THE FEDERAL TRANSIT ADMINISTRATION'S IMPLEMENTATION OF THE NEW STARTS AND SMALL STARTS PROGRAMS

(110–41)

HEARING

BEFORE THE

SUBCOMMITTEE ON
HIGHWAYS AND TRANSIT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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May 10, 2007

SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Highways and Transit

FROM: Subcommittee on Highways and Transit Staff

SUBJECT: Hearing on The Federal Transit Administration's Implementation of the New Starts and Small Starts Programs

PURPOSE OF HEARING

The Subcommittee on Highways and Transit is scheduled to meet on Thursday, May 10, 2007 at 10:00 a.m., to receive testimony on the Federal Transit Administration's (FTA) implementation of the New Starts and Small Starts provisions of the Capital Investment Grants program. The Subcommittee will hear from officials of FTA, U.S. Government Accountability Office (GAO), Los Angeles County Metropolitan Transportation Authority (LA Metro), Dallas Area Rapid Transit (DART), Interurban Transit Partnership of Grand Rapids (The Rapid), Portland Streetcar, Inc., and the Senior Vice President of HDR Decision Economics, Inc.

BACKGROUND

The Capital Investment Grants program, codified at 49 U.S.C. 5309, is the Federal government's primary mechanism for supporting locally planned, implemented, and operated transit capital investments. From commuter rail to light rail transit, from streetcars to bus rapid transit (BRT), transit investments improve the mobility of millions of Americans, help to reduce congestion and improve air quality in the areas they serve, and foster the development of more economically viable, safe, and livable communities.

Congress created this discretionary transit grant program in the Urban Mass Transportation Act of 1964 (UMTA) "to provide additional assistance for the development of comprehensive and coordinated mass transportation systems." Several program categories exist within the Capital Investment Grants program: the fixed guideway modernization program, the discretionary bus and bus facilities program, and both the New Starts and Small Starts programs.

The New Starts program (initially known as the UMTA Section 3 Program), is one of the oldest categories of capital transit grants. Designed to fund major investments in the transit infrastructure of urbanized areas, the New Starts program has helped to make possible dozens of new rail transit fixed guideway systems across the country. A new fixed guideway project is a minimum operable segment of a new fixed guideway or an extension to an existing fixed guideway system. Transit project sponsors seeking more than $75,000,000 in Federal New Starts funds must apply to FTA under the New Starts program criteria at 49 U.S.C. 5309(d). In general, the New Starts program contains more justification criteria, grant requirements, and detailed FTA review than any other category of capital investment grants.

The Small Starts program, the newest category of capital transit grants, was created in 2005 by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Transit project sponsors seeking less than $75,000,000 in Federal Small Starts funds for a project with a total estimated net capital cost of less than $250,000,000 may apply to FTA under the Small Starts program criteria at 49 U.S.C. 5309(e). The Small Starts program is designed to include fewer project justification criteria and grant requirements, allowing for a more simplified FTA review.

Basic Statutory Requirements of the New Starts and Small Starts Programs

Both New Starts and Small Starts projects may be approved for Federal funding only if they meet three basic requirements. For a New Starts project, the selection criteria are as follows:

1. The project must be based on the results of an alternative analysis and preliminary engineering.
2. The project must be justified based on a comprehensive review of its mobility improvements, environmental benefits, cost effectiveness, operating efficiencies, economic development effects, and public transportation supportive land use policies and future patterns.
3. The project must be supported by an acceptable degree of local financial commitment.

For a Small Starts project, the selection criteria are as follows:

1. The project must be based on the results of planning and alternative analysis.
2. The project must be justified based on a review of its public transportation supportive land use policies, cost effectiveness, and effect on local economic development.
3. The project must be supported by an acceptable degree of local financial commitment.

Of the three basic requirements of both the News Starts and Small Starts programs, the project justification criteria receive by far the most attention in the statute. Congress has included these specific justification criteria for FTA to analyze, evaluate and consider in each application for a New Starts or Small Starts grant. FTA, however, is not currently incorporating all of the congressionally mandated project justification criteria into either the New Starts or Small Starts evaluation process, especially the economic development criterion. A more detailed review of the evolution of the New Starts and Small Starts program criteria and FTA's implementation of those programs follows.

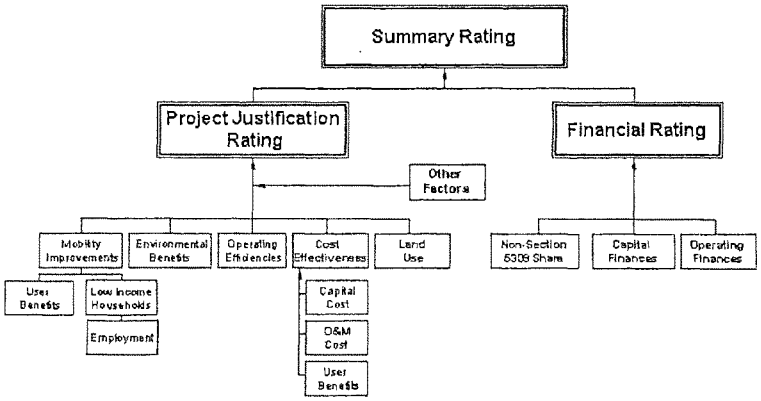
Evolution of New Starts and Small Starts Project Justification Criteria

Statutory criteria for evaluating New Starts projects first appeared in the Surface Transportation Uniform and Relocation Assistance Act of 1987 (STURAA). This Act established a set of statutory criteria that New Starts projects had to meet to be eligible for Federal grants. Congress established that a wide range of public transportation alternatives must be considered in the planning, or alternatives analysis, process. Congress also directed that projects be cost-effective and supported by an adequate degree of local financial commitment.

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) made important changes to the New Starts program by requiring the consideration of additional project justification criteria. Specifically, Congress directed that mobility improvements, operating efficiencies and environmental benefits be taken into account – along with cost-effectiveness – when determining a New Starts project's justification. The Transportation Equity Act for the 21st Century (TEA-21) reauthorized these four project justification criteria, keeping the multiple-measure method of project evaluation intact.

Congress made the most recent changes to the evaluation process in SAFETEA-LU. For the New Starts program, two new factors were added to the list of required project justification criteria: economic development effects and public transportation supportive land use policies and future patterns. Thus, FTA is directed to conduct a comprehensive review of all six New Starts project justification criteria. Following is Figure I-1 from FTA's FY 2008 Annual Report on New Starts which demonstrates FTA's current New Starts evaluation and rating framework:

The FTA New Starts Evaluation and Rating Framework



In creating the Small Starts program, Congress created three justification criteria – public transportation supportive land use policies, cost effectiveness, and effect on local economic development – all of which FTA was directed to review.

FTA's Implementation of the Economic Development Criterion for New Starts and Small Starts Projects

SAFETEA-LU required FTA to issue policy guidance regarding changes to the New Starts program, and also required FTA to issue an Impact Report on the methodology to be used in evaluating the land use and economic development impacts of non-fixed guideway or partial fixed guideway Small Starts projects. These guidance and reporting requirements included deadlines which FTA did not meet. In addition, FTA failed to submit an Impact Report and instead issued a letter which stated, "Predicting economic development impacts of transit improvements – particularly the types of improvements anticipated to be funded through the Small Starts program – is a particular challenge."

Eventually, FTA did issue policy guidance for New Starts and Small Starts, though that guidance failed to incorporate economic development factors into the overall project justification rating. In its January 2006 guidance on New Starts, FTA stated, "In response to SAFETEA-LU, FTA might add an economic development criterion…" but in its May 2006 Final Guidance on New Starts, FTA stated that it "will not change the current framework and methodology for evaluating and rating New Starts projects," and encouraged project sponsors to "submit information on anticipated economic development of their proposed investments as an 'other factor'." Some in the transit community submitted comments to the FTA docket on this issue, reiterating their strong opinion that economic development factors should be evaluated as a separate and equal project justification criterion as contemplated by the statutory language in SAFETEA-LU.

In its Interim Guidance on Small Starts, FTA stated that until the issuance of a final rule, the Small Starts Evaluation framework and measures will be consistent with the framework established for evaluating New Starts. Because FTA has not issued a Notice of Proposed Rulemaking "NPRM" to date for either New Starts or Small Starts, the policy guidance issued by the FTA stands as its current position on those programs. As such, neither transit grant program is being fully implemented as Congress directed in SAFETEA-LU.

FTA's Implementation of the Cost-Effectiveness Justification Criterion for New Starts and Small Starts Projects

SAFETEA-LU directed that each New Starts and Small Starts project justification factor be rated on a five-point scale including high, medium-high, medium, medium-low, and low designations. Although the statute does not direct FTA to weigh one project justification factor more heavily than any other, FTA has historically weighted the cost-effectiveness factor more heavily than the other project justification criterion when evaluating overall project justifications, and has continued this practice even after passage of SAFETEA-LU. In its Annual Report on Funding Recommendations for FY 2008, FTA states that cost-effectiveness comprises 50 percent of the project justification rating.

The practice of weighting cost-effectiveness more heavily compared to the other statutory justification criteria was first formally announced in a March 9, 2005 Dear Colleague letter from then-Administrator Jennifer L. Dorn who wrote, "as a general practice, the Administration will target its funding recommendations in FY 2006 and beyond to those proposed New Starts projects able to achieve a medium or higher rating for cost-effectiveness." Although a significant number of respondents to the letter suggested that implementation of any policy changes be delayed until after

the then-pending surface reauthorization has been passed and/or a formal rulemaking is concluded, FTA stated in the April 29, 2005 follow-up Dear Colleague on the issue, "we do not believe that such a delay is either necessary or advisable." Thus, FTA's general practice is not to advance any project unless it receives at least a medium rating on the single cost-effectiveness rating, regardless of the ratings it receives on any of the other project justification criteria.

Although the Dear Colleague on cost-effectiveness was written before SAFETEA-LU created the Small Starts program, FTA has indicated that it will apply the Administration's policy of favoring cost-effectiveness in the Small Starts program as well. In an April 2007 letter to a project sponsor seeking a Small Starts grant, FTA stated, "The Administration recommends Section 5309 New Starts and Small Starts funding only for projects that earn a rating of *Medium* or better for cost-effectiveness."

FTA's Proposal to Eliminate the Operating Efficiencies and Environmental Benefits Justification Criteria for New Starts Projects

In its most recently published proposed guidance on New Starts policies (February 2007), FTA proposes to no longer require the submission of information on operating efficiencies and environmental benefits. FTA claims that locally-generated and reported information in support of these two criteria does not distinguish, in any meaningful way, the differences between competing transit capital investments. In addition, FTA admits that it "has not factored the ratings assigned to these two criteria into a project's "project justification" rating for several years." In light of the fact that SAFETEA-LU continued to direct FTA to evaluate and rate both operating efficiencies and environmental benefits as part of the overall project justification rating of all New Starts projects, this recent proposal by FTA has raised both Congressional and transit industry concern.

FTA's Implementation of the Local Financial Commitment Criteria

Similar to projects seeking Federal funds from various highway programs, projects seeking Federal transit grants are limited by the maximum government share allowed under the statue. 49 U.S.C. 5309(h) requires that the government's share of a grant for transit capital investments "shall be for 80 percent of the net capital project cost, unless the grant recipient requests a lower grant percentage." Nevertheless, Congress was concerned that project sponsors felt pressure to seek far less than the allowable federal share. In order to address these concerns, SAFETEA-LU included language to ensure that nothing in the Act shall be construed as authorizing FTA to require a non-Federal financial commitment for a project that is more than 20 percent of the net capital project cost.

FTA, however, has long pursued a policy of encouraging New Starts project sponsors to dramatically increase the local share of the net project cost. In the February 2007 guidance on New Starts and Small Starts policies, FTA proposes to extend this policy to the Small Starts program by adding a rule that projects requesting no more than a 50 percent Small Starts share be given a "high" rating, and those requesting between 50 percent to 80 percent share receive no less than a "medium" rating. As justification for this policy, FTA cites the demand for funding under the New Starts program which has been far in excess of the authorized funding. FTA states that it expects this same trend of increasing demands to play out in the Small Starts program as well.

Additional Characteristics of the Small Starts Program

Project Eligibility

When creating the eligibility criteria for the new Small Starts program, Congress sought to strike a balance between proponents of streetcars and BRT in defining the term "fixed guideway capital project". While streetcars fit under the general definition of fixed guideway in section 5302(a)(4), some BRT projects that are not wholly within a dedicated right-of-way arguably do not. As such, the Small Starts program includes a broader definition of fixed guideway capital projects to ensure eligibility for all modes. To be eligible for the Small Starts program, a project sponsor must demonstrate either that a substantial portion of the project operate in a separate right-of-way dedicated for public transit use during peak hour operations, or, that the project represent a "substantial investment" in a defined corridor.

The Very Small Starts Program

Until the passage of SAFETEA-LU, transit project sponsors seeking less than $25,000,000 in Federal New Starts funds were exempt from the Capital Investment Grants program evaluation process. Under SAFETEA-LU, this exemption continues only until FTA issues regulations establishing an evaluation and rating process for the Small Starts program. FTA is currently in the process of undertaking this rulemaking, but the agency does not contemplate its completion until early 2008. In the meantime, FTA has issued guidance on the Small Starts program in which it proposes to create another category of Capital Investment Grants which it has named the "Very Small Starts" program.

In its August 2006 Final Interim Guidance for Small Starts, the FTA stated that to be eligible for the Very Small Starts category, the project should meeting the following criteria: (1) have substantial transit stations; (2) use traffic signal priority/pre-emption, to the extent, if any, that traffic signals exist in the corridor; (3) have low-floor vehicles or level boarding; (4) use a clear brand identity for the proposed service; (5) operate 10 minute peak/15 minute off peak headways or better and operate at least 14 hours per weekday (not required for commuter rail or ferries); (6) be in corridors with at least 3,000 average weekday existing riders who will benefit from the proposed project; and (7) have a total capital cost less than $50 million (including all project elements) and less than $3 million per mile, exclusive of rolling stock. Additional program criteria and procedure will be established by FTA upon the issuance of its anticipated Notice of Proposed Rulemaking.

FTA's Inclusion of Outsourcing and Congestion Pricing Factors into the New Starts and Small Starts Programs

Another new proposal announced by FTA in its February 2007 guidance is its intention to include both outsourcing and congestion pricing factors into the New and Small Starts programs. Specifically, FTA is proposing to provide a ratings bonus to a project sponsor who "can demonstrate it has provided the opportunity for the operation and maintenance of the project to be contracted out." Further, FTA proposes to increase the project justification rating of a New or Small Start project that is a "principal element of a congestion management strategy, in general, and a pricing strategy, in particular." Neither of these changes in the recent FTA proposed guidance is based on the statutory language of 49 U.S.C. 5309, but rather, FTA notes that their proposal

"supports the congestion initiative of the Secretary of Transportation, which is to promote strategies that reduce highway congestion."

PREVIOUS SUBCOMMITTEE ACTION

The Subcommittee on Highways and Transit last held a hearing on the New Starts program on June 20, 2002, and the subcommittee has never held a hearing on the Small Starts program. The focus of the 2002 hearing was on the benefits and the changes needed to the Federal Transit Capital Grants Program.

WITNESS LIST

PANEL I

The Honorable James S. Simpson
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Washington, D.C.

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Director, Physical Infrastructure
United States Government Accountability Office
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HEARING ON FTA IMPLEMENTATION OF THE NEW STARTS AND SMALL STARTS PROGRAM

Thursday, May 10, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT,
Washington, DC.

The subcommittee met, pursuant to call, at 10:05 a.m., in Room 2167, Rayburn House Office Building, Hon. Peter A. DeFazio [chairman of the subcommittee] Presiding.

Mr. DEFAZIO. The Subcommittee on Highways and Transit will come to order. We will proceed with brief opening statements.

When this committee authored SAFETEA-LU, I think there was bipartisan consensus at the time—boy, this microphone seems very loud today, it is very unusual—that in addressing Small Starts and New Starts that we wanted to see different criteria implemented by the administration and we wanted to expedite these sorts of projects. In particular, the idea of Small Starts was that, you know, we wanted to foster sort of a short form and move those projects expeditiously in partnership with local jurisdictions. From my reading of where we are at today, I have a lot of concerns that hopefully will be addressed here today about the lack of progress on implementing of the very specific statutory direction from Congress on New Starts and Small Starts. In fact, it seems that the only new provisions that FTA is considering are provisions to implement a pet program of the administration regarding basically congestion pricing, and giving that bonus points while ignoring the statutory criteria that have been set by Congress.

So I hope that these concerns will be alleviated, dispelled or addressed today as we move forward through the hearing. With that, I turn to the ranking member, Mr. Duncan.

Mr. DUNCAN. Well, thank you, Mr. Chairman. First, I want to ask unanimous consent that our colleague, Congressman Ehlers, be authorized to participate in this morning's subcommittee hearing. One of his constituents is testifying on the second panel and he wanted to be here for that.

Mr. DEFAZIO. Without objection.

Mr. DUNCAN. This program is one that many members really do not know about, and I was just told that this is the first time in over 5 years that we have held a hearing on what really is a very important program. This New Starts program is one of the largest and at least at the local level one of the highest profile discretionary grant programs in the Federal Government. The program

has grown from an annual funding level of about $400 million in the mid-1980s to $1.8 billion in fiscal year 2009.

Under the New Starts program, local transit agencies partner with the FTA to develop and construct subway, light rail, commuter rail, ferry and bus rapid transit projects to solve very specific local transportation programs in a corridor or area of their communities. These projects can be brand-new starter lines or extensions to existing transit systems.

New Start projects vary widely in cost and complexity, ranging from less than $25 million for upgrading the regular bus line to high and express bus rapid transit to more than $7 billion for an incredibly complex new subway line tunneling through a major city's downtown.

The FTA project evaluation and rating process is established and transit law by this committee and the process is quite demanding. The Office of Management and Budget, GAO and the Department of Transportation Inspector General have all recognized the FTA's management of the New Starts program as fair and rigorous. The prize these local project sponsors are seeking by participating in such a demanding program is to secure a full funding grant agreement, a contract with the Federal Transit Administration for a certain amount of Federal funding provided on an annual payment schedule.

New Starts projects improve the mobility of millions of Americans, help reduce congestion and improve air quality and contribute to the economic development and vitality of our communities. These benefits are not conferred only on major cities like New York and Los Angeles. Smaller cities can and do reap these same benefits with projects that are appropriately scaled to their transportation and community needs.

SAFETEA-LU authorized a new Small Starts program within New Starts for projects that are less than $250 million in total cost and less than $75 million in New Starts funding. This program is designed for smaller projects and the evaluation and rating process is also simpler and we hope will allow for faster project development and construction.

I am looking forward to the hearing and hearing the testimony of the FTA Administrator, Mr. Simpson, about how his agency is managing the New Starts program and in particular how the Small Starts program is being implemented and hopefully expanded.

Thank you, Mr. Chairman.

Mr. DEFAZIO. Thank you, Mr. Duncan.

With that, we would—no one else having arrived, we would move forward to the testimony of the Honorable James Simpson, Administrator, Federal Transit Administration. Mr. Simpson.

TESTIMONY OF JAMES S. SIMPSON, ADMINISTRATOR, FEDERAL TRANSIT ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION; AND KATHERINE SIGGERUD, DIRECTOR OF PHYSICAL INFRASTRUCTURE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. SIMPSON. Good morning, Chairman DeFazio, Ranking Member Duncan, and members of the subcommittee. Thank you for the opportunity to testify today on the FTA's New Starts and Small

Starts programs, which are among the Federal Government's largest and most highly regarded discretionary programs. I would also like to thank the GAO for its hard work and dedication reviewing the New Starts program.

Over the years FTA has made good choices for Federal New Starts dollars due in part to our increased commitment to sound management practices. FTA's portfolio; that is, the number of projects in the construction phase, totals $21.5 billion and we are managing the costs to within a half a percent of the full funding grant agreement. Based on my experience in both the public and private sectors, that level of cost control is impressive.

In our quest for continuous improvement, FTA engaged Deloitte Consulting to provide an independent review of the New Starts program, focusing on streamlining the process while maintaining program integrity and objectives. Deloitte's recommendations, which confirmed our own findings, focused on four general areas: Streamlining project development and evaluations processes, New Starts process management, FTA's organizational structure, and improved communications.

With regard to streamlining project development and evaluation processes, we are committed to reducing reporting requirements, moving projects faster and shortening review times. First, we have already proposed to eliminate a number of New Starts reporting requirements. Second, we are now offering grantees an opportunity to enter into a project development agreement which outlines the respective responsibilities of the grantee and FTA in the project delivery schedule. Third, FTA will soon unveil new guidance and training for managing project development risks such as the potential for cost overruns and schedule delays.

For New Starts process management we are focusing on improvements to our industry guidance documents. We intend to clarify and simplify procedural requirements for advancing projects through the New Starts development process and are exploring a more efficient and transparent tracking and data collection system to facilitate project development.

With respect to FTA's organizational structure, FTA is implementing New Starts teams consisting of regional and headquarter staff who will deliver program and technical assistance and will bring a can-do approach to each project.

In the area of improved communications we believe the New Starts process must be as transparent as possible and we strive to have a close working relationship with all of our stakeholders. I echoed that very sentiment last year during my confirmation hearing when I pledged to make FTA more transparent and to keep Congress informed. To that end, FTA now provides House and Senate committee staffs with individual project updates on a monthly basis. We also communicate with Congress before each New Starts project proceeds to the next stage of development and again before signing the full funding grant agreement. FTA continues its efforts to better serve individual project sponsors, which includes offering more outreach to the public transportation industry.

Turning now to Small Starts, SAFETEA-LU established a Small Starts program to advance smaller fixed guideway and nonfixed guideway projects, including bus rapid transit, street cars and com-

muter rail projects and established a streamlined review process. We further recognize that simple low cost bus and rail improvements in corridors with strong existing ridership typically have sufficient benefits to rate well and require only minimal assessments. For those projects FTA introduced the Very Small Starts concept, which provides for an even more simplified project evaluation and rating process.

When we were preparing the 2008 budget last November, FTA found that 4 of the 12 protects projects that applied were ready to advance, and we recommended them for funding in 2008. We continued to work with several of the applicants as well as additional sponsors who have more recently expressed interest in applying for entry into project development, and we expect to approve more for funding in the future. FTA issued an advanced notice of proposed rulemaking on the Small Starts program and draft policy guidance on the New Starts program in early 2006. Both these programs involve extremely involved complex issues, and the comments we received on our proposals were extensive. We reviewed and reconciled these comments and hope to issue an MPRM for both programs soon.

In the meantime FTA issued New Starts policy guidance and interim guidance on the Small Starts program to aid the continued development and advancement of projects. We will issue additional policy guidance in the near future followed by a final rule on New Starts and Small Starts in 2008.

Chairman DeFazio, Ranking Member Duncan, and members of the subcommittee, FTA is committed to the timely delivery of New Starts and Small Starts projects, we realize time is money. In the last 9 months we have implemented an FTA-wide quality improvement program that implements the Malcolm Baldrige National Quality Model, which focuses on leadership, strategic planning, customer and market focus, measurement, workforce development, process management, and most importantly results. We are streamlining New Starts project delivery, providing strong project management oversight and bringing good projects in on time and within budget. We are enhancing customers that are stakeholders' service through improved communications, clear guidance and streamline requirements for these programs. We look forward to working with the subcommittee on the New Starts and Small Starts programs.

I am happy to take any of your questions. Thank you.

Mr. DEFAZIO. Thank you, Mr. Administrator, and now we would turn to our second witness, Katherine Siggerud, Director of Physical Infrastructure, United States Government Accountability Office.

Ms. SIGGERUD. Chairman DeFazio, Ranking Member Duncan, members of the subcommittee, I appreciate the opportunity to provide testimony on the Federal Transit Administration's New Starts and Small Starts programs. As you know, GAO has been required in TEA-21 and SAFETEA-LU to report annually on the New Starts program. We will be issuing our full report for this year in July, but I can provide some preliminary information today on our results of work to date.

My testimony today examines first, FTA's implementation of SAFETEA-LU changes to the New Starts programs, second, the extent and nature of changes in the New Starts pipeline since the fiscal year 2001 evaluation and rating cycle, and third, projected trends for the New Starts and Small Starts programs. In doing this work, we surveyed all potential project sponsors that are located in urbanized areas with populations over 200,000 and that have an annual ridership on the transit systems of 1 million. In total, we surveyed 215 potential project sponsors, asked them about their past experiences with the New Starts program and plans to apply in the future.

With regard to implementation of SAFETEA-LU changes, FTA has issued guidance for the New Starts program and interim guidance for the Small Starts program and is working toward a comprehensive notice of proposed rulemaking, as Administrator Simpson explained. I wanted to mention two areas where project sponsors that we have contacted have high expectation of these regulations, further streamlining of the Small Starts program and fully incorporating economic development into the New Starts and Small Starts evaluation and rating process.

With regard to the Small Starts application process, the current interim guidance has fewer requirements for Small Starts than for New Starts projects. Project sponsors would like to see additional streamlining by, for example, eliminating unneeded information requested in the required worksheets. FTA told us it is considering changes in this area using the upcoming rulemaking guidance. In addition, project sponsors would like to see more explicit incorporation of the economic development criteria as required by SAFETEA-LU. This is a technical challenge in that the potential benefits of economic development resulting from new transit service are difficult to separate from the benefits of improved mobility and land use. FTA officials told us that they understand the importance of the economic development in the transit community and the concerns raised by project sponsors and said they are working to develop an appropriate economic development measure through the upcoming rulemaking process.

