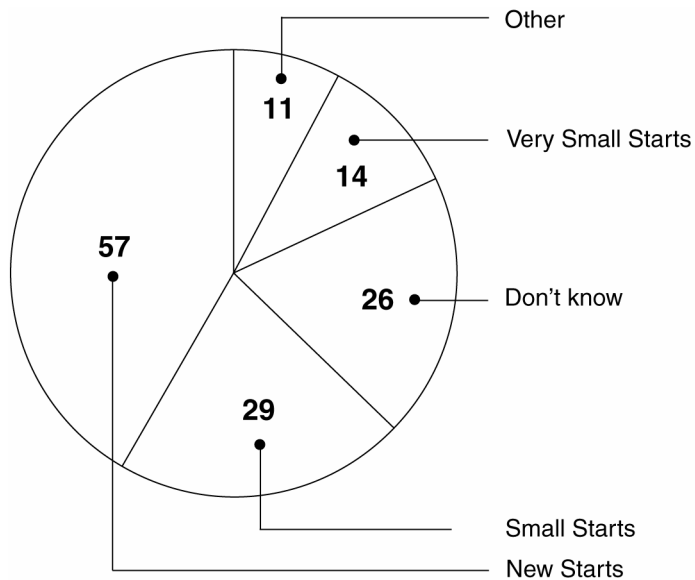
FTA is considering and implementing different ideas on how to improve the New Starts process—many of which would address the concerns identified by project sponsors. For example, FTA has recognized that the process can be lengthy and in 2006, FTA commissioned a study to examine, among other issues, opportunities for accelerating and simplifying the process for implementing the New Starts program. According to FTA officials, one of the study's recommendations was to implement project development agreements to solidify New Starts project schedules and improve FTA's timeline for reviews. FTA officials told us that they are implementing this recommendation, and have already implemented project schedules for three New Starts projects in the pipeline. In addition, in February 2007, FTA proposed the elimination of a number of reporting requirements. FTA's Administrator stated that FTA will continue to look for ways to further improve the program.

Future Demand for New Starts and Small Starts Programs Expected

Our survey of project sponsors indicates that there will be a future demand for New Starts, Small Starts, and Very Small Starts funding. About forty-five percent (75 of 166) of the project sponsors we surveyed reported that they had a total of 137 planned transit projects, which we defined as those currently undergoing an alternatives analysis or other corridor-based planning study. According to the project sponsors, they anticipate seeking New Starts, Small Starts, or Very Small Starts funding for 100 of these 137 planned projects. More specifically, they anticipate seeking New Starts funding for 57 of the planned projects; Small Starts funding for 29 of the planned projects; and Very Small Starts funding for 14 of the planned projects (see fig 4).²¹ Although the project sponsors we surveyed indicated that they were considering a range of project type alternatives in their planning, the most commonly cited alternatives were bus rapid transit and light rail.

²¹For the remaining 37 planned transit projects, respondents either said they were not planning on applying for New Starts, Small Starts, or Very Small Starts funding, or they did not know whether they planned to apply.

Figure 4: Project Sponsors Use of New Starts, Small Starts, and Very Small Starts for Planned Projects



Source: GAO.

Note: "Other" refers to project sponsors we surveyed who selected "None of the above" in response to the type of federal funding, if any, that they are likely to request for their planned project(s).

All of the Small Starts and Very Small Starts project sponsors we interviewed view the new Small Starts and Very Small Starts programs favorably. These project sponsors told us that they appreciate the emphasis FTA has placed on smaller transit projects through its new programs and the steps FTA has taken to streamline the application process for the programs. The project sponsors also told us that the Small Starts and Very Small Starts programs address a critical and unmet funding need, and that they believe their projects will be more competitive under these programs than under the New Starts program because they are vying for funding with projects and agencies of similar size. FTA told us that they have been responsive in providing assistance on the program when contacted.

Our survey results also indicate that, through its Small Starts and Very Small Starts programs, FTA is attracting project sponsors that would not have otherwise applied for the New Starts program or have not previously applied to the New Starts program. For example, project sponsors indicated that they would not have applied for New Starts funding for 14 of the 18 Small Starts and Very Small Starts projects identified in our survey,

if the Small Starts and Very Small Starts programs had not been established. In addition, of 28 project sponsors that intend to seek Small Starts or Very Small Starts funding for their planned projects, 13 have not previously applied for New Starts, Small Starts, or Very Small Starts funding.²²

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other Members of the Subcommittee may have at this time.

Contact Information

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²²Thirty project sponsors that responded to our survey intend to seek Small Starts or Very Small Starts funding for their planned projects, however two of those sponsors did not answer whether they had previously applied for New Starts, Small Starts, or Very Small Starts funding.

Related GAO Products

Public Transportation: New Starts Program Is in a Period of Transition. [GAO-06-819](#). Washington, D.C.: August 30, 2006.

Public Transportation: Preliminary Information on FTA's Implementation of SAFETEA-LU Changes. [GAO-06-910T](#). Washington, D.C.: June 27, 2006.

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.

Mass Transit: FTA Needs to Better Define and Assess Impact of Certain Policies on New Starts Program. [GAO-04-748](#). Washington, D.C.: June 25, 2004.

Mass Transit: FTA Needs to Provide Clear Information and Additional Guidance on the New Starts Ratings Process. [GAO-03-701](#). Washington, D.C.: June 23, 2003.

Mass Transit: Status of New Starts Program and Potential for Bus Rapid Transit Projects. [GAO-02-840T](#). Washington, D.C.: June 20, 2002.

Mass Transit: FTA's New Starts Commitments for Fiscal Year 2003. [GAO-02-603](#). Washington, D.C.: April 30, 2002.

Mass Transit: FTA Could Relieve New Starts Program Funding Constraints. [GAO-01-987](#). Washington, D.C.: August 15, 2001.

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