With regard to changes in the New Starts pipeline, as I mentioned, we review the New Starts program every year. And it became apparent to us the pipeline has changed in size and composition since the fiscal year 2001 evaluation and rating cycle. Since then the number of projects in the New Starts pipeline has decreased by more than half. In addition, the types of projects have changed, as bus rapid transit projects are now more common than commuter or light rail projects, though this still represents a small amount of projects in the pipeline.

FTA officials told us the major reason for the decrease in the number of projects in the pipeline is that FTA increased its scrutiny of applications to help ensure that only the strongest projects enter the pipeline. FTA also took steps to remove projects that were not advancing or that did not adequately address identified problems, although in most cases project sponsors voluntarily withdrew projects once FTA brought these projects to their attention. Project sponsors we interviewed provided other reasons for the decrease in the New Starts pipeline; in particular, they maintained

the New Starts process is complex, time consuming and costly. Our surveyed results confirmed some of the reasons offered by project sponsors. Among the potential 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 was too lengthy or that the process wanted to move the project along quickly. The lengthy nature of the New Starts process is due 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.

As Administrator Simpson explained, FTA has recognized the process can be lengthy and in 2006 commissioned a study that he spoke about in his statement to examine opportunities for accelerating and simplifying the process. FTA is currently reviewing the studies and findings and recommendations, and we heard Mr. Simpson give an update on that today. Despite the decrease in the pipeline, our survey of potential project sponsors indicated that there would be future demand for New Starts Small Starts and Very Small Starts funding.

The potential project sponsors we surveyed reported having 137 planned projects; that is, projects that are undergoing an alternative analysis or some kind of corridor-based planning study. According to the project sponsors, they are considering seeking New Starts, Small Starts or Very Small Starts funding for about three-fourths of these projects.

Project sponsors we surveyed also indicated they were considering range of project types. The most commonly cited alternatives were bus, rapid transit, and light rail. Our survey results also indicate that through the Small Starts and Very Small Starts program FTA is attracting project sponsors that either would not otherwise apply for a New Starts program or have not previously applied. For example, of 28 project sponsors that intend to seek Small Starts or Very Small Starts funding for their projects, 13 have not previously applied for New Starts Small Starts or Very Small Starts funding.

Mr. Chairman, that concludes my statement. I am happy to answer any questions.

Mr. DEFAZIO. Thank you. At this point we would proceed to questions.

Administrator Simpson, first I want to congratulate you on your work to attempt to make more transparent and streamline the processes of the agency and we appreciate that work. However, I have concerns regarding the criteria that are being applied in evaluating the viability of new projects, and it seems that this problem precedes your position in the job, but the former Administrator issued something that was referred to as a ″Dear Colleague″ directive regarding criteria that would be used and she did that on March 9, 2005. And she talked about targeting funding recommendations 2006 that proposed New Starts able to achieve a medium or higher rating for cost effectiveness. She went on to note that people had raised concerns about that with the pending legislation but she said, you know, essentially it was neither necessary or advisable. The same project has not received at least a medium rating on the single cost effectiveness evaluation and it will face serious barriers.

Now, I don't believe even at the time that she wrote that that it was consistent with the law. And in fact the Federal Register back in December 7, 2000 stated, it is important to note the measure for cost effectiveness is not intended to be a single standalone indicator of the merits proposed in the New Starts project. It is but one part of the multiple method that FTA uses to evaluate project justification under statutory criteria. While cost effectiveness is an important consideration, so are mobility, environment and other factors. And of course since that time we have added economic development and other factors.

So I am concerned. It seems that FTA is following the ″Dear Colleague″ exposition of the former Administrator, which even then seemed to contradict your own existing regulations. Could you address that issue, please?

Mr. SIMPSON. Sure. Mr. Chairman, I am going to use an analogy. The cost effectiveness measure is one of multiple assessments that we look at. However, having said that, cost effectiveness—let's look at the program. The program is a discretionary competitive program, not dissimilar to applying to a—let's call it an Ivy League school. And you need a multitude of criteria. But when you are trying to have an objective criteria that cross cuts through the whole country and to have different communities sort of have a similar footing and a similar kind of a rating, the cost effectiveness measure stands out like the SAT score, and a SAT score, it does give you the aptitude toward math and all of that. But when we look at cost effectiveness, on the surface it looks like we are just looking at like perhaps the cheapest ride to get somebody from point A to point B. But cost effectiveness, the measure has gotten pretty sophisticated and it actually takes into account mobility improvements and also operating efficiencies. And when we look at cost effectiveness, we are looking at—it is the closest thing that we have to a cost/benefit analysis that takes a look at the cost of the project relative to the amount of riders and the benefits of the project. And it even gets more complicated. But just to keep it on the surface, the state of the art of the model now for cost effectiveness even takes into benefit, it takes into benefits that would normally not be associated with the project, and we call it transit system user benefits. So this cost effective measure looks at mobility and even in an odd sort of a way, even has a little bit of an economic development measure to it.

So it is a very heavy criteria, it is an objective criteria. And it is the only thing that we have that can measure—that can cross cut projects and quantifiably take a look at all the projects and measure it effectively.

Mr. DEFAZIO. But the particular measures used for operating in efficiency and mobility improvements really seem fairly antiquated and prejudice toward—basically toward bus, and I mean and so we couldn't anticipate the revival of streetcars since they have been gone for 70 years. You know, can you address that? If we are really talking about the—you know, things that really would favor, you know, suburb or urban center, moving people quickly in a bus transit lane or something like that as opposed to movement within, and again I don't quite see where the mandated, statutorily mandated

emphasis on a factor of economic development is being really quantified here. I don't see that. Maybe tangentially.

Mr. SIMPSON. Are we talking particularly streetcars right now?

Mr. DEFAZIO. Well, streetcars are a particular problem and I think we have discouraged many people from applying because of what they perceive as a bias in the program.

Mr. SIMPSON. Well, if we take a look at the lesser alternative or the baseline measure, which would be a bus as opposed to a streetcar, obviously the extra—the additional cost of the streetcar if there are no time saving benefits, you could say under the cost effectiveness measure, yeah, maybe it is not as competitive. But that is only one part of the cost effectiveness measure. The other part is, we know—and this cost effectiveness forecasting model, we know that people like reliability, they like to know where they are going, they like permanency, the basic attributes of a rail system. So what we do is we have these—it is very complicated. But I will try to keep it simple and I apologize. We take all these attributes and we associate time with them so that we are not just looking at time savings. We are taking a look at the other attributes like the additional amenities that a streetcar would have that a bus would not have. And we formulate it into the equation, and we call it time savings and transit system user benefits.

The other thing that we have now that is——

Mr. DEFAZIO. If you have a relatively short ride, you are not going to find much time saving.

Mr. SIMPSON. But then that would be the same with a bus as well. Not everybody is having a short—if you were going to get on a bus and go a couple of blocks, you could also go on a streetcar.

Mr. DEFAZIO. Generally the bus—we don't develop many bus systems that cover such a short distance. You may have, you know, a streetcar that covers a relatively short distance in a very dense area. It enhances densification, utilization of, you know, much higher utilization of the adjoining properties, whereas the bus just sort of goes through there on a longer route.

Mr. SIMPSON. Understood. But the point I guess, Mr. Chairman, that I would like to get across is that we understand that and we have attributes in the cost effectiveness measure that can take into account those measures. The problem with some streetcar projects—and I only say a problem like this because it is not your typical streetcar in some cases. There is a project now that we are working with that we have accepted into the program, for example, that has to cross a bridge. And 8 percent of the cost of the project is for structure, additional structure to the bridge. Now I don't know at this point if it is because of weight of trucks or the extra weight of the streetcars. In addition to that, the project that we have accepted into the program has a flyover, a major highway and a flyover for railroad. Typically streetcars don't have elevated flyovers. So this, you know, makes the project that you know if you think about—when we were in Portland together, it is not the typical streetcar that I rode on. This has got a lot more to it.

So by working with the grant recipient, by taking into account this thing called a modal constant that takes together all the attributes, to look at if there are ways to move this along and look at the bridge in another fashion, we are working with the grant re-

cipient, but the cost effectiveness measure really is not that biased, if it is biased at all, towards or against the streetcar.

Mr. DEFAZIO. Mm-hmm. So you don't anticipate significant revisions of the criteria pursuant to the directives of SAFETEA-LU?

Mr. SIMPSON. Absolutely not. If you are referring to economic development, we absolutely positively are working towards economic development. But what we want to do is the way economic development is now, we have got land use and we have got economic development. They are interlocked, they are interconnected. You cannot have economic development unless you have supportive land use. So if we have supportive land use, we are measuring the land use. And we are weighing that equal with cost effectiveness, it is 50 percent of the two equations. So we are measuring land use.

So now we are trying to follow the statute, which is economic development, which is not necessarily land use. But when we reach out to the industry—and it depends who you talk to. We have talked to five or six different people. Everybody has a different definition of what economic development is. We have gone out and last year we went out, we just got back a study that looks at measuring economic development. But what we really want to do is if we are talking about economic development we want to measure it and we want to make it quantifiable because, believe me, this administration and this department is for knowledge-based management and looking at all the benefits, including economic development and all the costs. But when we are looking at a project and we have got a four-page qualitative report that says, yeah, maybe we are going to do all these things in the future and it is qualitative and we have this other measure cost effectiveness that truly looks at mobility and for a transit project to be—for a transit project—the transit project needs to have mobility or else you are not going to have economic development. People are not going to travel from point A to point B if there is no time savings. So you need to have a certain amount of time in that.

I guess in closing, we are working towards economic development. I am with you. I understand there are attributes.

Mr. DEFAZIO. For instance, on measuring economic development or land use, which I do think are measurable together, and for instance, if you could build up to 10 stories or have a certain density on a particular property, without the streetcar you may well not go there, with the streetcar you may. And as I understand the current criteria, those people who might locate and live there and travel a relatively short distance, not drive a longer distance with an automobile causing congestion, we are not really capturing those measures. And apparently they also—I was told, this seems particularly odd to me, they don't even count because they didn't get to the starting point by another mode of transportation. They just live there. And so they wouldn't figure into the current criteria either. So I mean, it seems like there is a lot of ground that needs to be covered here that isn't being—it is, you know, the world is changing here, and you know we want to encourage energy efficiency, the environmental benefits, the economic development and some of these other measures just don't seem to be capturing that because there is a project that may not have been built there absent the

streetcar. In fact, we can pretty well prove that in certain instances.

Mr. SIMPSON. I understand that.

Mr. DEFAZIO. And I think your new criteria are going to capture that.

Mr. SIMPSON. Our new criteria is working towards capturing all that, and that is why we have the NPRM for additional comment.

Mr. DEFAZIO. Okay. One other and then I will defer to the ranking member. But this other thing that I find as a strain through all of the testimony we are receiving from the administration, the various parts of the Department of Transportation keeps popping up, and I find this a bit odd. It says that FTA is proposing a ratings bonus to a project sponsor who can demonstrate and is provided the opportunity for operation and maintenance of the project to be contracted out. That is number one. And then, increase the project justification rating of a new or Small Start project that is a, quote, principal element of a congestion management strategy in general and a pricing strategy in particular, end quote.

Now I don't know that you were at the hearing where I was asking another administration witness about the inherent conflict here. I think—or maybe you were—between if we are trying to—and I don't agree with it, but if the administration wants to, you know, drive Americans out of their cars by pricing them off the public roadways, which apparently is what—you know, what we are looking at here, then you are going to get them into a transit system where you are going to implement punitive pricing at peak times also? I mean, it seems to me, you know, you are either trying to get the people out of their cars and get them on transit, which means, you know, you don't need to penalize them to get them—if you penalize them to get them out of their cars, which I don't agree with, but then you are going to force them on a transit where you are going to penalize them again. How do they escape? Do they have to move to the suburbs and change jobs? I mean what is the deal? So this, you know, congestion management strategy in general, pricing strategy in particular.

Mr. SIMPSON. Yeah. You asked—I think you were touching on two separate subjects. And actually when I read that testimony, those sentences, I apologize. When you read it six or seven times, sometimes you are not as careful.

Those sentences don't gel well. Let me try to clarify. In SAFETEA-LU, one of the things that we were granted in SAFETEA-LU was the Penta-P program, the Public-Private Partnership Pilot Program. We were allowed to choose three projects and to see how we can inject the private sector into not only the delivery of operations in a cost effective manner but also thinking out of the box, as the Secretary likes to say, 21st century solutions to 21st century problems. But when we talked about—well, when we talk about the—I think the first sentence, you talked about contracting out. I think what we are talking about, there are alternative delivery methods for projects like design, build, operate, maintain. And that is a—we already have a New Starts project that has it. We have the Bergen light rail in New Jersey, which is a light rail line in New Jersey into Bayonne. That project came in years ahead of schedule and millions of dollars ahead of budget,

and it is operating fairly. We wanted to take a look at that more, and SAFETEA-LU directed us to do that.

Mr. DEFAZIO. As a pilot project; not as a programmatic change but as a pilot project?

Mr. SIMPSON. Right. As a pilot project. We are not talking about the congestion, just the contracting out. That is what we are referring to there. The other part of the Penta-P program was—and I will use New York as an example. Well, let me not do that. Let me just make up an example. We have situations where for the first time ever, I think, we are at a tipping point with transit in this country, where the private sector has finally realized the value of transit, not to necessarily come in and buy up the infrastructure, but the value of transit is keeping people mobile to compete globally.

We had a grant recipient come into my office with the private developer who said, listen, we can't make this cost effectiveness. We have this project and we want to build this light rail project. You know, the developer owns the property on all sides of the proposed rail line. Well, the developer was willing to pay for the track and the station but there is no ridership there. And who knows when there is going to be ridership there. But the developer believes that if you build this, that the property value goes up, people will—you know the rest of the equation.

So as a potential Penta-P program, we would look at that project, and the costs that were born by the private sector, those benefits that are accruing to the taxpayer at no taxpayer expense, we would deduct from the cost effectiveness ratio as part of the Penta-P and to have the private sector inject themselves more into public sector projects that really truly capture all the value of transportation projects.

Mr. DEFAZIO. Okay. All right. We have got that one. What about——

Mr. SIMPSON. Congestion.

Mr. DEFAZIO. Yeah. I don't—I am trying to understand the objective here. I mean, what are we talking about when we talk about a pricing strategy when you are talking about transit?

Mr. SIMPSON. Okay. The congestion strategy—the congestion strategy is a department-wide program. Every mode of transportation, as you know, is plagued with congestion, whether it be the airlines or the freight rails or the highways. Transit is a solution—is part of the solution for reducing dependence on oil and all those other components that you know about. SAFETEA-LU, as one of its subcomponents, lists clearly at the beginning of SAFETEA-LU, is we are trying to have congestion mitigation. Where transit fits in in that area, if you have got this congestion pricing, this highway pricing, you will have more transit ridership and that will support—that will support—we are always trying to get riders to offset our overheads and to have full capacity and all that. So the degree that you could get people out of the cars and have them ride on transit that increases transit.

The other part of that, which is where we are trying to get to for mobility, if there is a measure, if we can get people out of the cars and get them on transit those who stay in the cars now have travel time savings because you don't have—if you can get 8 per-

cent of the cars off the road, you typically can get free flow. I have seen it in New York.

Mr. DEFAZIO. Mr. Administrator, I understand that but I am finding an inherent—I just don't understand where—so the pricing strategy doesn't apply even though it appears to in talking about a Small Start to the Small Start having congestion pricing on the transit. But you are talking about there is congestion pricing elsewhere in the system, and therefore, you would favor a Small Start in a system where the objective was to drive people off the roads and onto that Small Start; therefore, that Small Start would get some additional scoring because it is part of an integrated program. Is that what you are saying here? I am trying to understand.

Mr. SIMPSON. Not necessarily. It could be a situation where we have a city——

Mr. DEFAZIO. What is a principal element of a congestion management strategy in general and a pricing strategy in particular? As it pertains to Small Starts, what does that mean?

Mr. SIMPSON. It would be for—either for Small Start or New Start, if a city can demonstrate a congestion reduction strategy, which can include telecommuting, it can include technology with ITS, pricing hot lanes, that the community or the transit authority would get a bonus under the mobility factor for a project as a result of that because it is achieving—you know, it is reducing congestion, reducing pollution.

Mr. DEFAZIO. It is contained within—that is what I thought I just said, a greater strategy by——

Mr. SIMPSON. Yes.

Mr. DEFAZIO. But we aren't talking about inherently contradictory ideas, which it seemed at the last hearing had been surfaced, which is we were both going to price—we were going to have congestion pricing on transit, that is the pricing——

Mr. SIMPSON. No.

Mr. DEFAZIO. And we are going to have congestion pricing on the roads, which leaves people little alternative.

Mr. SIMPSON. I mean, the transit would be congestion prices as well?

Mr. DEFAZIO. Yes.

Mr. SIMPSON. No, not at all. That is not what we are talking about at all.

Mr. DEFAZIO. I think the wording is——

Mr. SIMPSON. I apologize.

Mr. DEFAZIO. Thank you. The ranking member.

Mr. DUNCAN. Thank you, Mr. Chairman. I think the environmental groups are going to price us out of our automobiles by not letting us drill for any oil. But Ms. Siggerud, the GAO and you and your associates found that in the 2008 budget submission there are less than half the number of New Starts projects in the pipeline than in 2001. Why is that? And also I understand that you surveyed 250 transit systems and there is a great interest or a tremendous interest in the Small Starts program.

Ms. SIGGERUD. Yes, Mr. Duncan. We did do that survey. Let me address the first part of your question first. There is a decrease by half both in the number of projects that are in the pipeline and the number of projects that are rated each year. If you look at the 2008

budget submission, we identified a number of reasons for that. One is very clearly action by the Federal Transit Administration to try to encourage projects that were not getting a local financial commitment or making progress in designing and making final decisions about their projects out of that pipeline, and that is a part of the issue as well.

We are seeing some concerns from project sponsors about, as well, the length and costliness and time issues associated with moving through the New Starts process. I am not sure that is necessarily a bad thing. If there are projects out there that can obtain State, local and private money and build projects on their own, I think that that is probably fine. On the other hand, the purpose of the program is of course to provide capital assistance to communities that would like to build new or extend their existing transit systems. And to the extent the program itself is deterring that, I think that is an issue for the FTA and for the committee to be concerned about.

With regard to our survey, we did identify many of the large—we did survey many of the larger transit agencies and what they told us is they have got somewhere in the neighborhood of about 130 projects that are in alternative analysis or a corridor-based planning study, meaning that they are taking a pretty serious look at building this transit project. About three-fourths of those are thinking about using the New Starts, Small Starts or Very Small Starts program to fund a portion of that project.

Mr. DUNCAN. Let me see if I understand. You found in this 250-transit system survey, you found 130 projects that they are considering bringing forward to the FTA? Administrator Simpson, how many Small Start projects are in your pipeline now, as far as you know?

Mr. SIMPSON. In the pipeline I think we have got five. We had 13 people apply. Let me just double check. That is correct.

Mr. DUNCAN. Five in the pipeline?

Mr. SIMPSON. Five in the pipeline. Four have been approved and they are approved, into project development. Five—excuse me, five in project development.

Mr. DUNCAN. Five are in project development?

Mr. SIMPSON. Yes.

Mr. DUNCAN. And what did you say, 13?

Mr. SIMPSON. There were 13 that applied. The other ones we are working on for additional application.

Mr. DUNCAN. Yes, Ms. Siggerud.

Ms. SIGGERUD. Mr. Duncan, what I do want to clarify is of those projects that are out there that are potential applicants for the New Starts program the majority of them are in fact traditional New Starts projects in terms of what these transit agencies told us. However, there were about 43 projects that were interested in either the Small Starts or the Very Small Starts programs some time in the future.

Mr. DUNCAN. And in your work that you did on this—on the New Starts program, what is your opinion of this program? Is it an effective work—is the program working now in the way you feel it should?

Ms. SIGGERUD. Mr. Duncan, I do believe for the most part the program results in the selection of projects that are effective and especially recently on time and on budget. We have seen an improvement in this program in terms of those two issues of timeliness and costliness, and these projects are in fact often meeting or exceeding their ridership estimates today.

There are some concerns we have raised over the years with regard to this project, with regard to transparency, with regard to changes in the program and the extent to which there is the opportunity to provide notice and comment, for example, as the application process changes from year to year. And we made some recommendations in that area and SAFETEA-LU did in fact adopt those changes. And FTA is now using an annual notice and comment process to notify potential project sponsors and applicants about these changes to get comment and to work those in before making final decisions about whether or how to change the New Starts process.

Mr. DUNCAN. All right. Thank you. Administrator Simpson, you recently had—or there recently was completed, the Deloitte Consulting study. How much did that study cost? And what did you get from it? What action items are you doing or are you contemplating doing based on that study? What good did it do?

Mr. SIMPSON. The study cost $350,000.

Mr. DUNCAN. And what did you learn from it?

Mr. SIMPSON. We learned that process improvement really needed to happen at the FTA, that the folks—it is sort of like a—you know, you have got really hard working people really dedicated to the process, and I call it fully functioning people in somewhat of a dysfunctional environment when the politicals come and go and all that, and it would be very hard for a private sector company to operate like that, but that is the way it is. So you have got this process that gets interrupted periodically, and it is sort of like a manufacturing line when you want to build a car and everybody is dedicated to get that car out the door but for a whole bunch of reasons you are looking at the same toolbox, and if you only have one screwdriver, two people are trying to get the screw driver at one time, so it is kind of like who's on first?

So we take a look at that. We have 10 regional offices, plus we have headquarters, and we said, you know, we are going to need to blow the whistle here and we need to streamline the process and we need to establish roles and responsibilities and goals. It is just really good business practices. So we have a report of about 300 pages. Our staff went through the report. It focuses on four different areas, and we are implementing a whole bunch of commonsense kinds of things from who is the point person for the New Starts program, let's look at teams, let's quantify everything.

I will give you an example. We have one project in the pipeline, which is the East Side Access Project, $7.5 billion. If you assume that that project increases the cost at 5 percent a year and there are 260 workdays in the year, that is a $1.3 million that is lost if that file is sitting on somebody's desk. So we are taking that kind of pragmatic business approach saying, where are the projects in the pipeline, what kind of technology can we bring to bear, looking for something off the shelf that is cost effective, and let's start to

benchmark and measure all those things, including communication with the stakeholders, a lot of which has been happening.

So I would be more than happy to share the report with you. We can give you the full report plus the condensed version. This is a part of a continuous improvement program. You can't put everything into effect immediately, but it is really just good housekeeping and utilizing a consultant rather than people in the house prevents what I call functional fixedness. Where you are doing the job all the time, you never can really see the forest for the trees. So it was a fresh approach and believe me, it was money well spent.

Mr. DUNCAN. Well, let me ask you this just so I can learn a little bit more about this and understand it a little bit better. In this New Starts program, your agency has provided many billions over the past several years. It is your largest discretionary program, so you have a lot of power over it. It is rising to, I think, $1.8 billion roughly. Give me an example, and I assume you don't stay in the office all the time, that you have gone out there to see some of these projects. Give me an example of a—tell me a specific city and a specific program that you are proud of and what you think it has accomplished. Just give me an example.

Mr. SIMPSON. This all precedes me. Fist of all, I want to say that I am proud of the entire workforce at FTA because I have been in the private sector and I have also been involved in the public sector for 10 years at the New York State Metropolitan Transportation Authority. It is almost unheard of to have over $22 billion in projects that you can manage within a half a percent. I mean it really doesn't happen in capital major infrastructure projects. But projects that I am particularly proud of was the T-REX project, which was the Denver project, which was the joint Federal highway. And a Federal transit project with the joint highway, joint FTA, one NEPA document that saved a ton of time, and the project, because of the way it was handled and the teamwork between Federal highway and FTA and the entire process and the good technical capacity of the folks out in Denver, the project was brought in on time and on budget.

I am also proud of the fact that all the projects in Lower Manhattan that are $4.5 billion worth of work on in Lower Manhattan as a result of 9/11 are way underway with great FTA staff and great oversight from the IG's office, and everybody is looking at that model of risk assessment, where you have projects like Lower Manhattan, where you are actually across from the FTA's office in Lower Manhattan. They actually have to blow dynamite up while the city that never sleeps—they are actually using dynamite and they blew windows out on the new ferry terminal that we paid for. You don't project that kind of thing to happen. These the are the kinds of things that we are faced with. To be able to do these real major capital infrastructure projects, to bring them in on time, on budget, on schedule is a tremendous feat for the Federal Government and all the recipients.

Mr. DUNCAN. Give me an example of one of the Small Starts projects that you have approved and how much you have provided and how much you are going to provide for it and what you think it is going to accomplish.

Mr. SIMPSON. Fine. We have four——

Mr. DUNCAN. Just give me one example.

Mr. SIMPSON. Well, they are BRTs. Actually we have one in Chairman DeFazio's area. It is going to be the second phase of a project from Springfield and Eugene. And the first phase has been up and running—this was not a Small Start project but it was a BRT and the second phase is going to be just like it. The first phase of the project, they spoke to the general manager last week. Ridership is up 60 percent over the local bus service that was there before because of this new BRT, which is catching on like wildfire.

The second phase is in our New Starts pipeline and we expect—and it is 98.5 percent on time. It started at 96 percent on time. It is 98.5 percent scheduled on time and we expect the second phase of that project to be the same way. That is one of the four projects that are coming online. The second one is this gap closure in Los Angeles which is going to do so much for the area of Los Angeles to improve their existing transit system. So we have got four projects that are already in the 2008 budget and more in the pipeline.

Mr. DUNCAN. All right, last question, because we need to get to Chairman Oberstar. Ms. Siggerud, in all your investigative work you have done into this program over the years, have you found any problems? I mean, for instance, over the years we have read many negative stories about the Big Dig project in Boston and so forth. Are there any—have you found any scandals, any problems?

Ms. SIGGERUD. I would not say we have found scandals, Mr. Duncan. There have been projects up to say around 2000 and earlier that had been over cost and over budget. And we have reported on some of those and IG has also done some excellent work on those. I would say we have seen——

Mr. DUNCAN. All those are just up to 2000?

Ms. SIGGERUD. Well, early 21st century, shall we say. I don't want to say that all the problems were solved at that time.

Mr. DUNCAN. Mr. DeFazio's—Clinton Administration.

Ms. SIGGERUD. That wasn't what I meant to say. But in general what we have seen is an improvement in timeliness and cost and in staying within cost estimates in this project. We have made a number of recommendations over the years. They have focused more on transparency, accountability, performance orientation than——

Mr. DUNCAN. Most of those recommendations have been accepted?

Ms. SIGGERUD. Most of those recommendations have been accepted, yes.

Mr. DUNCAN. Thank you very much.

Mr. DEFAZIO. I recognize the chairman of the full committee. We are going to have one hour of votes so after the chairman finishes his questions, depending on time, we may have time for one other person. Other than that, if people—can the Administrator, can you be available?

Mr. SIMPSON. Absolutely, positively.

Mr. DEFAZIO. Ms. Siggerud? I apologize, but we don't control the floor.

Mr. Chairman?

Mr. OBERSTAR. Thank you very much. I really appreciate your holding this hearing, and the work of Mr. Duncan as well and the very thoughtful questions that he asked. And the reports that GAO has provided for us in your testimony, Mr. Simpson. When are we going to get a rulemaking on the New Starts and the Small Starts program?

Mr. SIMPSON. Mr. Chairman, I hope that that rule is out within the month.

Mr. OBERSTAR. By the end of May?

Mr. SIMPSON. By the end of May. That is my hope.

Mr. OBERSTAR. And meanwhile what troubles me is—I mean this—it is not all on your call, on your account, but it is 2 years since we got the bill enacted. It has taken a frustratingly long time to do this. But in the meanwhile FTA is administering this program on the cost effectiveness index, and what I have heard directly from various community transit agencies, and what our committee staff has gathered from a wider inquiry than I have been able to make, just my individual visits to various spots, is that FTA is giving undue weight to the cost effectiveness part of the index, and not to the broader benefits of transit. Why is that?

Mr. SIMPSON. Mr. Chairman, you know even when I came to FTA and I started looking at cost effectiveness I had one view towards it until I got deeper involved into the whole composition of this cost effectiveness factor. It is akin to—I use this—I apologize because I used this example earlier. But this cost effectiveness factor—this is a competitive program and we obviously want to advance the best of the best, and we know that that changes from time to time. But it is very similar—if I could use the cost effectiveness measure as really, really the SAT score, one were to go to an Ivy League college, all the other measures, the qualitative stuff. So when we are trying to advance the national program and we are trying to have a level playing field for everybody, we need one objective, measurable criteria and this objective criteria is cross-cutting because it talks about operating efficiencies, it talks about mobility, it talks about accessibility. The other thing because the state of this cost effectiveness model, it brings into a whole host of benefits that would accrue.

I will give you an example. If you had a bus service and we know people like rail as opposed to bus because you know where the tracks go and the stations are really nice and you have amenities like maybe you can buy coffee. Those things are now picked up as benefits and equated to time. The function of a transit project is to save people time first and relative to the cost that you are spending for it. The second part is all the benefits, those extra benefits that go along with it——

Mr. OBERSTAR. Are you calculating those?

Mr. SIMPSON. Yes, we are absolutely. We are calculating that into the cost effectiveness model. But where I think that you are hearing some of these issues is that we are wrestling with and we are going to get there. I promise you we are going to get there with the economic development index. It is so closely aligned with land use that you can't have economic development without good land use, so we are measuring the land use.

Mr. OBERSTAR. And that is the point I wanted to bring out. And I am glad you raised it. Where in the case of the Dallas Area Rapid Transit East, which is now underway, and West, which is completed, the West portion had 20 miles, now has a billion dollars in private sector capital investment clustered around the stops. Before they even put a shovel in the ground on DART East they had over $120 million in private sector capital investments announced and ready to go. Would that count in your cost effectiveness index? Going forward.

Mr. SIMPSON. I don't want to be cute about this by saying yes and no. The way you expect it to be counted in the cost effectiveness, no. But when you look at the—but there is a deeper answer to that. In order for a transit project to have value, there has to be some mobile benefit to it. You have to get people from point A to point B, I don't think we could argue that more effectively by taking a bus or car or something like that. That mobility factor is measured in cost effectiveness. But I know what you are speaking of because we have spoken prior about this, is the economic development-land use factor. Yes, we capture it in land use and what the issue that is really on the table that we are wrestling with, that we know we are going to accomplish but it will take time, is the measure of economic development, which is more than land use because there are other macro issues that you really need to be involved with. What is the interest rate? What is the mortgage? What is the job force role? We can get there. It is just that we are not there yet, and we have asked them, the AMPRM for the industry, to come out and tell us what you would feel economic is relative to land use and all that. But for now they are inextricably linked. The goal is to have them detached so we can measure one and measure the other one.

We are working towards that. We had one report that went out. We commissioned one study. We got the results back and we are looking towards a second phase, but we need to get this right. It is really complicated. We don't want to put something out on the street that it is so burdensome that it becomes like another forecasting model for cost effectiveness. Because that is what we are looking at and if you think we have problems now, it is really that way, and we are trying to streamline it.

Mr. OBERSTAR. I appreciate it and you are in the midst and you are working toward it. We want to follow up on this and stay closely engaged in the future development. I want to close—maybe get one more member in. Regrettably Ms. Matsui went off to vote. Sacramento, which she represents, is one of the great examples of mobility on the South line, which is creating 2,210 new transit trips weekly. It provides transportation for people who didn't have transportation before to get them to jobs in the Hispanic, Asian, African American section of Sacramento. Enormous success. And now they are building on that success, moving to the next extension.

Isn't that a mobility factor?

Mr. SIMPSON. Absolutely positively. I met with the general manager from Sacramento about 2 weeks ago and they were very innovative. They took older light rail cars and had them refurbished and saved them a lot of money and they are looking for the next

phase and they have a great hybrid bus program as well in Sacramento.

Mr. OBERSTAR. Thank you. To be continued.

Mr. DEFAZIO. We have 7 minutes left until the vote. Ms. Hirono will be next in order, if you would like to take a few minutes now and if we don't complete, you can come back.

Ms. HIRONO. Thank you, Mr. Chairman. In the interest of time, I would like your permission to submit a statement for the record and I would also like to submit three questions in writing to Mr. Simpson relating to the streamlining of the FTA approval process, and whether there are any caps on how much a New Start program can obtain. Thank you.

Mr. DEFAZIO. Okay. That was very efficient.

Mr. SIMPSON. Thank you.

Mr. DEFAZIO. Okay. Without objection. We are now down to 6 minutes. So I think at this point—but I think we are going to reconsider the strategy since last night we fell into the parliamentary black hole during a motion to recommit. It took quite a while. We will go through the two 5-minute votes and then Mr. Duncan and I will come back and any one else who wishes to rush back. Then we will be able to proceed during the debate on the motion to recommit and through most of that vote. So that should give us a 20-minute block about in there. So we will at this point recess for approximately 15 minutes or so, or 20 minutes and then come back. And I thank you for your indulgence.

Mr. SIMPSON. Thank you.

[Recess.]RPTS BINGHAMDCMN MAGMER

Mr. DEFAZIO. Hearing will come back to order.

I will ask questions in the absence of other members at this point, out of turn.

Again, further, Mr. Simpson, I am just pursuing you seemed a bit puzzled when I raised a question last time about user benefits. This is in a memo directed to you from the New Starts Working Group, and I am reading—this is a little long, but I will read it to you because maybe it perhaps makes the point a little more cogent than I do.

In developing ridership calculations for projects, which is very important in determining the number of riders that would realize user benefits, FTA has chosen not to allow project sponsors—not to allow—project sponsors to include non-motorized trips while providing the highest time value of 4 minutes to auto trips to Park and Ride lots. Thus, FTA is promoting automobile travel while providing half the value to all other trips to the proposed project. This has the effect of discouraging the use of transit or the establishment of good land use and encouraging or discouraging development adjacent to transit that will result in automobile trips never being taken, the trip not taken.

In the case of non-motorized trips, they receive no value from FTA, while the use of transit to connect to transit receives half the value of a Park and Ride trip.

Question: Per the memo, shouldn't FTA be in the business of encouraging transit use for the person's entire trip? That is the point I was trying to make last time, which is if we get building adjacent to, say, streetcar, those people walk to the streetcar, that is of no

value—no calculable value under the current scheme; and, in fact, it has a negative value. Because if all those people instead chose to live in the suburbs and drive to a Park and Ride, there would be more credit.

Mr. SIMPSON. Mr. Chairman, you got me on that one. But that is a highly technical question. The short technical answer is that we want to make sure there is no double counting, but I would love to get back to you on the record on that because——

Mr. DEFAZIO. The problem with the TSUB calculation is, as I understand it, this is—you know, it is—I think it is a particular problem. It does go back to the issue of the criteria we want to encourage; and, hopefully, this would be an issue that would be substantially addressed in the new rulemaking that is upcoming.

Absent other members, I am going to think of other questions to ask. I got back here very quickly.

Look, we have questions for the GAO. I have been neglecting——

Ms. SIGGERUD. I will try to answer them.

Mr. DEFAZIO. You thought you were going to get off easy.

Over the years, GAO has made a number of recommendations to FTA on ways to improve the New Starts program. What types of improvements have you most recently recommended to FTA and how responsive has FTA been?

Ms. SIGGERUD. Mr. DeFazio, in answering that, I am going to go back just a couple of years. I think those are the most relevant ones we have made under the later part of the TEA-21 authorization period.

In 2004, we made a recommendation to FTA to be clear on what is the intent and the method for funding other projects outside of full funding grant agreements. FTA did respond to that and added an explanation and some criteria for that in the following year's report.

In 2005, we recommended a couple of things. We did bring attention to the issue of the rating of the various criteria and the fact that some were not considered in the—rating annually of these projects; and SAFETEA-LU, of course, did respond to that.

We also recommended that FTA look into a better way of communicating with its stakeholders as it made changes to the application process. We have gotten a lot of feedback from project sponsors that there was sort of a churn in the program in terms of every year new or different requirements without perhaps some consultation with the stakeholders that might have identified issues that resulted in different kinds of outcomes. SAFETEA-LU adopted notice and comment and FTA has gone through this notice and comment process every year when it wants to make changes to the application process.

My sense from talking with both FTA and from project sponsors is that they see this as a significant improvement over past practice. So, in general, FTA has been quite responsive to the recommendations we have made.

Mr. DEFAZIO. I now turn to the ranking member.

Mr. DUNCAN. Well, just one more question.

Administrator Simpson, do you have any New Starts funds for fiscal 2007, any New Starts programs that are going to be allocated to receive money?

Mr. SIMPSON. Yes, the projects that are in the 2007 budget——

Mr. DUNCAN. I am sorry—for the Small Starts program.

Mr. SIMPSON. No, not at this time. Not at this time. If we could maybe get an '08 project in sooner we will look at that.

Mr. DUNCAN. Okay, well, thank you very much.

Thank you, Mr. Chairman.

Mr. DEFAZIO. There is one last question, unless other members show up, and I would direct this to both.

But, first, Ms. Siggerud, you recommended that all—I would agree with this being a lawmaker—that the statutorily defined criteria be used to evaluate New Starts; and, obviously, currently, they are not. We have already had that discussion, and they are working out a rulemaking to achieve that.

But focusing on an interim action that was taken in I think it was February where FTA announced they will no longer request information on either operating efficiencies or environmental benefits criteria, would you like to comment on that?

Ms. SIGGERUD. Yes, Mr. DeFazio. My understanding of those two criteria is that, in fact, they have not historically been used——

Mr. DEFAZIO. They are statutorily required, is that correct?

Ms. SIGGERUD. Yes, statutorily required and that this is, in fact, part of the rulemaking process. Of course, we haven't seen the proposed rules, so at this point I can't comment on how those are handled.

What our recommendation was in the past is that either these criteria should be used or if they are in fact subsumed or related to a different criterion then there should be a crosswalk that makes transparent, for example, what the relationship of operating efficiency might be to, say, cost effectiveness or the other criteria. So that it becomes clear that all of them are addressed in some way, even if there are several criteria that are closely related to each other.

Of course, until we see the new rulemaking, I am not sure how that will come out with regard to bringing in both operating efficiency and the economic development one that we have been talking about as well as the environmental benefits.

Mr. DEFAZIO. And, again, just talking about statutorily defined criteria, you just mentioned economic development. I guess what would—have you looked at the issue of the bonus points for being partnered?

Ms. SIGGERUD. We haven't looked at that.

Mr. DEFAZIO. Sure. I was going to address this to both of them. Then we will go back.

So I would address the same question—I mean, again, I congratulate you in streamlining, but I am not sure that eliminating consideration of statutorily required criteria constitutes what at least on my side I would think of as streamlining. I find it puzzling that we have been able to establish, you know, bonus points for a high priority of the administration, which is congestion management through a pricing program, but we haven't been able to either evaluate these criteria or get economic development on track.

Mr. SIMPSON. Mr. Chairman, I understand your concern; and I will address them. You know, no good deed goes unpunished. The environmental benefits, we do capture the data; and if there is an

unattainment area, one project would be rated a little higher than the other. But if you look at all the projects along the spectrum when you are competing, we have not been able to measure the differences from one transit project—the benefits from one transit project to another transit project. So they are all pretty much rated the same.

So what we are saying is we still want the data you give us, but basically we are going to streamline it. Don't go through the calculation. We are going to call up the EPA, and we will take care of that for you. Then that annual report that you fill out every year, don't give it to us again. That is with respect to environmental benefits. Because we are looking in the context of a competitive program; and all of these transit projects have environmental benefits, obviously.

With respect to operating efficiencies, once again, we are getting that data in cost effectiveness. We are getting the data that we need in cost effectiveness. So we are telling the folks that you need not report that data in that format, but that cost effectiveness measure does roll up operating efficiencies, so we are not getting anything extra from it. It is being measured, but if you just read the text it looks like it is really not being measured, but it is being measured in the cost-effectiveness equation.

Mr. DEFAZIO. But because of some of the other problems in calculating pieces or your other cost-effectiveness measures, you might miss an operating—it seems like what you are weighting—you know, where does the operating efficiency weight in there versus some of these other more arbitrary measures in this kind of black box that we are getting into here?

It is a bit troubling. I am hoping that the new proposal to meet the statutory criteria, particularly economic development, that can be expedited as much as is possible within the rulemaking context and that we have a much more transparent calculation that we can fully understand how things are weighted and what went into it. So that is just——

I turn to the ranking member.

Mr. DUNCAN. I know we need to get to the next panel very quickly, and hopefully these will be two very brief questions.

But, one, have you ever met with or discussed with the Army Corps all the process that they do go through in analyzing their projects, the cost-benefit analysis, the economic development? You know, they have been doing this type of work for years.

Mr. SIMPSON. Actually, to my knowledge, the Army Corps of Engineers just recently reached out to us because they heard about our program and how effective it was with keeping projects on time and on budget. So thank you for that question. Is that allowed?

Mr. DUNCAN. Secondly—I guess I think a little bit more highly of the Army Corps than the chairman does, but, at any rate, let me ask you this.

The way I understand this, if a city wants to get into one of the programs, the New Starts or the Small Starts—and sometimes I say one when I mean the other I think—but, anyway, they have to file an application to get into the preliminary engineering phase. Now how long, on average, does that take? And then how long, on

average, does the project take to go from preliminary engineering to the full fund and grant agreement, on average?

Mr. SIMPSON. On average, once you are in preliminary engineering, it is 2 to 3 years in preliminary engineering and then final design and both—obviously, these numbers, depending on the complexity of the project, final design into construction is 3 to 7 years.

Mr. DUNCAN. So 2 to 3 years in preliminary engineering stage.

Mr. SIMPSON. Yeah. We are averaging for the whole process—if you want to look at full funding grant agreements from PE to the agreement up to the time of construction, we are looking at about, on average, 4.9 years.

Mr. DUNCAN. And it could take as long as 10 years then when you said that 3 to 6?

Mr. SIMPSON. Yes, it could. It could take longer than that, and there is a whole host—Second Avenue subway is so complex, eastside access, also.

Mr. DUNCAN. And it takes some time those for these cities to come up with the applications to again even get approval for the preliminary engineering phase.

Mr. SIMPSON. That is the other side of the equation. A lot of time it is not FTA it is local communities that want to change scope midstream after they selected the locally preferred alternative. So we go back up.

Mr. DUNCAN. On average, how long does that process usually take? Two or three years?

Mr. SIMPSON. I can't tell you. But if you want to use an example—I hate to use examples, but it depends on how long the local grant recipient decides on what it is they want to do once they are in PE and also where they are going to get the commitment of funds.

Mr. DUNCAN. The thing that gets me, I have gone into a lot of other countries and have led a lot of codels. I do go into these other countries, especially the Chinese and Japanese, and some of them, boy, I will tell you they can do these mega projects and, man, they move them in 2 or 3 years. It is just unbelievable.

And then we take—I remember they said it took 14 years from conception to completion for the main runway at the Atlanta Airport, but it took only 99 days of actual construction, and they did those 99 days in 33 days because they were so happy to get the approval that they worked full 24-hour days with full staffs.

But, my goodness, it seems to me we have to try to speed up these things or we are going to lose out in a lot of different ways to these other countries.

Thank you, Mr. Chairman.

Mr. DEFAZIO. I agree with the ranking member; and, in fact, in subsequent testimony we are going to hear from Roger Snoble points—and I guess I would ask the Administrator this.

He talks about once the Record of Decision is issued, you know, normally an underlying Federal action can proceed. But he says, however, under the FTA New Starts process, there are additional new time-consuming post-Record of Decision steps and approvals that must occur before a grantee may actually commence design and construction—specifically, the often lengthy process of obtaining FTA's approval to enter final design and the detailed and time-

consuming development of the FFGA package and the accompanying reports.

Can you address this.

Mr. SIMPSON. We are about all that streamlining. That is in the weeds once again. But once the Record of Decision is achieved to get to final design it is really about other things, plans for preliminary engineering, more scoping on where the costs are.

The goal of the FTA is to—once the projects get into preliminary engineering, from that point we believe that we want them to succeed and to reach full funding grant agreement. And we are trying to do—I like to say the five Ps: Prior planning prevents poor performance. So, way before me, we realized let's not utilize taxpayers dollar and bring a lot of projects into PE if they have no chance of going anywhere. So we want to do a lot of that up-front work early from alternative analysis. Once they are in PE, they are on their way and let's get them so the—believe me, FTA wants to get them to the finish line as quickly as we can.

And it is sort of like this balance, Mr. Chairman. On the one side, we are keeping projects on time and within a half percent on budget. I would rather be looking at you today talking to you about why is it taking somewhat longer. We want to improve what we can, rather than hear, why are we over by 50 percent? Why do we have big digs?

So it is a constant struggle. We realize that. We truly do. And we are trying to maintain a good balance, and that is what good process management is all about.

Mr. DEFAZIO. You definitely would hear about overruns to the tune of the big dig, any fraction thereof.

I want to thank both of you for your testimony and time and appreciate it.

Mr. SIMPSON. Thank you, Mr. Chairman. It was an honor to be here today. Look forward to the next hearing, sir.

Ms. SIGGERUD. Thank you.

STATEMENTS OF ROGER SNOBLE, CHIEF EXECUTIVE OFFICER, METROPOLITAN TRANSPORTATION AUTHORITY, LOS ANGELES, CALIFORNIA; GARY C. THOMAS, PRESIDENT/EXECUTIVE DIRECTOR, DALLAS AREA RAPID TRANSIT (DART), DALLAS, TEXAS; PETER VARGA, EXECUTIVE DIRECTOR, CHIEF EXECUTIVE OFFICER, INTERURBAN TRANSIT PARTNERSHIP (THE RAPID), GRAND RAPIDS, MICHIGAN; RICK GUSTAFSON, EXECUTIVE DIRECTOR/CHIEF OPERATING OFFICER, PORTLAND STREETCAR, INC., PORTLAND, OREGON; AND DAVID L. LEWIS, PH.D., SENIOR VICE PRESIDENT, HDR/HLB DECISION ECONOMICS, INC., SILVER SPRING, MARYLAND

Mr. DEFAZIO. We can probably squeeze in two, if we move very quickly, at least one of the next witnesses. We have someone who needs to catch a plane who would like to go first, which would be Peter Varga.

Peter, quickly assume a microphone; and we will move ahead. Don't worry about your name tag. We will figure out who you are.

Mr. Varga, do you want to proceed? Go right ahead.

Mr. VARGA. Thank you, Chairman DeFazio, Ranking Member Duncan. I appreciate you taking me out. I didn't realize—I should allow myself more time in Washington if I am asked to come and provide testimony.

I am Peter Varga. I am the CEO of the Interurban Transit Partnership, also known as The Rapid. We are a small system, not like these big guys here next to me. We operate 19 fixed bus routes and carry 7.4 million riders each year. Ridership has grown 43 percent since 2000. We were the AFTA Best Transit System recipient in 2004, and I know Mr. Snoble was in 2006.

The Grand Rapids region began a study of MIS options early in 2003, so you can see how far back we started. We really were trying to get into the New Starts process, and we created a program called Great Transit, Grand Tomorrows which is community leaders to identify what the locally preferred alternative would be. We quickly shifted our focus to this new Small Starts program, since it provided the best opportunity for us to develop a transit project that was consistent with the scale of project most appropriate for a city like Grand Rapids.

Two separate projects emerged out of that MIS: first, a 10 mile Bus Rapid Transit project from downtown Grand Rapids along Division Street south into two other cities and two townships. Then a second one is a downtown streetcar circulator of approximately 2.2 miles in length that will connect major destinations and trip generators downtown. And these two would feed into each other. However, only the BRT will be submitted under the very Small Starts program, while local and private sector funds are being sought for the downtown street circulator program. We have to take that program out of the whole Federal process because we are not going to be able to move it into any Very Small Starts process.

You are very familiar with the Very Small Starts process. It is in my testimony. We meet all the criteria of that.

Projects containing these characteristics, after preparing basic information on the project, would receive a medium rating on each of the principal criteria: cost effectiveness, land use, and effect on local economic development.

In contrast, a streetcar project would be required to prepare information pursuant to a reduce New Starts process and would be subject to the current measure for cost effectiveness. Moreover, the effect of the project on economic development would be relegated to being considered an ″other factor″ and not given the same weight as the other criteria.

The Grand Rapids region quickly concluded that under the FTA criteria for the Small Starts and Very Small Starts program that the greatest prospect for securing Federal funding would be realized by pursuing funding for the BRT project through the Very Small Starts program. Therefore, we have worked very closely with the FTA over the past several months as we developed the supporting documentation to seek FTA approval to advance the BRT project into the next phase—project development. I must say FTA has given us invaluable technical assistance through this process.

The board of The Rapid approved the BRT project as its locally preferred alternative on January 24, 2007; and, 2 weeks ago, our NPO, the Grand Valley Metropolitan Council, approved unani-

mously the inclusion of the BRT project on the regional Transportation Improvement Program and the long range plan. We will be submitting our project information to FTA probably at the end of this month or in June and seeking approval to enter project development later this year.

There continues to be considerable interest in a downtown streetcar project. However, a decision was made not to seek Small Starts funding because the project would not meet the eligibility criteria for the Very Small Starts program, based on the $60 million cost of the project and the fact that the Small Starts program, as implemented to date by FTA, does not establish a project approval framework that is favorable to streetcar projects. Thus, we will seek to build the project without Federal funding.

You might ask why we believe the project would not fare well under the Small Starts program criteria.

First, we understand the Small Start program to offer a simplified process, but the process established by FTA is essentially the existing New Starts project approval process which is very data and time intensive.

Secondly, I understand it was the intent of Congress to place a greater emphasis on land use and the effect of a project on economic development, but FTA has opted to relegate economic development to an ″other factor″ and maintain the project approval process used for the New Starts program.

It is our understanding that FTA has taken a position that Congress was not clear that cost effectiveness, land use and the effect of the project on economic development are to receive equal weight in the project review and evaluation process. Any legislative language or other directive to FTA to clarify your intent would be very helpful in reinforcing the change in the law made by Congress.

Third, FTA continues to rely on a cost-effectiveness measure that places an emphasis on long distance trips and comparing options based on travel time which is not the transportation role for a streetcar project.

Fourth, review of the fiscal year 2008 and proposed fiscal year 2009 guidance would indicate that FTA does not embrace streetcars based on the fact that project sponsors can't count pedestrian trips generated as a result of availability of the streetcar, the reluctance to develop and implement a measure for the effect of a project on economic development even as the statute requires the agency to do, and the lack of recognition of ability of a streetcar operating in a denser urban environment to eliminate auto trips due to its accessibility and availability.

Thus, while we will proceed with the BRT project through the Very Small Starts program and we are very grateful that it now exists, we remain interested in a streetcar project and would seek Federal funding if the project review criteria were revised by FTA. We are going to have to do it through a public-private method locally, but, meanwhile, the BRT project, since it fits the Very Small Start criteria, will move that forward.

I thank you for the opportunity to testify before the subcommittee today and to present our perspectives on the Small Starts or Very Small Starts program. Thank you.

Mr. DEFAZIO. Okay. Thank you, Mr. Varga. I think you have really underlined some of the concerns that were raised in the earlier questioning; and, hopefully, the concerns you are raising here which underline those will be addressed in the forthcoming rulemaking. Because I believe the intent of Congress was quite clear that we wanted the pre-existing criteria to be equally rated, which they weren't; and we certainly wanted to include the new criteria, including economic development.

You said it would be a $60 million cost. Did you have any calculation of the economic benefit that would accrue to that?

Mr. VARGA. Well, you know, we went around to look at different communities; and we believe that there is enough data to indicate that it could be almost 10 times the amount of the investment, at least in our area, in terms of development.

The issue for us has to be with how much of the streetcar would be in existing development that has just grown in the downtown area and how much we can generate new development right at the fringe of the downtown area. But 10 times the value I think is what we were thinking.

Mr. DEFAZIO. That seems like a fairly extraordinary cost-benefit ratio. But I guess under the TSUB process you come out on the inverse side, which would be, you know, a cost benefit that was rated rather low.

Again, thank you. I understand you have to catch a plane, and I have to catch a vote, so we will recess this. I think there is one subsequent, probably 15 minutes, hopefully less.

Thank you.

[Recess.]

Mr. DEFAZIO. Okay, committee will come back to order; and we will continue with the testimony. And you want to go from right to left, you like that? Okay, for a change, we will go from right to left.

Mr. Snoble, you will be next.

Mr. SNOBLE. Thank you, Mr. Chairman. It is a pleasure to be back in front of the committee this afternoon now to be able to testify on something that is really a very important topic to us, and I appreciate the opportunity.

This is really an important issue. I have been working in transportation for more than 40 years now and have been involved in the construction and implementation of several major new fixed guideway projects in Los Angeles County as well as teaching Gary how to do it in DART before I left DART; and, before that, I was general manager of San Diego Transit Corporation.

The LA Metro is largest agency of its kind in the United States, and that includes the operation of the third-largest public transit system in the country. We are responsible for transportation planning, coordination, design, construction operation of bus, subway, light rail, Bus Rapid Transit. We get involved with Caltrans and highway improvements. We build carpool lanes. We are involved in goods movements and all the different kinds of things that get into transportation issues.

Metro serves a population base larger than 43 States in this country, with approximately 200 bus routes, 73 miles of rail lines, and over 400 miles of carpool lanes.

First, let me start out by saying we are one of the approved Small Start projects for this year we have been talking about. We do see an improvement in that process. We worked very closely with FTA to try to make that an easier process, and so we do see some improvement there, and I want to make that clear. But mostly what I want to talk about is the New Starts.

Over the past 25 years, Los Angeles has had one of the most ambitious and aggressive programs of new fixed guideway construction in the United States. During that time period, we have spent over $8.6 billion building nine new fixed guideway projects in Los Angeles County. Over 60 percent of that funding came from State and local sources.

Metro has extensive experience with the FTA New Starts project development process. Four of our projects were built or are being built under the New Starts project, and five have been designed and constructed without Federal New Starts funding.

The goals of the Federal New Starts process and the objectives of the congressional and the Department of Transportation efforts to develop evaluation criteria and a rating system for New Starts project are well intended as a matter of public policy. The FTA staff we deal with at both the Federal and regional level are very well qualified, very dedicated, very hard-working people; and we do appreciate their efforts. But the fundamental problem we see in the New Starts process is the unreasonably onerous process for grantees.

In its efforts to exercise due diligence over Federal funds, FTA has developed a system so complex, so replete with reports and analyses and so fraught with delays and schedule uncertainties that it now obstructs one of the agency's fundamental goals to assist urban areas in building critically needed transit systems in a cost-effective manner.

We have experienced firsthand significant differences between advancing a project under the Federal New Starts process and developing a project without that process. The most significant differences are in schedule and cost. We estimate that the Federal New Starts process can add 1 to 2 years to the project schedule.

For example, on the Federally funded eastside project, Metro received a Record of Decision in June of 2002 and executed our full funding grant agreement 2 years later in June of 2004, which finally allowed us to start construction. By contrast, on the non-Federally funded exposition project, we received a Record of Decision in February of 2006 and actually started design and construction a month later, in March.

Second, we estimate that the Federal process adds 10 to 15 percent overall costs to the project. This added cost has two elements. One is the significant soft costs, primarily the staff consultant time required to prepare and revise the extensive documents and reports required by FTA, consult and meet regularly with FTA staff and its consultants, submit New Starts reports, and the list goes on.

In addition, there are escalated costs incurred simply because the engineering, design and construction takes longer under the Federal process. Even if escalation is relatively modest, at 5 percent per year, for example, the cost of a 1-year delay in a billion dollar project would be about $50 million in taxpayers' expense.

One critical aspect of this comparison bears some emphasis here. We have found that the current level of Federal oversight has—we have not found it has any actual demonstrable yield in terms of project success or performance. Our Federal New Starts projects do not have a better record of being completed on time and within budget than our non-Federal projects. Nor am I aware of any empirical evidence on a nationwide basis that the ever-increasing levels and layers of Federal review have actually resulted in better-performing projects.

The unfortunate fact is that, in the implementation of a New Starts project, one of the biggest risk factors has in fact become the Federal Government's well-intentioned but ineffective rule governing the New Starts process.

However, I do have some suggestions for steps that can be taken to improve this; and I know that there is some efforts going on at FTA. In my written testimony, I go into a lot more detail, but let me just really quickly summarize them for you.

First, we would like to see the New Starts program be improved by reducing the Federal due diligence role and making the local project sponsor responsible for its own risk assessment and related risk. The local sponsor really is the one that has the risk. The Federal Government caps their risk.

Number two, the program can be improved by simplifying and streamlining the FTA evaluation and rating process. We talked about that a lot today, and we have some views on that as well.

Number three, the New Starts program can be improved by FTA committing to a milestone schedule for its actions and approvals. Everybody else in the process has time frames. FTA does not.

Four, we could improve the program by reducing the time between the issuance of the environmental Record of Decision and the start of design and construction.

And, five, and one that I have preached forever, the program really needs more money. The intense competition really drives a lot of this, and if we had more money there would be—the competition would be better to handle.

That concludes my testimony. I will be happy to answer questions.

Mr. DEFAZIO. Thank you, Mr. Snoble.

Mr. DEFAZIO. Mr. Thomas.

Mr. THOMAS. Thank you, Chairman DeFazio. I appreciate the opportunity to appear before you today.

My name is Gary Thomas. I am the President and Executive Director of Dallas Area Rapid Transit. I did have the good fortune to follow Mr. Snoble in Dallas, and I appreciate the groundwork that he laid.

Also, on behalf of the board and the staff, I would like to take this opportunity to thank the north Texas delegation, especially Congressman Johnson, who was here earlier. Because of their exemplary leadership, their vision and unwavering support, we have been able to do a lot of things in north Texas relative to public transportation that no one, quite frankly, thought we would be able to do.

DART started 24 years ago, in 1983. Thirteen cities voted to tax themselves an additional 1 percent sales tax, and that really is

what started us down this path. In 1996, we opened our first light rail system; and today we run a system of buses, light rail, commuter rail, HOV lanes, carpool, Paratransit. Literally, at the end of the day, we have carried 330 to 350,000 people from point A to point B safely, efficiently and effectively.

One of the more exciting things that is happening in Dallas is we have 45 miles of light rail currently on the ground and we are in the process of doubling that system. So by 2013 we will have 93 miles.

In July—July 3rd, to be specific—this past summer—I think the only day that it rained in north Texas this past summer—we actually received our full funding grant agreement of $700 million. At the time, it was the second largest full-funded grant agreement the FTA had issued.

It was a process. It was a team effort. We actually worked through that FTA process with the FTA as they were going through a lot of transitions, a lot of changes. So I guess you could kind of say we were the beta test case, and we all learned a lot from that process.

As I said, we got that full-funded grant agreement in July. In August, we actually issued our first notice to proceed to our contractor; and just this past Tuesday our board approved the second construction contract for $467 million for the second phase of that project.

Approaching it just a little bit differently than the design, bid, bill approach, we are actually using a modified construction manager at risk, a CM at risk. We call it our CMGC, construction manager general contract, approach, where we actually bring the contractor on early in the process. They work with us through the design process, and then we actually negotiate a guaranteed maximum price which helps us through that risk assessment process which, quite frankly, has helped us to circumnavigate the incredible increases in construction prices over the last 2 to 3 years.

But most importantly what I would like to talk about is the transit-oriented development that has occurred around our stations. When we first opened our light rail starter system in 1996, we weren't thinking about transit-oriented development. Fortunately, there were some developers that were; and today we have some of the best examples of TOD around light rail stations in the entire country.

As people saw what could happen around the station, as people saw what could develop and how you could take advantage of it—it is not just about moving people from point A to point B. Although that is our critical mission. It is also about congestion relief, it is also about air quality, which are certainly important, but people realize there is an economic value. There is an economic opportunity here.

So as we started our next expansion to the other parts of Dallas and suburbs, we are interested in Plano and Garland. Those cities were working concurrently on their transit-oriented development as we were working on design and construction.

Now as we are doubling the system, those cities are—the cities that we are going to now, Carrollton, Farmers Branch, Irving and other parts of Dallas, are way ahead of us. They already have sta-

tionary plans in place. They already have their designs, in some cases, in place.

Today, actually, 2005, we commissioned a study and completed $3.3 billion worth of economic development around our stations at that point in time. Irving, which we are not even scheduled to open our light rail system until 2011 in phases 12 and 13, has already got $3.5 billion worth of economic development scheduled around our stations that we are planning to build in Irving. So economic development, transit area development becomes a key part of this whole process.

As we have heard earlier, the TSUB number was what it was all about as we went through the process. That was the competitive deciding factor.

We have talked at length with the FTA to work with experts, to work with agencies to quantify the land use and economic development benefits, with a focus on the undervalued property and the prospects of increasing the value of those properties as a surrogate for development potential. Actual commitments and adoption of land use actions to increase densities around stations should obviously be recognized as real measures of change that will benefit transit and reduce vehicle trips on our thoroughfares.

With that, I conclude. I appreciate the opportunity and would be happy to answer any questions.

Mr. DEFAZIO. Thank you.

Mr. DEFAZIO. Mr. Gustafson.

Mr. GUSTAFSON. Thank you. Thank you, Chairman DeFazio and members of the committee.

My name is Rick Gustafson. I am Executive Director of Portland Streetcar, Inc. It is a nonprofit corporation that contracts with the City of Portland to design, build, operate and maintain the Portland Streetcar system.

The system was opened in 2001 without Federal funds, totally funded locally. It is 4 miles in length and handles over 3 million riders a year and has been a phenomenal success in the economic development of the central city. Over $2.8 billion of new development has occurred within 3 blocks of the streetcar line since it was announced in 1997.

Next.

Before we talk about Small Starts, I want to congratulate the committee on including language to establish a special grant for a prototype manufacturer by a U.S.-owned manufacturing company. This grant was made to the TriMET in Portland, and we participated—Portland Streetcar, Inc. has participated with them in selecting a manufacturer that is now under contract, Oregon Iron Works, expecting delivery of a car in 2008. This is a visionary in that the streetcar is a growing interest in the country, with over 80 cities studying streetcars; and potential for additional orders in this country are enormous.

But penetrating that market—we had a similar situation in the middle '80s with no light rail systems, and now there are over 23 in the United States and over 2,500 cars delivered, not one by a U.S.-owned manufacturing company. We are hoping we can prevent that and return the U.S. to its dominance that it had in the early 1900s when the PCC car was the dominant manufactured car in

the world, and with this effort and your leadership we have been able to start that process.

Next. Portland has applied for a Small Starts grant under a project called the Portland Streetcar loop. The total cost is $152 million. It is an extension of our existing line connecting the entire central city and crossing a bridge and connecting the east side of our downtown. The Federal share would be limited to $75 million. We applied it on February 9th. We received approval from FTA on March 20th, and they notified Congress on April 16th. They have handled that very expeditiously, very efficiently, as you can see, in carrying our project through the initial application process.

On April 26th, though, we did receive a letter from FTA indicating that, instead, we have an overall rating of medium but that we would be required to meet the cost-effectiveness criteria.

Next. The current FTA cost-effectiveness criteria that is used for New Starts has been calculated both for our existing line and for the new proposed extension. The one we submitted to FTA, our Portland Streetcar loop, rated at $35.00 under the FTA criteria; and to reach a medium you have to get down to 22.99 not 22.49.

Now there are new rules that are being issued, and we are working on those and waiting for those, and there seems to be some belief that we will be able to qualify. But it still leased the TSUB as, in essence, a trumping criteria so that no matter how high your rating is on land use or economic development you are still forced to reach a medium rating on the cost-effectiveness and TSUB rating. That is a major contention in our discussion. Because, in the case of the streetcar project, it has benefits that are far—that are not necessarily reflected in the current cost-effectiveness criteria outlined by FTA.

Next. This is just a selected photo from Portland. It gives you an idea of what happens in economic development. The first in the foreground are townhouses and row houses which were the preference of developers in in-town development prior to experiencing a higher quality of transit access. You notice in—you can barely see, but the tracks are in the street. But some 10 years after that row house and townhouse project came, the streetcar was extended down to that end. The result was the new construction of the Strand, which is right behind it, the high-rise condominiums.

Next. What we did was an economic study, before and after study in Portland. Before 1997, no streetcar on our corridor. The average density—the city is zoned for density, high density in central city—the average density was 30 percent that developer would build. Since 1997, the average that the developers have built along the streetcar line within 1 block has been 90 percent of the allowed density. We are experiencing the development that was actually planned.

The reason for that is developer's confidence that with all of the amenities—and the streetcar is not the only one—but with the streetcar and higher quality of access they have the confidence they can build and sell a higher density product.

Next. Probably the item that is missing the most in the criteria for cost effectiveness is really, as you change the land use type—we have done detailed analysis of travel behavior in the Portland area. Families that live in good transit/mixed use neighborhoods

travel about 58 percent of their trips by automobile and walk to most of their destinations for 27 percent of their trips. You can see the difference between the Portland suburbs and the good transit/mixed use environment. The net result is that families that live in a good transit/mixed use environment would travel 9.8 miles a day in vehicles, where the similar family—the same family—would travel 21.79 miles in the suburbs.

The result for our existing current streetcar line is we have submitted 59 million fewer vehicle miles traveled in our roads than if those houses were located in the suburbs.

The proposed streetcar loop that we have submitted has 28 million annual vehicle miles saved. These factors, easily calculable, part of a regional development, are part of what we are talking about in terms of combining that economic and land use as an important criteria in measuring effectiveness.

Next. Last point that I would make is, in the reauthorization, the exempt projects were removed from eligibility, and two streetcar projects notably are very successful projects which would fall within that exempt category. The Seattle project, which opens in December, should be a very strong success, modeled very much after Portland; and Little Rock, which is already a very successful operation with one additional extension, also operated under the exempt project category.

Next. The streetcar potential is high. There are 80 cities in the United States that are studying it. Portland is the first project to receive project development approval from the FTA. We believe there are many more that ought to be encouraged to apply.

What I would urge you to do is to support establishing a U.S. manufacturer for streetcars, to require that change and continue the testimony you have had today on the cost-effectiveness criteria to reflect all of the transit benefits associated with these developments, to balance it with land use and economic development and restore the exempt projects.

Thank you for the opportunity.

Mr. DEFAZIO. Thank you.

Mr. DEFAZIO. Dr. Lewis.

Mr. LEWIS. Good morning, Mr. Chairman. My name is David Lewis. I am the Senior Vice President and Chief Economist at HDR Decision Economics, a division of HDR Engineering. I would like to thank the subcommittee for inviting me to be here today. It is my purpose to try and place questions about the New Starts process in the broader context of economic value.

The principal message I wish to leave with you is that, in not recognizing the full economic value of transit projects, the Federal response process creates a risk of underinvestment in transit and, hence, a risk of the marginalization of public transportation in American urban development.

Whereas the New Starts process quantifies ridership as the principal source of benefit of New Starts projects, the economic benefits of transit actually fall into three categories: congestion management, mobility for transit users and community economic development. While all three are measurable, albeit with uncertainty, the New Starts program focuses on ridership alone, which is actually

a sub-set of one of the three categories, that being the mobility category.

Regarding congestion management, increased use of transit in lieu of automobiles can obviously lead to improved highway traffic flow, shorter highway travel times, reduced unpredictability, fewer total trips. Such benefits accrue to both automobile users and, I would add, to shippers of freight, to trucks. Whereas the benefits of highway capacity expansion and congested corridors can erode as new demand is induced to use the facility, my studies for FTA demonstrate that rail systems in congested highway corridors serve to stabilize roadway congestion in the face of population growth and land development.

Regarding mobility, increased use of transit creates mobility benefits for all riders. For low-income individuals—something we don't talk about enough I think—transit is often used in lieu of taxis and other higher-cost modes today, and it thereby liberates scarce household financial resources for more high-value uses such as shelter, nutrition and child care.

Now, regarding economic development, transit does create statistically measurable economic value for communities, with benefits that extend to both transit users and non-users. This value is manifest in the increased land values and rents that is created by the demand for residential and commercial space in transit-oriented environments. Studies indicate that rail transit stations can yield in the range of $16 to $20 per square foot greater residential equity value for each foot closer a property is to the station.

For San Francisco, for example, this means that the average home carries between 15 and $20,000 more equity value for each 1,000 feet it is closer to a BART station.

For here in Washington, D.C., for the average-sized commercial property, we find that each 1,000 foot reduction in walking distance to a Metro rail station increases the value of a commercial property of that size by more than $70,000.

For proposed New Starts and extensions, such as rail investments our proposals have recently evaluated in Minneapolis, Austin and Toronto, the cumulative projected effect of development of such projects in downtown and suburban economic development value is in the hundreds of millions of dollars. In fact, it is in the billions of dollars. I am only counting the part that is actually additive to the congestion benefit and the mobility benefit. That is to say, a portion of the increased development value associated with transit-oriented development actually represents the capitalization of time savings in the value of land, and that is already reflected in the measurement of congestion benefits.

But transit also gives rise to urbanization and amenity effects that are valued by people who do not use transit, and that is what gives rise to the additivity of that urban economic development value and congestion and time-saving values.

In short, the New Starts framework does not seek to determine whether projects are economically worthwhile but rather to rank them against one another as a basis for distributing a predetermined allocation of congressionally appropriated funds. Yet, without economic yardsticks, decisionmakers cannot ask how much

transit investment is actually worthwhile, nor how transit projects stack up in relation to highway alternatives.

Broadening the New Starts process to recognize the full economic value of transit proposals would help create a level playing field for urban transportation investment and elevate transit's status in resource allocation decisions accordingly. But this should not, in my view, be executed in such a way as to complicate the already long and involved New Starts procedure. I make the following recommendations:

In addition to the benefits directly associated with ridership which FTA measures today, FTA should encourage localities to examine the congestion, mobility and economic development value of transit; and, furthermore, that FTA should recognize such values in Federal investment decisionmaking.

Thank you, sir.

Mr. DEFAZIO. Thank you, Doctor.

I guess, sir, a general question to the entire panel. What do you think TSUB is really measuring? I mean, it seems to me it is kind of like a black box here. I still don't understand it. I have been trying. Can anyone explain it to me simply?

Mr. SNOBLE. Mr. Chairman, if I might, the original intent was to try to come up with a score, and we have tried and worked with this many times, and it gets into the whole modeling exercise. And the modeling exercise works up to the point where you start to have to start to make assumptions, and then that is where it kind of falls apart, because you have to make these assumptions, and then different things happen based on those assumptions, plus the model has gotten very, very complicated.

And when I started, and I started on a transportation study actually doing the field work, the transportation study in northern Ohio. The simple premise was so much land generates so many trips, and then you can go from there and divide them up.

The model today is so complicated. It is kind of mind-boggling. We have a special Ph.D. on staff that just works on the model, works very closely with FTA staff. They have spent the last year and a half trying to get the model to the point where they all agree, and we think they finally did that just last week.

So it is very complicated, but it just ends up being a score. And I think what you are hearing here is it really doesn't measure true ridership. For example, when we build a line in Los Angeles, we would like to very much extend the subway. If we went through this process, we would only count new riders to the subway even though that corridor today carries 80,000 boardings on the bus system today, and none of those would be counted because they are bus riders already in the system. You are not attracting that many more new ones, but you are sure accommodating our existing bus riders in a better way than they would in the bus that highly moves along Wilshire Boulevard. So it really doesn't recognize all your ridership, it just recognizes the new kinds of riders.

And I think it is very important what you are hearing about the land use development, because when I started in transportation, it was a highway that created land development. The interstate system was just great at that time, and that was the only land-shaping tool we knew really worked.

Well, now for the last 20 years, you have started to see where light rail and heavy rail can be a very big land-shaping tool. And Gary has talked about Dallas, which was one of my favorite examples because nobody thought it could happen in Dallas. It happens hugely in Los Angeles. We already have large densities we are fielding much more. We have $8 billion of economic development going on right now on our existing rail lines, and that is just a huge part.

And as you have been hearing, there is so many benefits from that, by cutting down the lengths of trips, from eliminating the need for cars altogether, in many cases from accommodating work trips much better, from being able to encourage more pedestrian types of trips, and that kind of gets lost in the process, too.

I think Congress was on the right track when it came up with different kinds of things, and we should go into the process, and we were part of that process, and we all agree that those are the kinds of things you should be looking at. And it has been hard to pull them all together into some kind of real consensus type of model. So what happens is some of those other things get looked at, but they aren't really part of the problem, because you are coming right back to the one—the one number that really is the determining factor. So if we could come up with a simplified process that really is more comprehensive, I think that would be far more desirable.

And I do have to say that working with the FTA and Small Starts, they have started to recognize that and started to look at these things much differently and much more effectively, because in the Rapid bus system it is much simpler; you know, you have lots of examples. In our case we will have 28 Rapid bus routes. Well, many of them have exactly the same profile. So it really isn't a huge question or a huge risk problem to go through that process. And it is pretty well self-described. So I think there is some efforts to make this a lot simpler.

Mr. DEFAZIO. Okay. Anybody else want to address——

Mr. THOMAS. Just very quickly. The TSUB number, generally there is a value associated with congestion, and I think the TSUB number, in my mind, tries to determine the value saved or the value of the time saving associated with the folks using the transit system.

I think as we look back in history, though, when we first—we had actually our first full-funding grant agreement on the last expansion in roughly 1997. There was a $333 million full-funding grant improvement, and by the way, we did come in under budget and ahead of schedule on that program. But the competition wasn't nearly as severe as it is now. And the process was just catching on. Of course, Portland was one of the leaders in the country, and we had had a few other examples where people were just starting to realize that we had to do something. We weren't going to be able to build enough roads to build our way out of this problem as we look forward.

So then as we came into the next round of the process, all of a sudden the competition was much, much more severe. There were a lot more people throughout the country that were trying to figure it out. And my understanding was that the FTA was trying to fig-

ure out some objective measure that could look at that. You know, as you said, if you put everything into this black box and grind it up, it spits out that number, and as I said earlier, we were kind of part of that process, being ground up in that box as we went through.

And Mr. Snoble said, the modeling became a challenge. Our Council of Governments was very, very progressive in their modeling efforts and looking at the modal splits on the different corridors that we were analyzing through our alternatives analysis. The challenge that we ran into is a lot of the other properties throughout the country weren't as aggressive and weren't as advanced in their modeling, so we actually had to slow down so a lot of folks could get caught up and everybody would be on the same footing, on the same page as we went through that process.

And I will turn it over.

Mr. GUSTAFSON. Our criticism of the TSUB is simply that is too dependent on travel time savings. So it places too high a priority on the travel time savings issue. There are a lot of other benefits to transit besides that. So the model can—if it can be modified to reflect what we think are the broader base of benefits, and the streetcar project is part of that demonstration where we experienced 30 to 40 percent more ridership than a comparable bus line in the same corridor because it attracts riders for different reasons. And it isn't because of travel time savings, because the street car operates in the street with the same speed as a bus.

Mr. DEFAZIO. Mr. Lewis?

Mr. LEWIS. I will give the economist answer.

Mr. DEFAZIO. All right.

Mr. LEWIS. Just to say two points. One, I think it is fair to say that the process that—the cost, the FTA scoring process is a cost-effectiveness measure and as such does not pretend or set out, rightly or wrongly—and I think many would disagree, would say wrongly—but it does not set out to measure the economic value of the transit project. It sets out to compare an incoming set of proposals to one another in terms of what started out to be a convenient cost per unit of ridership index. That ridership has since been translated into time savings and a number of other—to try to reflect the metrics. But it is fundamentally not the kind of technique that the planning or economics community would—including FTA—would seek to adopt. It was trying to measure the net economic value and net benefits of the projects that were coming in. It is an attempt, rather, to score a fixed set of projects so as to allocate a fixed set of funds in the least bad way.

It is not the only approach available. There is cost-benefit analysis that has been around for—well, since the Corps of Engineers started to make good use of it in the 1930s. In many ways it is a more transparent, more auditable framework, and a framework that is more amenable to local engagement, citizen engagement, in seeking to understand the values that one might wish to place on the effects of capital investment in public transportation.

And within the cost-benefit analysis framework, the kind of things that we are worrying about today, economic development, congestion, and environmental benefits and so on, are all not without the risk of error, but they are all quite measurable. There is

nothing avant-garde about it. It is—and we see in other countries, in Great Britain, in Canada, they don't call it the New Starts process, but the same investment problem is not done as a top-down, methodological, cost-effectiveness sorting problem, but as a bottom-up framework wherein cities that can bring the best value proposition to the table do two things. Collectively they identify how much public transportation appears to be worthwhile in total. And secondly, it helps national decisionmakers make decisions about Federal and national government grants. So we do see cost-benefit analysis in application in the U.K. and Canada.

Mr. DEFAZIO. Yeah. I was puzzled earlier when the Administrator said that the Corps was consulting with FTA, because I am somewhat familiar with the Corps process, and I think it is a little bit more, I don't know—I understand it better than I understand—I don't understand T.

Mr. LEWIS. My understanding what the Administrator said was that the Corps comes to FTA to understand how they are doing risk management and assessing probability cost overruns.

Mr. DEFAZIO. Okay. All right.

Mr. LEWIS. And FTA is doing a superb job. I have been involved in it, though I don't take credit for their superb job of bringing statistical probability into the means by which capital costs and schedule overruns are avoided, and the Corps is looking to learn from that. That is something that I, too, am aware of about the Corps, looking to those methods. I don't think the Corps was coming to FTA—well, I don't know, I wasn't privy to it. But from the answer, as I understood it——

Mr. DEFAZIO. Yeah. So we could either look at the British model, the Canadian model, or indigenously the Corps model, the cost-benefit, take the criteria which Congress has laid out statutorily, and you think we could construct a usable way to measure a cost-benefit?

Mr. GUSTAFSON. I do. I think it behooves—I think the process would be a bottom-up process; that that analysis would best be done, as it is in other countries, locally and audited and informed by the Federal Government. I think I would add insult to injury if I said let's just add another layer of complexity to the process, but, yes, I do believe that to be true, yes.

Mr. DEFAZIO. Okay. All right. Well, that is helpful.

Mrs. Napolitano, do you have some questions?

Mrs. NAPOLITANO. You bet. Thank you.

Being fairly new to this subcommittee, there is a lot I am learning about in regard to the different programs that the FTA has, and this is one of them that really is going to be one that I can sink my teeth into, if you know what I mean, simply because my area—it is outside the city of Los Angeles, it is in the County of Los Angeles, and while, Mr. Snoble, MTA has great transportation, my area—I call it something of the L.A. County, which is not very nice to say in public, because I don't have the bus lines, I don't have the ability to move the masses that are within my jurisdiction. So programs like this would be great to be able to expand that service into the area.

The green light stops at Norwalk, which is a far cry from the rest of my area. We have very, very little other kind of transit. I have

congestion of 18 miles on the freeway that is polluting my whole area, and when there is an accident, people get off and go through the cities and congest the normal population there.

It is a matter of environment, I mean, all these things that you talk about. We are recipients, unfortunately, of that bottleneck. And to be able to hear that some areas are benefiting, I need to maybe pick a little bit more brain onto how we are able then to move into an era where the smaller communities who don't have the ability to have the expertise to apply; and we have the Council of Governments, which you know about that, can go in and tell the Federal Government we are ready to do these things. But the funding then goes into other areas so that we are not the recipients of the ability to determine on our own our area, our own necessities, answers or our own solutions, if you will.

So I am wondering whether those of you who have dealt with this—and I am reading some of the testimony that I received yesterday, but didn't have a chance to read today's because I got it here on committee—is the fact that it is perceived that utilizing the Federal money on this Small Starts program delays projects. How can we suggest to them what they need to do, how they need to do it, and how they need to expand this to those communities that can really benefit to move to protect, to provide safety, because it is a safety issue, too.

One of my cities, Pico Rivera, not too long ago was the number one polluted city in the whole State of California in terms of exhaust. Well, that is not good news to the people who live there. So I am telling you because you may need to use that as an ability to say to the Federal Government, this is an added fact that we need to look at; there is a protection of the health of the people that we are going to try to help move this traffic along.

What do you see, number one, that we need to tell the FTA on this program to be able to expedite the process in the funding, in looking at projects that really have merit based on many of the factors you are talking about, not just factors that are perceived necessary by the Federal Government?

Mr. SNOBLE. If I may go first, Congresswoman Napolitano, probably Gary can talk a little bit because he has similar problems within the DART area because it has smaller cities as well. The last transportation bill actually started to make a very major step in coming up with these projects, Small Starts and now the Very Small Start projects, in recognition of the fact that there are other needs other than the big cities have. Like in Los Angeles we use New Starts moneys, those are really big, big projects. The Small Start actually gives us an opportunity to have smaller projects. We did apply, and we were approved in Los Angeles to be able to better improve our Rapid bus system. As you know, we are building a big Rapid bus system that—the buses move much faster going through the area.

Mr. NAPOLITANO. Excuse me, Mr. Snoble. That is in downtown L.A. And many other areas, not necessarily the area that I represent.

Mr. SNOBLE. The Rapid bus program is of a lot of the county. It is more than just the city of Los Angeles.

Mr. NAPOLITANO. It goes to Pamona. I was at the opening, the grand opening, yes.

Mr. SNOBLE. And we are about halfway through with the expansion. In another couple of years we will have 28 routes, and some of those will be in your area as well. But this money will then enable us to make those buses go through even faster by going to an intelligent transportation system and doing the kinds of things that will give us the priority for the bus on the streets. So that can make a big difference. And that was a first start.

The other really big point that is important here that we are trying to make is that when we go through the Federal process, it costs us more for the project because there is so much red tape to it. If we didn't have that additional cost, or it was a much smaller amount——

Mrs. NAPOLITANO. What is the recommendation, sir?

Mr. SNOBLE. —the money would go much further. If we could simplify some of the process and the recommendations we have made and other people have made to make this process simpler to run and make it less onerous for the sponsors of the program so they can move much more quickly to actually get something built, because the longer you spread out the construction, the more costly it gets, and if we could accomplish some of those things, then we would have more money available to be able to go to other projects.

Mrs. NAPOLITANO. Understood. Mr. Snoble. Unfortunately the focus of MT has been mostly bus. I am looking at light rail, the expansion of the green line, other areas that are going to move the masses. And beyond that, doing a subway, a Metro, being able to move people from—and get them out of their cars to reduce the pollution we all talk about.

To my freeways, we have 50,000 cars and trucks, or another 25,000 trucks a day. So pollution is one of the major factors that we are trying to ameliorate by allowing people options. Right now there are no options. I used to take a bus. I go to Alameda, which is about 7 minutes away. Somebody would drop me off. I would take a bus. It would take me 45 minutes to go 11 miles. I could get in my car and be there in 15 minutes. So that is not helpful for people who need to get to their jobs, to get to their offices, et cetera. And somehow we need to tell Small Start the way to address it is work with the Council of Governments besides the big cities to be able to assist them in making decisions that affect those smaller areas. And that is what I was trying to get to. What is the recommendation? What can we tell——

Mr. DEFAZIO. If the gentleman would briefly address this. She is well over her time. You can briefly address the question, and then we can turn to Mr. Poe.

Mr. SNOBLE. Collectively we made a lot of different proposals to help FTA come up with a more streamlined model.

Mr. DEFAZIO. I think a lot of this was the subject of the first panel, if I may, and the Administrator and the criteria and why people aren't applying for a subway, why they aren't applying for a streetcar, which go to the failures of the criteria more than—I think it may well be local jurisdictions need—are not applying because they just don't think they can match the criteria is what we—some of what we have heard.

Mr. Poe had some questions.

Mr. POE. Thank you, Mr. Chairman. I will be brief.

I would like to center my questions on—regarding DART, Mr. Thomas. I am very impressed with DART. I wish DART could encompass the Houston area. Much to the chagrin of Metro, DART seems to be doing everything right. And you are selling the project DART to the Dallas community very well. You know, we had resistance of Metro down there in Houston. The rail we have is 4 miles long.

But my question is, according to your testimony, when you build it, they build around it, and it increases their property value. And the question I have is, you say you get private involvement in DART. What does that mean?

Mr. THOMAS. Thank you, Congressman.

We do have a lot of economic development around our stations, and it is a combination. First of all, developers have realized that there is an opportunity to make money, and we want to help them make their money, but we also—what we are really looking for is that increased sales tax, increased property values, and increased ridership that benefits us.

The other part of it is—is getting the city to understand that and making sure that they are removing any impediments from those development opportunities around the station.

And then the third part is—and we have people on staff that actually facilitate that. In many cases we don't own the property, but we can help the developer and the city get together, and then we can help identify development types that really lend themselves to what works around the transit station and what does not work around the transit station.

Now the third component of that, though, is that we do own a lot of property around some of our stations in the former parking lots, and initially when you build those stations, those parking lots may be 10, 12, 15, maybe even 20 acres of surface parking. At some point there is a higher and better use for that parking lot, and we have got to be able to recognize that. And at the same time that we are serving our customers' needs, we are also looking at how we can redevelop that property into a more useful development that, again, adds property taxes.

As I mentioned earlier, we had $3.3 billion in transit-oriented development around our stations. That has produced—through 2005 that has produced $78 million in annual property tax revenues, $40.6 million in retail sales tax income for the State, and then $6.5 million for our local municipalities in just those sales taxes.

So it really does make a huge difference, and in our case, because we are so new in the transit world, a lot of our time is spent educating folks. Now, people are catching on pretty quick, certainly, but it is educating folks, making them understand, and then making sure that we have a development that serves our customers as well as the entire community.

Mr. POE. Well, you are to be congratulated, Mr. Thomas.

Thank you, Mr. Chairman. I yield back my time.

Mr. DEFAZIO. Thank you, Mr. Poe.

I want to thank the panel. Thanks for your patience while we had the series of votes and interruptions. I hope we didn't delay

your schedules too much, and you know we will be looking forward to you to helping us help the FTA move to a more transparent formula that better measures the benefits of transit, that promotes, you know, not just one sector because of a prejudice within the way they measure things. So thanks very much. Appreciate it.

[Whereupon, at 1:07 p.m., the subcommittee was adjourned.]

Subcommittee on Highways and Transit

Hearing on the "Federal Transit Administration's Implementation of the New Starts and Small Starts Programs"
Thursday, May 10, 2007

Statement – Congressman Jason Altmire (PA-04)

Thank you, Mr. Chairman, for holding today's hearing to examine the Federal Transit Administration's (FTA) implementation of the New Starts and Small Starts Programs. The New Starts program provides capital transit grants to fund major investments in the nation's transit infrastructure. It has helped finance dozens of new rail transit fixed guideway systems and other projects requesting more than $75 million in funding. The Small Starts program is new, created as part of SAFETEA-LU in 2005, and is targeted to projects seeking less than $75 million. The goal in the creation of the Small Starts program was to provide a more streamlined, efficient review process to advance smaller transit projects.

The FTA examines several criteria in reviewing each request, including the benefit to local economic development, cost-effectiveness, operating efficiencies, environmental benefits, outsourcing and congestion pricing, and non-federal financial contributions to the project.

Both of these programs provide vital investment for transit projects. In my district, local county transit authorities are seeking to grow and expand public transportation options for area residents. In fact today, the New Castle Area Transit Authority and the City of New Castle are announcing the opening of a new bus transfer station and park 'n ride facility in downtown New Castle. It is important for the federal government and Congress to continue to invest in mass transportation projects to relieve congestion on our highways and provide people with affordable alternatives to commute to work and travel around the region.

Thank you again, Mr. Chairman, for providing us with the opportunity to review the FTA's New Starts and Small Starts Programs in greater detail. I yield back the balance of my time.

# # #

Rep. Tim Bishop
Committee on Transportation & Infrastructure
Subcommittee on Highways & Transit
Opening Statement
May 10, 2007

Thank you Mr. Chairman,

I thank you for holding this hearing on the eve of tomorrow's Transportation & Infrastructure Committee hearing on Global Warming.

I think the evidence is obvious that the less we drive individually, the more we use mass transit, the fewer emissions we produce, the cleaner our air, the healthier we are, and the less we contribute to global warming.

Not only does mass transit improve our environment, but it improves our economy by creating jobs and allowing consumers to travel to more distant areas than just around their corner to purchase goods and services or to travel to and from work.

These projects are cleaner, more efficient, and more economical than every commuter piling into a car every morning to head to work. However, for my district, the First Congressional District of New York, and elsewhere in the country, they can provide another benefit to the public – homeland security.

Mass transit, via bus or rail will play a vital role in an evacuation scenario on Long Island. Thousands of Suffolk and Nassau County residents will depend on mass transit when the next hurricane hits.

As we witnessed just prior to Hurricane Katrina's landfall, hundreds of residents New Orleans piling on to buses to vacate the imperiled city. In fact, the residents most in need – the elderly, the disabled, and children – where shown on many newscasts fleeing the city on bus just before the destruction of the city.

How many more residents could have escaped Katrina's devastation had mass transit, been more developed?

How many more residents will be able to quickly and safely escape a disaster on Long Island?

And while the House recently passed a rail and public transportation safety bill, the issues raised in that debate should not be forgotten in context of this discussion.

I look forward to hearing the testimony of the panelists.

Thank you Mr. Chairman.

"Implementation of New Starts and Small Starts provisions of SAFETEA-LU"

May 10, 2007
10:00 a.m.
2167 Rayburn House Office Building

Opening Statement of Congressman Elijah E. Cummings

Mr. Chairman:

I thank you for calling today's hearing to give us the opportunity to examine the on-going implementation of the New Starts program and the realization of the Small Starts program created in SAFETEA-LU.

Now in its fifth decade, the Capital Investment Grants program has provided funding critical to the construction of locally planned and operated transit projects across the United States.

As we review the implementation of the New Starts and Small Starts provisions of the Grants program, we are provided with an opportunity to fine tune a program that has been highly successful in channeling federal funding to support mass transit projects – but that must do more to ensure public transit systems meet communities' changing transit needs.

In particular, we need a new strategy for New Starts that can ensure that transit systems not only effectively serve transit dependent populations but that they also attract drivers to leave their cars at home.

Our Subcommittee will look closely today at the way in which the FTA is responding to the policy objectives formulated in SAFETEA-LU. In particular, SAFETEA-LU

requires the FTA to evaluate economic development criteria associated with all New Starts and Small Starts projects.

I look forward to hearing from our witnesses today regarding why economic development impact assessments pose such a challenge to the FTA as they revise their project application guidelines.

Small Starts projects in particular are certainly transit projects that must be assessed on the degree to which they enhance the mobility of riders. Often, however, they are also projects that can advance significant economic development goals in local communities – particularly in revitalizing urban communities.

Investments in public transportation help urban centers and downtowns remain vibrant by supporting commerce, retail developments, and even important arts and cultural resources.

For instance, according to the American Public Transportation Association, the average downtown property vacancy rate for cities without rail transit is 12.8% but is just 8% for cities with rail transit.

If urban centers remain attractive destinations, in turn, they create a base of ridership for transit projects.

Several groups in my own city of Baltimore, for example, are working to advance projects that may one day be ready for a Small Starts application – and they are working hand in hand with on-going efforts to support the revitalization of our downtown area. It was precisely these types of investments that I believe SAFETEA-LU is designed to support.

I look forward to hearing the testimony of today's panelists and I yield back the balance of my time.

Rep. Vernon J. Ehlers

Subcommittee on Highways and Transit
Hearing on FTA Small Starts
Thursday, May 10, 2007

It's my pleasure to welcome Peter Varga to the Subcommittee this morning, and I appreciate the Subcommittee's permission to sit in on this hearing. I've known and worked with Peter for many years. He started with the ITP ("Interurban Transit Partnership", also known as "The Rapid") in 1994 as Director of Operations. He became the Executive Director in 1997, and he has been a leader in those 10 years in promoting economic development and expanding transit service in the region. Ridership in 2006 was 7.46 million, which was an increase of 980,000, or 15% above 2005, and 1.7 million above 2004. Since 1995, ridership is up 126 percent, a testament to Peter's excellent work and to the support of the Grand Rapids community for public transit service.

I am committed to doing what I can to support The Rapid's efforts on the BRT and downtown streetcar circulator projects. They have done a very good job of keeping the public involved and informed of their progress, and they are proceeding carefully to meet FTA requirements. I appreciate hearing Peter's comments about the Small Starts program and about our community's efforts to meet the requirements of the program.

MAZIE K. HIRONO
2ND DISTRICT, HAWAI'I

COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON HIGHER EDUCATION, LIFELONG LEARNING, AND COMPETITIVENESS
SUBCOMMITTEE ON EARLY CHILDHOOD, ELEMENTARY AND SECONDARY EDUCATION

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
SUBCOMMITTEE ON AVIATION
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

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Statement of
Congresswoman Mazie K. Hirono
House Committee onTransportation and Infrastructure
Highway and Transit Subcommittee
Hearing on Federal Transit Administration's Implementing of the New Starts and Small Starts Programs

May 10, 2007 Mazie K Hirono

Mr. Chairman, I thank you and Ranking Member Duncan for holding this hearing on the Federal Transit and Administration's Implementation of the New Starts and Small Starts Program.

The FTA New Starts Program is particularly important to my district which includes portions of the City and County of Honolulu. Over the last 18 months, Honolulu has been engaged in the New Starts process. Using only local and FTA formula funds, Honolulu began an FTA guided Alternatives Analysis that resulted in a Locally Preferred Alternative (LPA) last December and a 20-mile Minimum Operable Segment (MOS) that was selected in March 2007. In July, Honolulu will apply to the FTA to enter into the Preliminary Engineering phase of the project.

One of my concerns, Mr. Chairman, is the amount of time that it takes transit properties to go through the FTA approval process. In my experience as a former Lt. Governor, one of the biggest challenges local officials face is the amount of time it takes to get projects through the federal funding process. I understand that the National Environmental Policy Act (NEPA) imposes certain statutory requirements that take time to fulfill, but I hope that we will continue to look for ways to shorten other FTA approval steps in the New Starts process.

In my view, the biggest challenge for large public infrastructure projects, besides securing funding to build those projects, it is the time to realize conerete action. Maintaining local consensus for 3 or 4 years just to get through the federal approval process can be daunting. So I hope that in the course of today's hearing we can find ways to streamline the FTA project development and approval process.

Conversely, in less than two years, the Hawaii state legislature, City and County of Honolulu and the Honolulu City Council were able to put in place the necessary local planning and funding actions, including the imposition of a local tax to fund our proposed

transit project. My fear is that the federal development and programmatic approval process will take much longer.

Honolulu has already stepped up to the plate with its share of funding. Beginning on January 1 of this year, the State Department of Taxation began collecting a City-imposed ½ percent increase in the general excise tax rate to be used exclusively for our New Start project. That tax will raise approximately $150 million per year or $2.25 billion over 15 years and to serve as the local match for our transit project. We will be ready to begin this project just as soon as the FTA process will let us.

Traffic congestion is one of the major issues of concern among my constituents. Many families in my Congressional district leave their homes between 4:00 and 5:00 a.m., simply to travel the 15 miles on our Interstates to downtown Honolulu in moderate rates of traffic. After 5:00 a.m., even with a reversible travel lane from Oahu's second city of Kapolei, travel time from my district to downtown Honolulu can take 90 minutes to 2 hours. Given the development and geography of Oahu, we have no room for additional highway lanes, therefore, mass transit has become our most feasible alternative.

Mr. Administrator, I look forward to hearing from you on this program and welcome you to visit our State to see the conditions I described which require our cooperative actions to resolve.

We look forward to working with you as we continue the development of the Honolulu transit project.

Hearing on The Federal Transit Administration's Implementation of the New Starts and Smal Starts Programs

Mr. Holden of Pennsylvania
May 10, 2007

Mr. Chairman, I appreciate the opportunity to discuss with Administrator Simpson the agency's intentions with respect to a New Starts passenger rail project that I have worked on for a decade, the Corridor One project in Central Pennsylvania.

This regional rail project, known as CORRIDOR*one*, will connect Lancaster to Harrisburg and was authorized by Congress in TEA-21. It has received appropriations in the New Starts account over the past few years and much progress has been made. In fact, if the annual appropriations request from the project sponsors is granted, it will enable ridership to begin by late 2009 on MOS-1, Harrisburg to Lancaster. In subsequent phases, project sponsors are hopeful that the rail service will expand West of Harrisburg and will also create connections to SEPTA in Lancaster County, providing seamless, cost-effective travel from Central Pennsylvania to Philadelphia's 30th Street Station with convenient scheduling.

This project is critical to alleviate traffic congestion that currently plagues the region and is only going to get worse in the next two decades due to population growth. There are also strong economic benefits to this project; it will stimulate economic development along the corridor, particularly where the stations are located, as they will become hubs of activity and rejuvenate town centers.

CORRIDOR*one* enjoys broad-based support across the region and has the bipartisan support of our regional Congressional delegation. Numerous local elected officials and organizations like the Lancaster and Harrisburg Chambers of Commerce have endorsed this project because it will reduce congestion and enhance South Central Pennsylvania's prospects for economic growth. Last year, the Pennsylvania House overwhelmingly passed a resolution supporting CORRIDOR*one*. At present, the project is ready to enter and complete Final Design, pending approval of state level transit funding legislation, which will permit finalizing of the financial plan that FTA wants to see from the project sponsors.

With that being said, it is my understanding that the project sponsors are very concerned that this project may lose the exempt status it has operated under since 1998 as a result of changes made in SAFETEA-LU. The project sponsors never sought more than $25 million in federal funds under the New Starts account, and have always planned on retaining their exempt status as a means of bringing the project to fruition in the most timely and cost-effective manner. It is my understanding, based on conversations with agency staff, that FTA intends to grandfather the six exempt projects at the end of this calendar year so that they do not need to effectively reapply to the agency for consideration under the Small Starts program. It would not serve an effective purpose to delay completion of Corridor One or any similarly situtated project by imposing a new regulatory rule at this time. As I noted, this project is ready for Final Design and Construction and already has some of the funds available. The loss of exempt status would raise the cost of the project by millions of dollars – a burden which would ultimately be shouldered, in part, by the federal government. I am hopeful that the agency will permit the Corridor One project and other exempt projects to remain in that status into 2008.

Doris O. Matsui

Statement by Congresswoman Doris O. Matsui
At the Transit and Highway Subcommittee
Hearing on
The Federal Transit Administration's Implementation of the New Starts and Small Starts Programs
May 10, 2007

Thank you Chairman DeFazio for calling this important hearing.

For many of us, our transit systems are the backbone of our districts. In many cases our transit systems are also the blueprint for the future growth and economic opportunity in the communities we represent.

In my district, and especially within the city of Sacramento, we have centered much of our future growth and economic development on our transportation infrastructure and specifically our light rail system.

Therefore, it is important that our New Starts and Small Starts programs are responsive to the needs and demands of our growing communities.

My main concern and question for Administrator Simpson is ---is the FTA following the guidelines and criteria that Congress laid out in SAFETEA-LU?

Specifically, I am concerned that the FTA is too narrowly focused on the cost effectiveness of projects. While this is an important criteria and one that should be followed, other

criteria such as land use decisions and economic development opportunities must play a greater role in the FTA decision making process.

If our light rail systems are truly going to meet the needs of our communities, they must be built with the anticipation of future regional growth and economic development.

In short, the principals of Transit Oriented Development must be a strong consideration in the New Starts approval process.

The demand for transit is clear. In 2006, Americans took a record 10.1 billion trips on local public transportation.

Over the last decade, public transportation's growth rate outpaced population growth and the growth rate of vehicle miles traveled on our nation's highways.

In Sacramento, our light rail system had the fifth highest ridership gain in the country over the first nine months of 2006, where it increased by ten percent.

It is my hope that as we move forward with the full implementation of SAFETEA-LU programs, that the full intent of the legislation that was drafted here in this Committee be followed.

By this, I mean that land use and economic development criteria, included among the six evaluation criteria, be

weighed on equal footing with other factors such as cost effectiveness.

Transit-Oriented land use and development are demonstrated factors that truly do make projects more cost effective in the long run.

We need to capture the dramatic increase of transit ridership across the country and marry it with the steady population growth many of our communities and region's are experiencing.

We need a federal partner that responds better to these trends, rather than adding extra time and expense to the development of transit projects.

Combining SAFETEA-LU's revised criteria in the New Starts FTA decision making process is an important step in ensuring that the projects Congress authorizes and ultimately funds meets the evolving demand of our regions.

Ultimately, fully integrating Transit Oriented Development into the New Start decision making process will be the most cost effective measure we can take to ensure that the investment made by the American tax-payers leverage additional private sector investments and create more sustainable and livable communities.

I am looking forward to working on these issues during this Congress. Thank you Mr. Chairman.

U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

James L. Oberstar
Chairman

David Heymsfeld, Chief of Staff
Ward W. McCarragher, Chief Counsel

John L. Mica
Ranking Republican Member

James W. Coon II, Republican Chief of Staff

May 10, 2007

SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Highways and Transit

FROM: Subcommittee on Highways and Transit Staff

SUBJECT: Hearing on The Federal Transit Administration's Implementation of the New Starts and Small Starts Programs

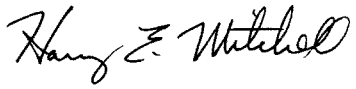
PURPOSE OF HEARING

The Subcommittee on Highways and Transit is scheduled to meet on Thursday, May 10, 2007 at 10:00 a.m., to receive testimony on the Federal Transit Administration's (FTA) implementation of the New Starts and Small Starts provisions of the Capital Investment Grants program. The Subcommittee will hear from officials of FTA, U.S. Government Accountability Office (GAO), Los Angeles County Metropolitan Transportation Authority (LA Metro), Dallas Area Rapid Transit (DART), Interurban Transit Partnership of Grand Rapids (The Rapid), Portland Streetcar, Inc., and the Senior Vice President of HDR Decision Economics, Inc.

BACKGROUND

The Capital Investment Grants program, codified at 49 U.S.C. 5309, is the Federal government's primary mechanism for supporting locally planned, implemented, and operated transit capital investments. From commuter rail to light rail transit, from streetcars to bus rapid transit (BRT), transit investments improve the mobility of millions of Americans, help to reduce congestion and improve air quality in the areas they serve, and foster the development of more economically viable, safe, and livable communities.

Congress created this discretionary transit grant program in the Urban Mass Transportation Act of 1964 (UMTA) "to provide additional assistance for the development of comprehensive and coordinated mass transportation systems." Several program categories exist within the Capital Investment Grants program: the fixed guideway modernization program, the discretionary bus and bus facilities program, and both the New Starts and Small Starts programs.



Statement of Rep. Harry Mitchell
House Transportation and Infrastructure Committee
Subcommittee on Highways and Transit
5/10/07

--Thank you Mr. Chairman.

--Arizona is now the fastest growing state in the nation. Since 1970, our population has more than tripled.

--The Phoenix metropolitan area, long the largest in our state, is now one of the largest in the nation. According to the U.S. census, our metropolitan area is now the 13th largest in the nation, just behind San Francisco and Boston.

--Not surprisingly, all this growth has created an urgent need for new transportation infrastructure....not just highways, but public transportation as well.

--Funding all of this new infrastructure has been a challenge to say the least.

--In the past we relied on innovative designs and funding partnerships with the State and Federal Departments of Transportation.

--But as our population exploded, we needed larger scale projects, like light rail, and the types of new funding sources they entailed.

--Currently, we are investing heavily in our community. But make no mistake, we expect a solid return on this investment.

--Nationally, public transportation has been shown to contribute 6 dollars in economic development for every one dollar invested.

--The City of Phoenix, Downtown Development Office estimates that our light rail project has already encouraged over 3.5 billion dollars in development… including 8.25 million square feet of commercial space and over 6 thousand residential units.

--Today, we will consider ways to improve the Federal funding process for public transit.

--Both the New Starts and Small Starts programs have been invaluable to Arizona, but there is always room for improvement.

--I am look forward to hearing from our witnesses.

--I yield back the balance of my time.

Subcommittee on Highways and Transit
Rick Gustafson
Executive Director, Portland Streetcar, Inc.
Portland, Oregon

Chair DeFazio, distinguished members of the Committee, my name is Rick Gustafson, Executive Director of Portland Streetcar, Inc. PSI is a nonprofit corporation that contracts with the City of Portland to design, build, operate and maintain the Portland Streetcar system.

Portland Streetcar inaugurated modern low floor streetcar service in 2001. We have extended the line three times to reach a 4.0 mile line serving the Central City of Portland. We carry over 3 million riders per year and have been a part of extraordinary urban redevelopment that has occurred in Portland. Since we announced the streetcar, there has been $2.8 billion of new investment along the corridor with over 7,000 new residential units built. The streetcar operates in mixed traffic and serves a shorter trip than light rail and provides the connections between centers in denser populated areas.

I want to congratulate the Committee on making great progress in the last authorization bill SAFE-TEA LU. The establishment of Small Starts is an important break through for supporting lower cost fixed guideway projects that serve denser areas of our cities and provides quality service for shorter trips.

Prototype Manufacturer Important Action by the Committee: Before we discuss the implementation of Small Starts, I want to express my appreciation for including a grant for a US-owned manufacturing company to manufacture a modern low-floor streetcar in the US. I believe streetcars are in a similar place that light rail was in the early 1980's where there were no new systems in the country and Portland, San Diego and Buffalo committed to build theirs. Since then over 2,500 vehicles have been delivered to US cities with an average of 135 vehicles per year over the last 11 years. To date, not one light rail car has been manufactured by a US-owned company. Your help with the prototype grant is a part of making sure we do not repeat the light rail story with streetcars.

Portland Approved for Project Development: The Portland region has been an active participant in the development of the Small Starts program when the concept was first introduced to this Committee. The initial year of rule making with FTA was frustrating and discouraging as no progress was made in streamlining or in accommodating the benefits of streetcar. Since September of last year, there has been a significant change in attitude at FTA. In November, FTA contacted TriMet, our regional transit agency, to encourage our application. The Portland region submitted the application for Small Starts funding for the Portland Streetcar Loop Project which extends the existing line 3.3 miles and creates a Central City Loop connecting both sides of our river. The application for the Portland Streetcar Loop Project with an estimated total cost of $152 million project was submitted on February 9, 2007. FTA notified of us of approval on March 20. Congress was notified by FTA on April 16. We received excellent response and support from FTA through this process. April 26, 2007, FTA issued the letter of approval for Project Development for the Portland Streetcar Project. They gave our project an overall rating

of Medium. But in the next paragraph, they destroyed the project by reverting to their previous position that no project with a low cost effectiveness rating can be recommended for funding.

Cost Effectiveness: The most discouraging aspect of FTA review is the application of the same Cost Effectiveness measure used for New Starts to the Small Starts program. The FTA measurement tool, known as TSUB, does not account for the benefits that are derived from the streetcar investment. Our Streetcar proposal projects 10,000 average weekday trips, equal to some of the best bus lines in the region. However, streetcar trips are shorter in length and do not result in significant travel time savings compared to similar bus lines. But a streetcar, which links inner-city housing to close by employment and shopping opportunities, facilitates a travel pattern with reduced reliance on autos, and more reliance on walking, and short transit trips. This reduces vehicle miles of travel and vehicle trips – with accompanying environmental, energy and transportation system benefits. FTA's cost-effectiveness measure is short-sighted and does not include these benefits.

Because the travel time on streetcars is generally the same as a bus, the current FTA cost effectiveness measurement tool guarantees a "low" rating for streetcars. I would urge that the Committee include language in the next authorization that either changes the current cost effectiveness measure to reflect the system benefits from these shorter and foregone trips, or automatically provide streetcars with a pass on cost effectiveness when packaged to serve, create, and enhance high density urban neighborhoods.

In this regard, we were recently very surprised that FTA's letter approving the Portland Streetcar Loop project requires that the project achieve a 'medium' FTA cost-effectiveness measure before being granted funds. This was contrary to earlier communication with FTA, which indicated that a ' high ' land use score would balance with a 'low' in this particular cost-effectiveness score to achieve an overall 'medium' rating – the statutory requirement for funding. I question whether Congress intended this one 'low' rating to trump all the other criteria in SAFE-TEA LU, land use, economic development, etc., as FTA's recent letter to us implies.

The Portland Streetcar Loop Project has a $35 TSUB rating and $22.49 is the maximum cost per benefit for a medium rating. We made our application with FTA's encouragement, and full knowledge of our TSUB score. But, because of these changing signals from FTA, we now believe our project is 'high centered.'

The refusal of FTA to allow other benefits to balance the narrowly defined cost effectiveness criteria is the primary reason that Portland is currently the only applicant for streetcars in the Small Starts process. With clear legislative intent and broad base of interest in streetcar development in our cities, it is inexcusable for FTA now two years later to refuse to follow congressional intent of facilitating smaller fixed guideway projects.

Economic Development: The Committee was successful in adding economic development to the criteria for approval of projects. Portland has conducted economic studies of the Central City before and after streetcar was built. Before streetcar offered the higher quality access, developers built at much lower densities preferring townhouses and rowhouses for the in-town living. When the streetcar came to the RiverPlace (downtown development), a new condo tower

is built in response to the higher quality access. Prior to the streetcar, developers averaged 30% of the zoned density for parcels along the streetcar. After announcing the streetcar, the average has been 90% of allowed density has been built along the streetcar line. More important, 53% of all the new development in the Central City since 1997 has been within one-block of the streetcar line. Streetcars can attract higher density and attract development.

Trip Not Taken: Streetcars support a much higher density of development. One of the most important benefits to an area is not currently taken into account by the FTA criteria, namely the reduction in vehicle miles traveled. Creating livable mixed use environments that are attractive to residents result in very different travel behavior. A family living in a mixed use environment will satisfy their trip needs by walking 25% of the time they need to travel. The average family in a mixed use environment will travel 9 vehicle miles per day while the same family will travel 21 in a suburban environment with limited transit. The 7,248 new households built in Portland along the streetcar line, if located in the suburbs, would have added 59 million vehicle miles per year to the system. It is possible to calculate trip reduction and congestion relief in this form. And believe me, it is a benefit. It is time we started counting the obvious benefits in managing travel in our cities.

Exempt Projects: In SAFE-TEA LU, Congress eliminated the exemption for projects requesting less that $25 million federal funding. Whiles FTA has developed a Very Small Starts Program, it is written in a way to make it impossible for streetcars to qualify. I would urge that the exemption for Small Starts projects seeking less than $25 million be restored in the next authorization. Two very successful streetcar projects partially funded by FTA have relied upon the exemption to be implemented: Little Rock which is operating very successfully and Seattle that will open in December of this year. Neither project could have been accomplished without the exemption provision of the law. I know that many cities in the US are evaluating streetcars with numerous ones needing less than $25 million federal funds. Kenosha, Wisconsin is one example.

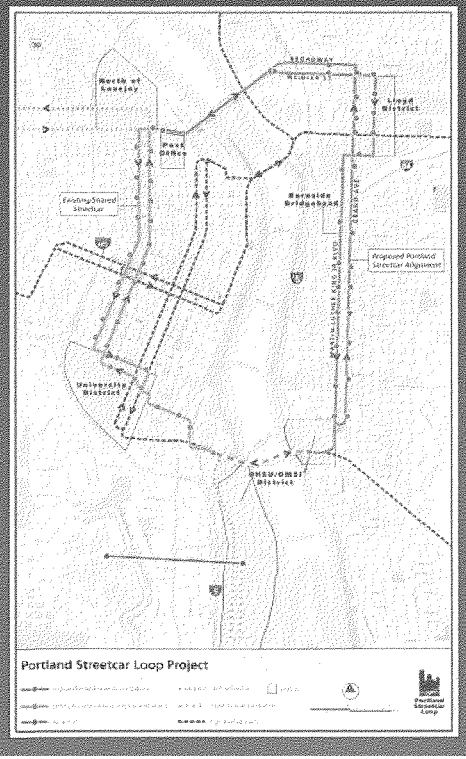
Streetcar Potential is Real: There are over 80 cities in the country that are conducting streetcar studies. The Small Starts program is a good start for a federal partnership with cities and transit districts that are committed to high quality, mixed use and higher density environments. The Streetcar supports and incents the higher density development that supports livable, sustainable environments. It does it with domestically produced power, and, with your help, we can domestically manufacture the vehicles. To summarize the recommendations:

1. **Support the establishment of a US owned manufacturer of streetcars.**
2. **Require cost effectiveness to include all the benefits of transit not just travel time savings.**
3. **Establish a balance in the criteria with cost effectiveness, land use and economic development.**
4. **Restore the exemption for fixed guideway projects requiring less than $25 million.**

PORTLAND STREETCAR
THE PORTLAND EXPERIENCE
DEVELOPMENT ORIENTED STREETCARS
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

PORTLAND STREETCAR
PROTOTYPE MANUFACTURER
• $4 Million FTA Grant through SAFETEA LU
• Oregon Iron Works Selected
• Delivery 2008
PORTLAND STREETCAR, INC. PROPRIETARY AND CONFIDENTIAL

PORTLAND STREETCAR



PORTLAND STREETCAR LOOP

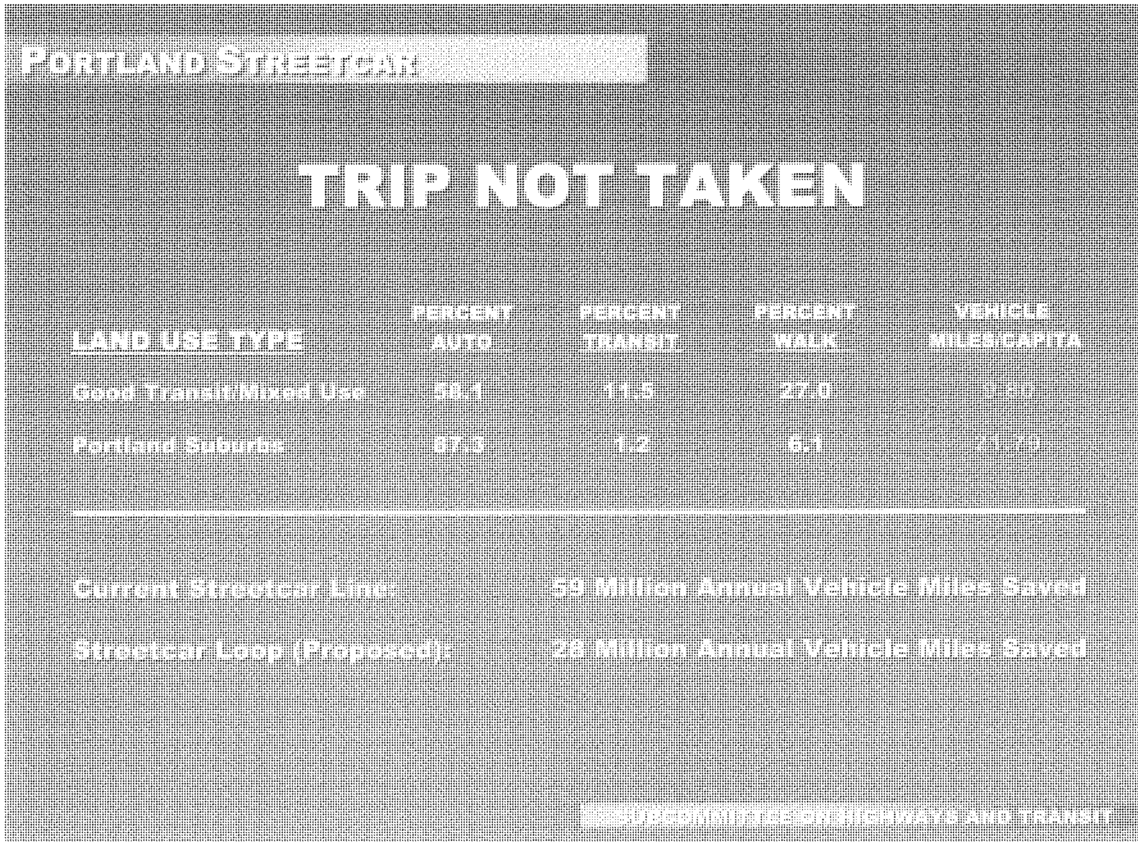
- Total Cost $152 Million
- Federal Share $75 Million
- Approved by FTA for Project Development

SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

PORTLAND STREETCAR
FTA CURRENT COST EFFECTIVENESS
• Portland Streetcar Loop Rated Low ($35.08 (need $22.49 for Medium Rating)).
• Overall Project Rating Medium. Land Use, Economic Development, Cost Effectiveness Together.
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

PORTLAND STREETCAR
ECONOMIC DEVELOPMENT
STREETCAR AS A CATALYST FOR COMMUNITY AND ECONOMIC DEVELOPMENT

PORTLAND STREETCAR
PORTLAND STREETCAR
Density of Development
SURROUNDING NEIGHBORHOODS AND TRANSIT


PORTLAND STREETCAR
TRIP NOT TAKEN
LAND USE TYPE
PERCENT AUTO
PERCENT TRANSIT
PERCENT WALK
VEHICLE MILES/CAPITA
Good Transit/Mixed Use
58.1
11.5
27.0
Portland Suburbs
87.3
1.2
6.1
Current Streetcar Line: 59 Million Annual Vehicle Miles Saved
Streetcar Loop (Proposed): 28 Million Annual Vehicle Miles Saved
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

SUCCESSFUL EXEMPT PROJECTS
PORTLAND STREETCAR
Seattle
Little Rock
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

PORTLAND STREETCAR
STREETCAR POTENTIAL - HIGH
FEDERAL POLICY RECOMMENDATIONS
• US Manufacturer
• Change Cost Effectiveness
• Balance with Land Use and Economic Development
• Restore Exempt Projects
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

STATEMENT OF

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Before the Committee on Transportation and Infrastructure

Sub-Committee on Highways and Transit

Implementation of New Starts and Small Starts Program

May 10, 2007

Good morning. My name is David Lewis. I am Senior Vice President and Chief Economist of HDR Decision Economics, a division of HDR Engineering Inc. I served previously as a Principal Economist of the U.S. Congressional Budget Office. I was trained as an economist at the London School of Economics and I am the recipient of several professional awards, including the Elmer Staats Comptroller General's Award of the International Journal of Government Auditing. I am an elected a Fellow of the Institute of Logistics and Transport and an elected Emeritus Member of the Transportation Research Board (Committee on Specialized Transportation). I specialize in the application of Cost-Benefit Analysis and risk analysis to transportation investment problems. I am a long-serving consultant to the U.S. and Canadian federal governments as well as to local transportation agencies in both countries. For the Canadian federal government I developed the Cost-Benefit Analysis process that helps guide transit

investment decision making. My 1999 book, "*Policy and Planning as Public Choice: Mass Transit in the United States*" (co-authored by Dr. Fred Williams) is a quantitative accounting of the benefits of mass transit.

I would like to thank Sub-committee Chairman DeFazio for inviting me to appear here today. It is my purpose to try and place questions about the New Starts process in the broader context of economic value for money.

The principal message I wish to leave with you is that in not recognizing the full economic value of transit projects, the federal New Starts process creates a risk of underinvestment in transit and, hence, the marginalization of public transportation investment in American urban development.

THE ECONOMIC BENEFITS OF NEW STARTS

Whereas the New Starts process quantifies ridership as the principal benefit of New Starts, the economic benefits of transit actually fall into three categories, congestion management; mobility for transit users; and community economic development. While all three are measureable, albeit with uncertainty, the FTA New Starts program focuses on ridership alone, which is actually a sub-set of the mobility category.

Regarding Congestion management. Increased use of transit in lieu of automobiles can lead to improved traffic flow, shorter highway travel times and reduced unpredictability in travel time. Such benefits accrue to both the passenger and freight sectors. Improved traffic flows and travel times lead, in turn, to reduced vehicle operating costs; improved air quality, reductions in greenhouse gases; improved public health; and fewer traffic

deaths, personal injuries and property losses. Whereas the benefits of highway capacity expansion in congested corridors can erode as new demand is induced to use the facility, my studies for FTA demonstrate that rail systems in congested highway corridors serve to stabilize roadway congestion in the face of population growth and land development.

Regarding Mobility for Transit Users. Increased use of transit creates mobility benefits for riders. For low-income individuals transit is often used in lieu of taxis and other higher-cost modes and thereby releases scarce household resources for more highly valued uses, including shelter, nutrition and childcare. Increased mobility might also lead to cross-sector resource savings through a reduction in the demand for home-based nutrition, dialysis and other social services.

Regarding Economic development. Transit creates statistically measurable economic value for communities, with benefits extending to both transit users and non-users. This value is manifest in increased land values and rents created by the demand for residential and commercial space in transit-oriented urban environments. Scientific statistical studies of how transit stations affect urban development values reflect both the capitalization of transportation benefits (i.e., the manifestation of delay savings) and non-use benefits of transit due to improved neighborhood structure and livability. Studies my firm performed for the Federal Transit Administration indicate that rail transit stations yield in the range of $16.00 greater residential equity value for each foot closer a property is to the station. Findings in San Francisco, for example, indicate that the average home carries $15,000.00 more value for each 1000 feet closer to a BART station.

My studies for FTA also show that proximity to Metrorail here in Washington D.C. station has a positive impact on commercial property values. We find that a 1,000 foot decrease in walking distance to a Metrorail station increases commercial property values by $2.30 per square foot. For the average sized commercial property of about 30,500 square feet, each 1,000 foot reduction in walking distance to a Metrorail station increases the value of a commercial property by more than $70,000.00.

For proposed new starts and extensions, such as rail investment proposals I recently evaluated in Minneapolis-St. Paul, Austin and Toronto, the cumulative projected effect of these projects on downtown and suburban economic development value is in the hundreds of millions of dollars. Although a portion of this increased value reflects the capitalization of transit time savings in the value of land (and is thus reflected in the measurement of congestion benefits) transit can give rise to urbanization and amenity affects that are valued by people who do not use transit. As well, whereas increased land values associated with transit represent, in part, the transfer of development from other parts of the region, the character of development, namely urban as distinct from suburban development, is unique and thus additive to the diversity value of the region.

THE NEED FOR BEST-VALUE INVESTMENT DECISIONS

The New Starts framework does not seek to determine whether projects are economically worthwhile, but rather to rank them against one another as a basis for distributing a pre-determined allocation of congressionally appropriated funds. Yet, without economic yardsticks, decision makers cannot ask how much transit investment is actually worthwhile, nor how transit projects stack up in relation to highway alternatives. In other

sectors, capital investment choices follow from rigorous economic analysis and head-to-head comparisons of alternative solutions. In the urban transportation sector, however, transit and highway projects are treated separately, as if they serve wholly different purposes (which, of course, they don't).

Failure to examine transit and highway projects against a common economic yardstick works to transit's disadvantage in the competition for budgetary resources. Methods exist for examining proposed new highway investments in terms of conventional tests of investment value, (metrics such as net life-cycle benefits and rate of return). This can place highways within the powerful accountability framework of capital budgeting. By benchmarking highway rates of return to alternative uses of funds (such as bond market returns), highway investment decisions can occasion a great deal of financial and economic legitimacy.

The reality that transit cannot as a rule make it financially seems to have created a belief in some quarters that it cannot make it economically either. Evidence indicates the reverse, however. Evidence from the application of mainstream business case methods indicates that the benefits of a single New Start project can exceed its costs by almost $1 billion dollars and produce net benefits greater than those associated with alternative highway capacity expansion projects (Table 1).

Table 1: Cincinnati I-71: Estimated Costs, Benefits, Net Benefits and Ranking of Alternative Strategies, (for the period 2003 – 2032, in dollars of present-day value)

OPTION	TOTAL ECONOMIC COST In millions of 2003 dollars	TOTAL ECONOMIC BENEFITS In millions of 2003 dollars	NET ECONOMIC BENEFITS Benefits minus costs, in millions of 2003 dollars	RANK Rank order of contribution to regional economic welfare
Alternative 1 - *Four-Lane Continuity*	$616.7	$699.9	$83.2	4
Alternative 2 - *Four-Lane Continuity plus HOV*	$605.6	$439.2	($167.3)	5
Alternative 3 - *Light Rail Transit (LRT)*	$1,087.9	$1,999.4	$911.4	1
Alternative 4 - *Peak Period Truck Restriction*	$65.0	$385.5	$320.5	3
Alternative 5 - *Combined Four-Lane Continuity and Light Rail Transit (LRT)*	$1,704.6	$2,428.3	$723.6	2

Source: HLB Decision Economics Inc. for the Metropolitan Mobility Alliance, Moving Forward: The Economic and Community Benefits and Investment Value of Transportation Options for Greater Cincinnati, April 2, 2001

RECOMMENDATIONS

Broadening the New Starts process to recognize the full economic value of transit proposals would help create a level playing field for urban transportation investment and elevate transit's status in resource allocation decisions accordingly. But this should not, in my view, be executed in such a way as to complicate the already long and involved New Starts procedure. I make the following recommendations:

1. In addition to the benefits directly associated with ridership, FTA should encourage localities to examine the congestion, mobility and economic

development value of transit; FTA should recognize such values in federal decision making;

2. The Federal Highway Administration should require Metropolitan Planning Organizations to compare prospective major highway investments to transit alternatives in terms of conventional business case yardsticks, namely Cost-Benefit Analysis; and

3. The Federal Transit Administration and the Federal Highway Administration should provide coordinated technical guidelines for the application of common business case analysis tools.

United States Government Accountability Office

GAO

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

Statement of Katherine Siggerud, Director
Physical Infrastructure

GAO-07-812T

May 10, 2007

GAO
Accountability · Integrity · Reliability

Highlights

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

PUBLIC TRANSPORTATION

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

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.

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 and 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, recommends, and funds 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

[1]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.

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

[2]The 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.

[3]TEA-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.

[4]Project 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.

- 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 and 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

[5]Of 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

[6]Alternatives 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.

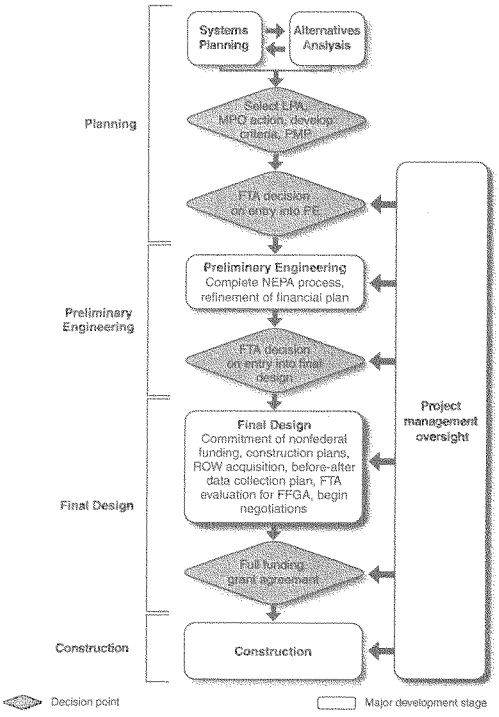
[7]Thirty project sponsors that responded to our survey intend to seek Small Starts or Very Small Starts funding for their planned projects, however two of those sponsors did not answer whether they had previously applied for New Starts, Small Starts, or Very Small Starts funding.

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.

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

[9]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



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

[10]The 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.

[11]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.

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 period[12] 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.

[12]The 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	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. 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.	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.

[13]FTA 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

[14]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).

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

[15]Indirect 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.

[16]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).

[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

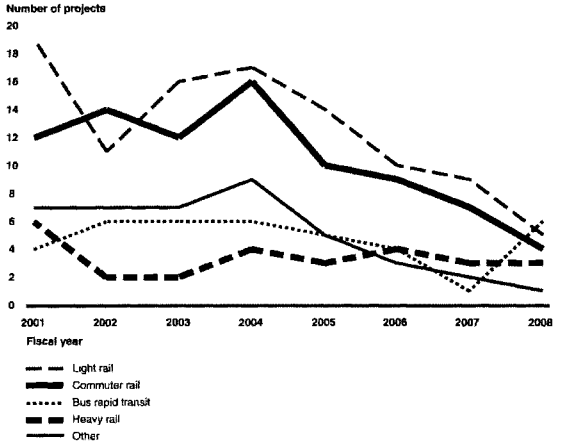
Source: GAO analysis of FTA data

[a]Includes projects that were evaluated and rated for the fiscal year evaluation cycle, as well as "exempt" projects.

[b]Includes 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

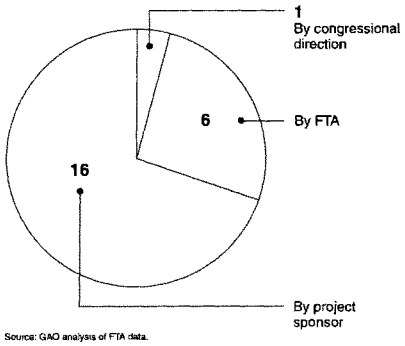
FTA and project sponsors identified different reasons for the decrease in the New Starts pipeline. FTA officials cited their increased scrutiny of applications to help ensure that only the strongest projects enter the pipeline, and said they had taken steps to remove projects from the pipeline that were 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.

[18]The 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

[19]Of 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.

[20]For 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.

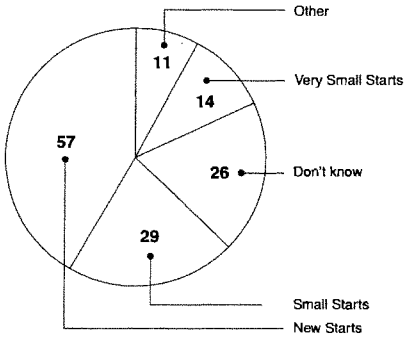
FTA is considering and implementing different ideas on how to improve the New Starts process—many of which would address the concerns identified by project sponsors. For example, FTA has recognized that the process can be lengthy and in 2006, FTA commissioned a study to examine, among other issues, opportunities 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.

[21]For 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 then 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 the New Starts program for 14 of the 18 Small Starts and Very Small Starts projects currently in the

preliminary engineering or final design phase 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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[22]Thirty 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

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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.

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Statement of
James S. Simpson
Administrator
Federal Transit Administration
U.S. Department of Transportation

Before the
Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure
U.S. House of Representatives
FTA Implementation of the New Starts and Small Starts Programs

May 10, 2007

Good morning, Chairman DeFazio, Ranking Member Duncan, and Members of this Subcommittee. Thank you for the opportunity to testify today on the Federal Transit Administration's (FTA) New Starts and Small Starts programs, which are among the Federal government's largest discretionary programs. When the New Starts program was last evaluated by the Office of Management and Budget (OMB), the program received the highest rating among 62 competitive Federal grant programs. The Government Accountability Office (GAO) and the Department of Transportation Office of the Inspector General have lauded our management of the program as one of the government's most rigorous.

At this time, FTA also would like to thank GAO for its annual review of the New Starts program. Over the years, we have cultivated a good working relationship with GAO representatives and have taken into account many of the findings and recommendations in past reports as we manage the program.

FTA's management of the New Starts program fosters highly successful Federal-local partnerships that positively impact millions of Americans across the country on a daily basis – both transit riders and users of our Nation's highway system who benefit from additional transportation capacity. Communities across the country count on public transportation systems to provide a reliable alternative to congested highways and highway users who fund large percentages of the costs of public transportation expect these systems to be integrated with highway policies. For example, the Texas Transportation Institute estimates that without public transportation, the cost of lost time and wasted fuel on our Nation's highways would be nearly $20 billion more every year. New Starts and Small Starts investments can be particularly effective when utilized in connection with a highway congestion reduction strategy. In addition, millions of Americans who lack access to an automobile need public transportation for their basic mobility needs. And, public transportation contributes to economic development, air quality, and other local goals and objectives.

Strong Project Management Oversight Program

Since the passage of the Intermodal Surface Transportation Efficiency Act of 1991, FTA has provided nearly $17 billion in New Starts funds to help build 27 light rail, 19 commuter and

heavy rail, and a number of streetcar, bus, and other transit projects with total project costs of approximately $37 billion. Since June 2006, FTA has executed 5 Full Funding Grant Agreements (FFGAs) having a Federal share of $3.42 billion, with total project costs of approximately $10 billion. On April 12 of this year, FTA sent Congress a 60-day notification of our intent to execute an FFGA with the Tri County Metropolitan Transit District for the Portland, Oregon, I-205/Downtown Mall Light Rail Transit project. Even as we execute more FFGA's, FTA has increased its commitment to the sound management of these limited Federal resources. We understand the pressures and anticipation that local communities face as they plan, develop, and construct major transit capital investments. We also know that schedule delays may result in increased costs. However, the costs to taxpayers that result when proper oversight is not provided can be much greater. It is imperative that FTA continue to provide strong and on-going oversight in order to mitigate this risk.

FTA believes it is making good investment choices and our oversight program supports our decision-making process. FTA's current portfolio of projects under construction totals $21.5 billion in project costs, and FTA is managing costs to within 0.5 percent of the FFGA baseline and cost estimates. We have achieved this success through a close working relationship with New Starts project sponsors, and by providing oversight, technical assistance and risk management. FTA helps local sponsors identify risks in cost estimates and schedule assumptions early on, and develop strategies to minimize and manage these risks as projects proceed through design and construction. FTA has made significant investments in oversight resources to carry out these activities. Likewise, we have invested heavily in tools, techniques, and training to help local agencies better estimate the ridership and travel time savings anticipated by their proposed New Starts projects, and to better understand the travel markets that benefit from the proposed investment.

FTA oversight is paying off for the transit program. Travel forecasting methods are much improved. Improving the reliability of project cost and benefit estimates helps ensure that Federal investment in transit is directed to the most worthwhile projects and also improves the information available to support local decision-making. The result is successful projects that ultimately foster Federal and local commitment to additional investment in transit.

New Starts Program Assessment and Resultant Improvements

FTA strives for continuous process improvement, quality, and increased customer satisfaction. As a result, we undertook the further step last summer of engaging an international business and management consulting firm to review our New Starts process. That firm, Deloitte Consulting, LLP, reviewed and assessed every aspect of the New Starts competitive process from organizational structure and operations to improved project delivery. The Deloitte report is organized around four general themes, *i.e.*, streamlining project development and evaluations processes; New Starts process management; FTA's organizational structure; and, improved communications.

The Deloitte report first discusses **streamlining project development and evaluation** processes, *i.e.*, how FTA can move projects faster, reduce reporting requirements, and shorten, or at least standardize, review times. On this front, we are happy to report on some short-term measures that we are prepared to implement in the coming weeks, and some longer-term

opportunities we intend to flesh out in the near future. As first outlined in our February 2007 *Proposed Policy Guidance on New Starts and Small Starts*, FTA proposed eliminating a number of New Starts reporting requirements, including, for many projects, the need to re-report any criteria on an annual basis. New Starts stakeholders voiced support for this idea through the public comment process, and we will address their comments in the final New Starts *Policy Guidance*, which we will issue in the very near future. In terms of improving FTA response times, the Deloitte group endorsed the Project Development Agreement – or PDA – a concept that we have encouraged the industry to consider for some time. Under a PDA, the New Starts project sponsor and FTA would agree to a delivery schedule, a review of key project development deliverables, and clarify FTA and local expectations for demonstrating project development progress. Both parties to the agreement would be held accountable for the advancement of candidate New Starts projects. FTA looks forward to working with project sponsors on such agreements.

In addition, FTA is looking at ways to more efficiently address project development risk, such as the potential for cost overruns and schedule delays. One way is to incorporate risk management into the project development process, and we are happy to report to you that in the next several weeks FTA will be unveiling a robust program of guidance and training in project risk management. A second way is to encourage alternative project delivery methods, including various public private partnership delivery methods commonly utilized in the highway sector around the world such as design build, design build operate and maintain agreements, and long term concessions. FTA's Public-Private-Partnership Pilot Program – or Penta-P – acknowledges this transfer of risk from the public to the private sector with the advantage of streamlined FTA oversight requirements. Under Penta-P, FTA will remove the private sector investment in a proposed New Starts project from its cost effectiveness calculation to the extent the terms of such investment provide powerful incentives for more efficient operations and management of a project. The investment of private capital in major transit capital projects is likely to improve the accuracy of cost and ridership projections used to justify public investment in such projects. We believe Penta-P will be a successful extension of the Federal-local partnership, resulting in more efficient Federal investments in new major capital projects.

A second theme found in the Deloitte report is **New Starts process management**. In this regard, Deloitte recommended that FTA develop and better integrate meaningful program performance measures into its strategic business plan, which we are actively considering. Deloitte also recommended that FTA improve upon its industry guidance. The development of major transit capital investment projects is a complex endeavor, often among the largest and most technically challenging public infrastructure efforts undertaken in many urban areas. FTA possesses considerable technical expertise in this area and has developed a number of guidance documents available on its website, as well as training opportunities in such topics as alternatives analysis, travel forecasting, and construction management. In addition to the risk management initiative, FTA is developing technical guidance on capturing previously unmeasurable benefits in local travel forecasting procedures. Both efforts will result in better New Starts project cost and benefit estimates.

Deloitte further recommended that FTA develop guidance that clarifies and simplifies its procedural requirements for advancing projects through the New Starts project development

process. FTA agrees, and is responding to this recommendation. In addition to the New Starts *Policy Guidance* and updated *New Starts Criteria Reporting Instructions*, FTA plans to publish Preliminary Engineering and Final Design "checklists," clarifying, in one source document, the distinct requirements for advancing projects into each project development stage. Also, in the coming weeks, FTA will clarify guidance on the New Starts baseline alternative, including substantial streamlining in the baseline development and approval process; issue final guidance on the Before and After study and the first set in a series of New Starts "fact sheets" – one page synopses geared to local policymakers and agency staff alike - of the guiding principles supporting the myriad of New Starts activities, including project development, evaluation, technical competencies, and FTA requirements. The industry can expect even more guidance in the months ahead.

To further improve the New Starts management process, FTA is implementing more efficient and transparent management systems to facilitate project development delivery reviews. Technology will play a large role in this endeavor. FTA is engaged in its own "alternatives analysis" of several internet-based case management systems designed to respond to the need for project tracking, tracking of project deliverables, FTA review periods, FTA comments and direction, and accountability for that direction – in essence, the writing of a project development history, at least in terms of FTA involvement and its significant milestone approvals. Importantly, this system will be open and available to project sponsors, so that they can be assured that FTA is delivering timely reviews and technical assistance.

The third theme in the Deloitte report focuses on **FTA's own organizational structure**. FTA has dedicated staff serving both a national program in Washington, DC and its implementation arm(s) in 10 regional and 5 metropolitan offices across the country. As part of our stewardship responsibilities, we work hard to ensure that all New Starts project sponsors are provided the same level of agency support, and that their projects compete on a level playing field. We endeavor to optimize employee skill sets in program administration. We also strive to improve upon the stakeholder service that we take such pride in. To that end, FTA is implementing the "New Starts Team" concept, designed to bring together technical and programmatic resources to deliver responsive technical assistance and to bring a "problem-solving" attitude to the implementation of our program. Essentially, New Starts project sponsors are paired with a "New Starts Team," whose primary point of contact resides in the FTA Regional Office. Both the project sponsor and the FTA Regional Office can rely on transit planners, environmental specialists, engineers, and other resources in headquarters to provide timely technical support, reviews and responses to questions. FTA is developing internal standard operating procedures for the New Starts Teams and then will issue guidance on the range of New Starts Teams' services and the process for working with the Teams.

The fourth theme evident in the Deloitte report is the need for **improved communications** with program stakeholders. At this juncture, I would like to note our close working relationship with Congress on the New Starts process and the status of individual projects. We have a monthly New Starts conference call with House and Senate Committee staffs during which we provide individual project updates and discuss notable problems or policy changes. We have found this to be an invaluable tool in keeping Congress apprised of project status and policy updates.

In addition, we communicate with Congress in writing before each New Starts project proceeds to the next stage of development. Before a project proceeds into Preliminary Engineering, Final Design, or Project Development, we provide Congress with a 10 day notice and a short description of the project. Prior to signing an FFGA, we provide Congress with a 60 day notice, an in-depth briefing and a copy of the agreement and supporting documentation. It is certainly our desire to make the New Starts process as transparent as possible and having a close working relationship with Congress is a key component of that goal.

Aside from our discussions with Congress, many of FTA's initiatives mentioned in my testimony, such as enhanced guidance, training on FTA procedural and technical requirements and expectations, a transparent New Starts case management system, and clearer lines of FTA responsibility for key aspects of the program, certainly contribute to improved communications. We also will perform more stakeholder outreach, which will include the popular "New Starts Roundtable" discussions with transit agency staff.

Small Starts

The Small Starts program is a significant departure from the traditional New Starts program, which has long required as a defining feature of eligibility a "fixed guideway," that is, either an exclusive or semi-exclusive transit right-of-way or in-street rail operations. Communities with low population densities are often unable to successfully compete in the New Starts process because travel markets inherent to such areas generally do not justify investment in complex fixed guideway systems. And yet, certain transit investments in these communities often require more funding than can be generated locally or provided under FTA's discretionary bus program. In addition, we have found that project sponsors often avoided less-costly public transportation projects because New Starts funds were limited to fixed guideway investments. For these reasons, SAFETEA-LU established the Small Starts program to advance lower-cost fixed guideway and non-fixed guideway projects such as bus rapid transit, streetcars, and commuter rail projects through an expedited and streamlined evaluation and rating process.

Subsequent to the passage of SAFETEA-LU, FTA introduced a project concept called "Very Small Starts." These projects are simple, low-risk projects that qualify for a highly simplified project evaluation and rating process by FTA. A project must be a bus, rail or ferry project, contain certain features and have a total project cost of less than $50 million. Such projects, by their nature, have sufficient benefits to rate well without further analysis.

Interest in the Small Starts program is growing, but until recently there were not enough eligible projects to justify the authorized funding levels. That looks to be changing, however. In addition to the four projects that the Administration recommended for funding in the President's FY 2008 budget request, FTA is working with several potential Small Starts project sponsors on preparing a request for entry into project development. FTA may recommend any one of these projects for FY 2008 funding. With your support, Mr. Chairman, and the support of the Subcommittee members, I am confident that we can administer a robust Small Starts program during this reauthorization period.

Guidance and Regulations

In early 2006, FTA issued an Advance Notice of Proposed Rulemaking (ANPRM) on the Small Starts program and draft policy guidance on the New Starts program to seek public input for later development of a notice of proposed rulemaking (NPRM). Over the next several months, FTA held a number of outreach sessions to discuss these two documents. Given the complexity of the issues involved and the level of interest in both the New Starts and Small Starts programs, the comments we received were extensive. FTA has worked diligently to review and reconcile the comments, and we hope to soon issue an NPRM for both the New Starts and Small Starts programs.

In the meantime, FTA issued final New Starts Policy Guidance in May 2006 and an Interim Guidance on the Small Starts program, including Very Small Starts, in July 2006. Both documents are intended to guide the development and advancement of New Starts and Small Starts until issuance of a final regulation or subsequent policy guidance in the next few months, followed by a final rule sometime in 2008.

Conclusion

Chairman DeFazio, Ranking Member Duncan, and Members of this Subcommittee, FTA is committed to the New Starts and Small Starts programs. The Deloitte report provides FTA with an independent process review and assessment of the programs and we are implementing many of the firm's recommendations. We are committed to streamlining project delivery while providing strong project management oversight. We strive to bring good projects in on-time and within budget. We are enhancing customer service through improved communications and are eager to provide program guidance and establish regulatory requirements for both these programs. We look forward to working with Congress on these and other issues facing our Nation's public transportation system. I will be happy to respond to your questions.

Questions for the Record from Chairman Peter DeFazio and Congresswoman Mazie Hirono

Questions from Chairman DeFazio

1. **When will the Deloitte study be released to the public and in what form?**

We expect to post the Deloitte Study on our website during June 2007. In addition, we will post our implementation plan showing how we intend to use Deloitte's recommendations. The plan will include the deliverables and the schedule.

2. **How is FTA planning to spend the currently unallocated funds from its fiscal year 2007 New Starts appropriation?**

In the *Federal Register* announcing the Fiscal Year 2007 apportionments, we announced an initial allocation of FY 2007 to projects with existing and proposed Full Funding Grant Agreements (FFGA), based on the President's FY 2007 Budget proposal. Subsequently, we announced an allocation of funds to all existing FFGA's that had not received appropriations, in prior years, of the full allocation of funds called for in the FFGA. With this action, all existing FFGAs are now caught up with the funding schedules originally included in their respective FFGAs. In addition, we recently allocated funding to two Small Starts projects that were proposed for funding in the President's FY 2008 Budget but are ready to receive an allocation this fiscal year. We plan to announce the remaining allocations shortly.

3. **Congress defines a series of justification criteria for rating New Starts projects, including mobility improvements, environmental benefits, cost effectiveness, operating efficiencies, economic development, and land use. Is there confusion at FTA regarding the intent of Congress in establishing multiple criteria to rate these projects?**

FTA well understands Section 5309(e), which defines criteria for evaluating the justification of proposed New Starts. FTA's December 2000 *Final Rule on Major Capital Investment Projects* identifies the measures that represent each of these criteria until issuance of a new rule that FTA is now in the process of promulgating. FTA's experience over the past several years is that information submitted in support of some of the criteria does not distinguish with any meaning the merits of competing New Starts projects. Other criteria will be implemented as part of the notice and comment rulemaking process required by SAFETEA-LU. FTA looks forward to receiving stakeholder comment on its proposed project evaluation framework, which will be published shortly.

4. Recently, FTA has proposed to eliminate altogether the reporting requirements for the operating efficiencies and environmental benefits justification criteria, and further admits that these criteria are not rated as part of the evaluation process. How is this not contrary to the multiple measure approach required under 49 USC 5309(e)(2)(B) and 49 CFR 611.9(a)(1)?

FTA has found that information submitted in support of the operating efficiencies and environmental benefits criteria does not distinguish with any meaning the merits of competing New Starts projects. In an effort to streamline the project evaluation process, FTA proposed in February 2007 to eliminate the reporting of these two criteria. Instead, the evaluation of operating efficiencies would be folded into the cost effectiveness rating. Any improvement in operating efficiencies will reduce or contain operating and maintenance (O&M) costs compared to the baseline alternative. Since incremental O&M costs are summed with incremental capital costs in the numerator of the cost-effectiveness measure, any improvement in operating efficiencies will manifest itself in a lower numerator and a lower (better) cost-effectiveness measure. Further, FTA anticipates that sponsors of projects that target improved operating efficiency will emphasize that objective in their make-the-case write-up, along with the extent to which the project succeeds in that regard. FTA will reflect that success in the rating of the overall case for the project.

FTA would continue to rate environmental benefits based upon its long-standing measure of the U.S. Environmental Protection Agency's current air quality designation for areas in which New Starts projects are proposed. Stakeholders largely supported this proposal, and FTA formally adopted it in June 2007. FTA intends to propose an improved set of environmental benefits measures, and a means of incorporating the rating of such benefits into the overall project evaluation process, in the upcoming Notice of Proposed Rulemaking (NPRM) for New Starts projects.

5. FTA has proposed to evince economic development effects of a project as an "other factor." How is this not contrary to the multiple measure approach required under 49 USC 5309(e)(2)(b) and 49 CFR 611.9(a)(1)?

FTA believes that it would be inappropriate to implement dramatic changes to the New Starts evaluation process in advance of the full public participation process afforded by the notice and comment rulemaking process. FTA intends to propose a set of specific measures for evaluating the anticipated economic development impacts of proposed New Starts projects, and how they will be incorporated into the overall project evaluation process, in the upcoming NPRM. Until that time, FTA believes that giving economic development credit under the "other factors" criterion, which can increase a project's justification rating by a full step (for example, improve a project's justification rating from "Medium" to "Medium-High"), provides New Starts project sponsors with the opportunity to "make the case" for well-reasoned,

justified, and measurable economic development benefits of their projects within the evaluation framework covered under the current New Starts regulation.

6. How is the April 2005 Dear Colleague Letter not contrary to the multiple measure approach required under 49 U.S.C. § 5309(a)(2)(B) and 49 C.F.R. § 611.9(a)(1)?

The Administration's announcement in the Dear Colleague letters of March 9, 2005 and April 29, 2005, that it will target its annual New Starts funding recommendations to projects that achieve a "Medium" or higher rating for cost-effectiveness has no effect on the multiple measure approach to gauging the merits of a proposed New Starts project against the project justification criteria established by the statutes and regulations. The summary rating for any particular project is still the result of the multiple measure approach. For example, a project that receives a "Medium-Low" rating for cost-effectiveness may still receive an overall rating of "Medium" provided its ratings on the other statutory and regulatory criteria are sufficiently high to offset the "Medium-Low" rating for cost-effectiveness, and the project earns at least a "Medium" rating for local financial commitment.

Each year, the Administration must make numerous tradeoffs and decisions in developing the President's budget recommendations for the coming Federal fiscal year. The policy framework and rationale for these Executive Branch recommendations are not subject to rulemaking. Nonetheless, in keeping with our goal of making New Starts decision-making as transparent as possible, the Administration chose to publicly announce this internal decisional principle through the March 2005 and April 2005 Dear Colleague letters.

7. Your testimony mentions that FTA is developing technical guidance on capturing benefits that it currently does not capture and rate. Which specific benefits are those and when do you expect that this guidance will be ready?

The testimony referred to methods that sponsors of starter projects can use to estimate mobility benefits caused by characteristics of fixed guideway services that are not recognized explicitly by current travel models. These unrecognized characteristics include reliability, personal safety, daily hours of frequent service, and passenger amenities. The new methods address a limitation faced by sponsors of starter projects in preparation of forecasts of ridership and mobility benefits using local travel models. Preliminary guidance was included in FTA's February 2007 Proposed Policy Guidance and June 2007 Guidance on New Starts/Small Starts Policies and Procedures. FTA will initially be working with project sponsors to ensure the reliability of the results of this new approach. This work will inform any future guidance on this topic, as necessary.

8. This February, FTA announced its intention to include outsourcing and congestion pricing factors into the New Starts and Small Starts program. Under what authority is FTA proceeding here, especially in light of the fact that Congress neither directed nor approved of these changes?

FTA proposed in February 2007 and finalized in June 2007 two policies that have the potential to raise a project's evaluation score under the criteria set forth in 49 U.S.C. 5309. First, for a proposed New Start or Small Start project that is a principal element of a congestion management strategy, in general, or an auto-pricing strategy, in particular, FTA will increase a project's project justification rating if it is near a breakpoint. Second, FTA will boost a proposed New Start or Small Start project's operating finance plan rating if the project sponsor can demonstrate that it provided an opportunity for the operation and maintenance of the project to be contracted out.

FTA's consideration of these two factors falls within its discretion under 49 U.S.C. 5309. With regard to the consideration of congestion management, 49 U.S.C. 5309(d)(3)(K) and 5309(e)(4)(E) give the Secretary the authority for New Starts and Small Starts, respectively, to consider "other factors" when determining a project's rating for project justification. As for the opportunity for the contracting out of a project's operations and maintenance, FTA believes that providing this opportunity aids in ensuring that the local share is "stable, reliable, and available," which is the primary consideration under local financial commitment in 49 U.S.C. 5309(d)(4)(A)(ii) and 5309(e)(5) for New Starts and Small Starts projects, respectively.

9. Why has FTA taken steps to withdraw New Starts projects from the pipeline? What authority does FTA have to take such actions?

Over the past several years, some New Starts projects have been approved into preliminary engineering and subsequently failed to demonstrate sufficient progress to warrant continued FTA oversight or Congressional earmarking. The primary reason for lack of progress was the inability of the project sponsor to generate local financial commitments for the projects. Such projects consume limited Federal resources that could be better allocated to proposed New Starts investments that demonstrate both strong project justification and local financial commitment.

Sections 5309(d)(5)(A) and 5309(e)(6)(A) of title 49, U.S.C., requires that "a project may advance (in the New Starts/Small Starts process) only if the Secretary determines that the project meets the requirements of the section and there is a reasonable likelihood that the project will continue to meet such requirements." Projects that fail to demonstrate progress, particularly with regard to securing local funding commitments, but also in terms of the development of reliable estimates of project costs and benefits that meet the New Starts project justification criteria, do not meet these statutory requirements.

It is worth noting that 1) well in advance of any FTA "removal" action, FTA issues warnings to New Starts project sponsors on the topics on which they need to demonstrate progress in order to maintain status in the project development pipeline; 2) FTA works closely with such sponsors to adequately address the areas of concern and remain in the pipeline; and 3) most of the projects that have fallen out of the pipeline over the past several years were withdrawn by the project sponsor, not FTA.

10. FTA does not allow project sponsors to include non-motorized trips in ridership calculations for projects. For example, individuals who would walk or bike to the transit station or stop in order to access the transit system (as opposed to driving an automobile to the station or stop) are not counted by FTA as a possible or projected rider of the transit system. Why does FTA insist on excluding these riders from ridership calculations?

In the evaluation of project ridership and mobility benefits, FTA has always counted all riders predicted by local travel forecasting models to use the project, regardless of their modes of access to and from the transit system. That practice has not changed.

A technical question related to access mode has arisen in FTA efforts to permit sponsors of starter projects to count the additional benefits of fixed guideways associated with service qualities not captured directly in current travel models. This question applies only to starter projects and only to the amount of additional mobility benefits that can be credited beyond those already predicted by local travel models. Travel models developed in metropolitan areas that already have at least one fixed guideway line are calibrated in ways that inform them of the contributions of better reliability, comfort, convenience, and other qualities of fixed guideways that are not measured explicitly in the models. In contrast, the travel models developed in bus-only areas are necessarily unaware of the importance of those hard-to-measure qualities and focus exclusively on changes in travel times, transferring, and other measurable service characteristics. These circumstances have put starter lines at a disadvantage in the New Starts evaluation process because forecasts for starter lines are prepared with travel models that do not capture their full range of mobility benefits.

FTA has determined that the impact of these hard-to-measure qualities is greatest when riders are able to walk or drive to and from a fixed guideway – and is less when riders must rely on a local bus for part of their trips. Unfortunately, very few travel models currently are designed to distinguish between guideway-only trips and guideway trips that also use local buses. The resulting errors are potentially very large for walk-access trips and somewhat smaller for drive-access trips.

FTA's June 2007 *Guidance on New Starts/Small Starts Policies and Procedures* permits sponsors of starter projects to claim a relatively large new mobility credit for guideway-only trips that use drive-access and to claim a smaller credit for guideway-only trips that use walk-access. However, the policy guidance goes on to say that "in an effort to capture all credible benefits and reward good practice in local travel

models, FTA will consider the full crediting of benefits for walk-access as well as drive-access transit trips when the local travel models support accurate accounting of walk-to-guideway walk trips. Therefore, project sponsors may propose the full set of credits where they believe that the local travel models handle walk-access to fixed guideways with sufficient accuracy." FTA views this approach as the best available way to credit starter projects with the full set of benefits that are already claimed by sponsors of system-expansion projects.

Questions from Congresswoman Hirono

1. **As I mentioned in my opening statement, one of the challenges with the New Starts program is the amount of time it takes to get through the FTA process. While I realize that the requirements of the National Environmental Policy Act (NEPA) are intertwined with the New Starts process, how long will a project take from entering the New Starts process at the Alternatives Analysis phase to getting a Record of Decision (ROD), the last regulatory hurdle, before a New Start project can begin construction?**

The time a project takes from the beginning of alternatives analysis through issuance of a ROD varies widely and depends on several factors, including the complexity of the project, the experience of the project sponsor, and the degree of local support for the project. Project sponsors typically need one to two years for alternatives analysis and then 18 months to three years to complete the environmental process necessary for FTA to issue a ROD. Again, however, the range of experience varies widely from these typical timeframes.

2. **I have been informed that in the past there was an informal $500 million cap in the amount of Federal funds that might be reasonably received from FTA for a given transit segment, but I also recently read where the FTA either has or is about to enter into FFGAs of as much as $1.3 billion (New York Second Avenue Subway) to $3 billion (New Jersey Access to the Region's Core) for New Starts Minimum Operable Segment projects. Does the FTA have a policy that places a cap on the total amount of funds a New Starts project can receive?**

FTA does not have a policy, per se, that caps the amount of section 5309 New Starts funds for a project, but as a practical matter, FTA is judicious about the amount of New Starts funds it chooses to award to any particular project. Generally, by limiting the amount of New Starts funds for most projects in the New Starts pipeline, FTA is able to provide financial assistance to a greater number of projects, within the total amount of section 5309 New Starts commitment authority that is available at any point in the authorization cycle.

Nonetheless, on occasion, FTA awards a very large amount of New Starts funds for a meritorious project – in particular, a project that is rated "High" or "Medium-High" against the New Starts project justification criteria, or a project being financed with a local share of two-thirds or more of the total project costs, or a project with a very high total capital cost estimate. A recent case in point is the New York Metropolitan Transportation Authority's (NY MTA) Long Island Rail Road East Side Access project for which FTA is committing $2.6 billion in Section 5309 New Starts funds; the East Side Access project rated "Medium-High" for project justification, is being financed with $4.7 billion in local share, and has an overall total capital cost estimate

of $7.4 billion. In addition, FTA and MTA are currently negotiating the terms of an FFGA whereby FTA will provide $1.3 billion in New Starts funds for the first operable segment of the NY MTA's Second Avenue Subway – a project that is rated "High" for project justification, with a total capital cost estimate of $4.8 billion and a local share of 72 percent. Conversely, New Jersey Transit's Access to the Region's Core only recently entered into preliminary engineering, and it is premature to speculate whether the project is a viable candidate for a New Starts funding commitment, let alone the amount of such a commitment.

3. **As you may know, Honolulu receives New Starts funds for ferry boats. I know that the City and County of Honolulu have prepared a draft application and has been in discussion with FTA's Region IX Office for more than six months concerning a Ferry Boat Demonstration project. The City believes it has answered FTA's questions about the application, but is still waiting for authorization to submit an application. This demonstration is set to begin in July 2007. When will the City get authorization to submit the application, and once the application is received, how quickly will it be approved? Will the City be able to begin the demonstration in July as has been long planned?**

The grant application for the City and County of Honolulu ferry demonstration project was submitted to FTA on May 11, 2007. FTA's Region IX Office had been in discussion with the Honolulu Department of Transportation Services about the viability of the new service. FTA was concerned that the ferry demonstration project did not sufficiently address issues that led to the failure of the previous ferry demonstration, and whether appropriate performance measures and goals were established to guide later decisions on permanent funding of this service. FTA received U.S. Department of Labor Certification for this grant application on June 4, 2007. The congressional notice of award has been forwarded, and FTA expects to award this grant soon to allow service to begin in July 2007 if the Honolulu Department of Transportation Services is sufficiently prepared to begin services at that time.

U. S. HOUSE OF REPRESENTATIVES

COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE

SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

HEARING ON
IMPLEMENTATION OF NEW STARTS AND
SMALL STARTS PROGRAMS

May 10, 2007

TESTIMONY OF ROGER SNOBLE
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TESTIMONY
OF
ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

Los Angeles County Metropolitan
Transportation Authority

Good Morning, Mr. Chairman and members of the Subcommittee. My name is Roger Snoble. It is a pleasure to be with you today, and I appreciate the opportunity to provide testimony on the important topic of the implementation of the New Starts and Small Starts programs of the Federal Transit Administration (FTA). I have worked in the transportation industry for almost forty years and have been involved in the construction and implementation of several major new fixed guideway projects, in different cities in the U.S. At the helm of Los Angeles County Metro, and prior to that as the Executive Director of Dallas Area Rapid Transit (DART) and as General Manager of San Diego Transit Corporation, I have been responsible for the planning, financing, design and construction, and regulatory compliance for many large capital projects -- rail, bus, and highway.

LA Metro is the third largest public transit agency in the United States and is responsible for transportation planning, coordination, design, construction and operation of bus, subway, light rail, Bus Rapid Transit (BRT) services, and, in partnership with Caltrans, carpool lanes. Metro also works in partnership with Caltrans on carpool lanes and with MetroLink on its expansive commuter rail system. Metro has a $3 billion annual budget, 9,000 employees, and serves a 1,433 square mile service area in one of the Nation's largest and most populous counties of 10 million people. Metro has approximately 200 bus routes, 73 miles of rail lines, and over 400 miles of carpool lanes that crisscross Los Angeles County. We fund a vast array of surface transportation improvement projects, including street widening, bikeways, synchronized traffic lights, and busways. Metro's transportation network is extensive, and we are a leading innovator in improving the mobility of the community we serve.

HISTORY AND EXPERIENCE WITH NEW STARTS PROJECTS

Over the past of 20-25 years, Los Angeles has probably had the most ambitious and aggressive program of new fixed guideway construction in the United States. During that time period, we have spent over $8.6 billion building nine new fixed guideway projects in Los Angeles County. Over 60% of that funding has come from State and local sources. See Metro's Major Construction Program Summary in Exhibit 1. Metro has extensive experience with the FTA New Starts project development process. Four of our projects -- MOS-1 & MOS-2 of the Red Line, the MOS-3 North Hollywood Red Line, and the Eastside Gold Line -- were developed and implemented under the New Starts process, and all four of these projects were the subject of a Full Funding Grant Agreement (FFGA) with the FTA. Since each of these Federal projects went through the New Starts process at a different point in time, we have directly experienced the changes and evolution in that process. In addition, five Los Angeles transit projects -- the Long Beach Blue Line, the Green Line, the Pasadena Gold Line, the San Fernando Orange Line, and Phase 1 of the Exposition Line -- have been designed and constructed without any Federal New Starts funding. In addition, the entire Metrolink commuter rail system, consisting of 512 route miles of commuter rail service, has been developed without any Federal New Starts funding. As a result, we have also directly experienced the differences -- and they are significant -- between developing a project under the Federal New Starts process and developing a project without the encumbrances associated with that process.

CHANGES/EVOLUTION IN THE FEDERAL PROCESS

Growth in Demand for Projects -- In the initial years of the FTA grant program, there were a fairly limited number of New Starts projects around the country, and the Federal process for funding and implementing those projects was relatively straight forward. New projects were built by MARTA in Atlanta, BART in the Bay Area, and Washington Metro in D.C., and projects were being planned in cities like Miami, Portland, San Diego, and Los Angeles. Overall, however, public transit in the United States in the early days of the FTA program consisted primarily of extensive capital infrastructure in what are referred to as the "old rail

cities" (Boston, New York, Philadelphia, and Chicago), and bus systems, often with little infrastructure or capital investment, in the rest of the country.

By the early 1980's, however, that picture began to change, and since that time, the interest in New Starts projects nationwide has dramatically expanded. This may be due in part to increases in the size of the Federal program; it may also reflect an enhanced public and political awareness (particularly in western and southern States) of ever-increasing mobility problems and the key economic role that transit capital investments can play in ensuring the vitality of our cities. Whatever the combination of reasons, few would dispute that the landscape has shifted dramatically.

The State of California -- a State famous for its love of the automobile -- may be the most striking example of this phenomenal growth in transit capital investment. New Starts projects have been constructed from one end of the State to another in the past 20-25 years—San Diego, North County, Los Angeles Metro, Santa Clara, Sacramento, BART extensions, and Muni in San Francisco. In terms of nationwide interest, the growth has also been dramatic -- by 2004 there were almost 80 proposed projects in the New Starts "pipeline". SAFETEA-LU provides an even more astounding picture of the level of demand -- in that law, over 250 New Starts projects were authorized for alternatives analysis and preliminary engineering.

Given this magnitude of demand, it should come as no surprise that there is not nearly enough Federal assistance available to help build all -- or even most -- of the potential New Starts projects being developed across the U.S. For several years, there have been simply too many projects nationwide chasing too few Federal dollars. To illustrate this point, if only 100 of the 250 SAFETEA-LU authorized New Starts projects were constructed, at an average cost of $500 million, the total demand would be $50 billion in public funding. To address this demand, the current New Starts funding program, even if it grew by 5% per year over the next 10 years, would provide only about $18 billion.

Development of the New Starts Evaluation and Rating System -- This imbalance between supply and demand has led, inevitably, to intense competition for the relatively limited

amount of Federal New Starts funds. It has also led, at the Federal level, to a fundamental policy question -- what should be the basis for determining which projects receive Federal funding?

For the past two decades, successive Administrations and the Congress have wrestled with this question, with the goal (ideally) of selecting the "best" projects on the basis of merit, and also of identifying which projects do not warrant Federal investment. Since FTA's initial Policy Statement on Major Capital Investments in 1984, both the New Starts evaluation system and the Federal project development process have become increasingly complex and detailed -- with greater and greater Federal involvement in the local project development process. The burdens placed on local project sponsors have increased, the Federal oversight has become significantly greater -- to the point of micro-management -- and the time required to complete the Federal process has grown significantly.

The goals of the Federal New Starts process, and the objectives of the congressional and Department of Transportation efforts to develop evaluation criteria and a rating system for New Starts projects, are well intentioned as a matter of public policy. The New Starts program represents a unique effort to award Federal dollars on the basis of merit and to direct public investment to the best projects. The system has also fostered several management tools that are valuable to local agencies in designing and building new transit projects. The fundamental problem is that the New Starts process is unreasonably onerous for New Starts grantees. In its effort to exercise due diligence over Federal funds and the New Starts program, FTA has developed a system so complex, so replete with reports and analyses, and so fraught with delays and schedule uncertainty, that it now obstructs one of the agency's fundamental goals -- to assist urban areas in building critically needed transit systems in a cost effective manner. The result is delay and frustration for New Starts project sponsors, and even in some cases decisions by grantees to design and build new fixed guideway projects without Federal discretionary funding.

To put this in some perspective, the FTA New Starts Program consists today of the following key elements:

First, project sponsors (the local agency grantee) must make detailed New Starts submittals to the FTA on an annual basis providing extensive information on their proposed project. Based on these submittals, FTA evaluates and rates the projects under two statutory/regulatory criteria:

- ***Project Justification,*** which evaluates cost effectiveness, land use, environmental benefits, mobility improvements, economic development, and operating efficiencies.

- ***Local Financial Commitment,*** which evaluates the grantee's local financial commitment (State and local funds) in terms of stability, reliability, and availability, and also the extent of the local "overmatch" (i.e., the grantee's contribution in excess of the statutorily required 20% local share).

The most complicated and controversial element of this evaluation is FTA's effort to measure a project's cost effectiveness through use of the Transportation System User Benefit or "TSUB", which is intended to show the incremental transit "user benefits" per dollar of transit investment. Local grantees are responsible for developing this TSUB "number" using complicated and often confusing modeling systems. The value of the TSUB number generated, as an indicator of project merit (both independently and in comparison to other projects), remains a subject of considerable debate. Because of this TSUB element, potential subway alternatives are all but eliminated from consideration, even if it is the most pragmatic solution in a densely populated urban corridor. As one of the more densely populated regions in the country, this places Los Angeles at a disadvantage.

Second, New Starts projects must be developed and proceed in discrete stages (alternatives analysis, preliminary engineering, final design, etc). FTA acts as a "gatekeeper" in the project development process. A project cannot advance from one stage to the next -- such as from alternative analysis to preliminary engineering -- without receiving the "green light" from FTA. Project sponsors must submit detailed documentation to FTA that their project is "ready"

to enter the next stage. Projects are essentially on hold while they wait for the necessary FTA gateway approval, which often takes several months.

Third, almost all projects must obtain full clearance under the National Environmental Policy Act (NEPA). This means preparation of a Draft and Final Environmental Impact Statement (EIS) and issuance of a Reeord of Decision (ROD) by FTA. While clearly justified as a matter of public policy, the EIS process as administered by FTA is extremely time consuming, with frequent delays and the resulting schedule uncertainty.

Finally, in order to be eligible for construction funding and receipt of a Full Funding Grant Agreement (FFGA), a project sponsor must make its way through a time consuming FTA "due diligence" and project review process. The project sponsor must develop a lengthy series of project reports and documents, and provide detailed project cost, revenue, scope, and schedule information to FTA. These materials are subject to exhaustive review and analysis by FTA and its consultants. Again, the grantee spends weeks and months waiting for FTA to complete its reviews. FTA's two outside consultants (the PMO and FMO) must also produce detailed "independent" reports on the project. Finally, the grantee must then negotiate and execute a Full Funding Grant Agreement (FFGA) with FTA. There are over 20 steps in the current checklist to obtaining a FFGA, and the required documents take months to generate, review, refine, and finalize. Once a FFGA is in place, a similarly onerous process is undertaken each year to ensure that the necessary funds are appropriated by the Congress.

Comparison of Federal and Non-Federal Projects -- Given this extensive Federal process, there are obviously significant differences between advancing a project under the Federal new starts process and developing a new fixed guideway project outside that process, using only State and local funds.

The most significant differences we have experienced are in schedule and cost. First, we estimate that the Federal New Starts process can add one to two years to the project schedule. We have experienced this impact in a comparison between the actual timelines in Los Angeles for Federal and non-Federal projects. For example, on the federally funded Eastside Project,

Metro received a ROD in June 2002 and executed a FFGA two years later in June 2004, which allowed us to start construction. By contrast, on the non-federally funded Exposition Project, we received a ROD in February 2006 and started design and construction that March.

Second, we estimate that the Federal process adds 10-15% to the overall project costs. This added cost has two elements. There are significant "soft" costs – primarily the staff and consultant time required to prepare and revise the extensive documents and reports required by FTA, consult and meet regularly with FTA and its consultants, submit New Start reports on the project, etc. In addition, there are escalation costs incurred simply because the engineering, design, and construction process takes longer under the Federal process. Even if escalation is relatively modest -- 5% per year, for example -- the cost of a one year delay on a $1 billion project would be $50 million in taxpayer dollars. In particular, over a two-year period like that noted above in the comparison of the Eastside and Exposition projects, the costs of construction materials (such as steel) can increase significantly. Given that providing sufficient revenue sources to build a major project is always a challenge, these extra costs can have a substantial negative impact on a local agency's ability to meet a project budget.

One critical aspect of this comparison bears emphasis. No one can really take issue with the idea that projects should be carefully managed and reviewed, or that FTA should be a conscientious steward of the Federal funds it provides. However, we have not found in Los Angeles that the current micro-management level of Federal oversight has any actual, demonstrable yield in terms of project success or performance. Our Federal New Starts projects do not have a better record, for example, of being completed on time and within budget than our non-Federal projects. In fact, due to the delays and added costs of the Federal process, actually the opposite seems to be true. One of the primary reasons for this, I believe, is that agencies like Metro have developed sound project management systems and tools that have greatly enhanced our ability to build projects on time and within budget. Certainly the FTA should be credited with assisting us in achieving that goal, through its technical assistance and its emphasis on project management. We believe that is an appropriate role for the Federal Government. However, I am not aware of any empirical evidence, on a nationwide basis, that the ever increasing levels and

layers of Federal review and micro-management have actually resulted in better performing projects, in terms of adherence to schedule and budget.

SPECIFIC RECOMMENDATIONS FOR CHANGE

In a nutshell, FTA's elaborate project development and "due diligence" structure creates enormous problems in terms of time and resources for grantees trying to build New Starts projects. New Starts projects are multi-million dollar public works projects, and as such require development and adherence to a strict critical path schedule. The unfortunate fact is that in the implementation of a New Starts project, one of the biggest risk factors has become the Federal Government's well intentioned but inefficient rules governing the New Starts process.

If the New Starts program continues in its present form, the future will be increased frustration for project sponsors, delay in project development and completion, and deferred benefits to those dependent on transit. Cities with the resources to build projects outside the FTA New Starts system will do so; cities without those resources will either struggle through the Federal process or in some cases perhaps forego needed projects. However, there are steps that can be taken collectively to address the current problems and improve the program. Here are five suggestions for how the New Starts program can be improved.

1. ***Recognize True Allocation of Risk***

The New Starts program could be improved by reducing the Federal due diligenee role and making the local project sponsor responsible for its own risk assessment and related tasks.

While the New Starts process has a legitimate public policy goal of assuring that Federal transit funds are directed toward the best transit investments and that project cost estimates, revenue projections, and transit user benefit estimates are realistic and achievable, there is a serious question of whether the actual value of this oversight has become outweighed by the extensive and time consuming burden it places on local agency project sponsors, and also whether this oversight is consistent with the actual allocation of project risk.

One of the most time consuming aspects of the New Starts process is the preparation of extensive reports and documents by the project sponsor, reviews and analysis of those reports by FTA's consultants (the PMO and FMO), and the preparation of detailed analysis by those two FTA consultants. The preparation of these various plans and documents by the grantee, following by extensive review by FTA and its consultants, adds months of time to the process.

A significant deficiency in this current risk assessment approach is that it does not seem to provide any basis for evaluating the type or degree of risk based on the scope and complexity of the project involved (i.e., a BRT project as compared to a subway tunnel). More importantly, the current FTA approach fails to take into account the actual level of risk to the Federal Government, and the extent to which that risk has been transferred to the local project sponsor/grantee.

Specifically, for a number of years FTA has utilized the FFGA to limit its financial exposure in New Starts projects, by placing an absolute limit or "cap" on the amount of Section 5309 New Starts funds that will be provided for the Project. This shifts *all* of the risk for cost increases, overruns, scope changes, and schedule delays to the grantee. Moreover, in the FFGA the grantee expressly commits to paying all project cost increases, and thereby by contract assumes *all* of the financial risk. The current New Starts model is fundamentally counter-intuitive, in that it requires that the Federal Government perform an extensive and time-consuming due diligence and risk assessment role, but it places essentially no financial risk on the Federal Government.

In light of the actual allocation of risk, a far more justifiable approach would be to place the primary burden for risk assessment and due diligence on the party actually bearing the financial risk, and for the FTA to limit the amount and scope of the Federal Government's review. In exchange, FTA could require the grantee to be responsible for conducting its own risk assessment and preparing and validating its own financial plan for the project, and providing FTA with guarantees or self-certifications in those areas.

2. ***Streamline and Simplify the New Starts Rating Process***

The New Starts program could be improved by simplifying and streamlining the evaluation and rating process.

One of the areas in significant need of reform is FTA's New Starts evaluation and rating process. Both the amount of information submitted and the FTA review process itself need to be streamlined. In its heavy emphasis on the TSUB "number", FTA is seeking a quantitative evaluation that will permit highly refined differentiations in the comparison of projects. As the Los Angeles County Metro stated in prior written comments to FTA, "analytical perfection should not be the goal". A more reasonable approach would seem to be to develop a more streamlined, easier to use rating system that would simply identify the best and worst projects.

It would also be beneficial for FTA to develop a simple rating method for each of the statutory criteria established by the Congress. Currently, the extensive information on environmental benefits, operating efficiencies, and mobility benefits submitted by a project sponsor in the annual New Starts submittal is not actually scored by FTA in the overall Project Justification rating. (The only factors scored are cost effectiveness and land use.) Adoption of a simple scoring methodology for *all* criteria would be much more consistent with the Congressional intent, particularly given that in SAFETEA-LU the Congress mandated that New Starts projects be evaluated based on a "comprehensive review" of all of these factors. See 49 U.S.C. 5309(d)(2)(B).

Finally, in the local financial contribution evaluation and rating, it would be far more equitable for FTA to take into account all of the project sponsor's new fixed guideway investments in its transit system, and not just its share of the individual project being rated. In Los Angeles, for example, Metro's capital investment in non-Federal new fixed guideway projects in its transit system is over $5 billion, but this contribution goes totally unrecognized in the current FTA rating system. A change in this element of the evaluation would not only recognize the true level of local financial commitment, but would also provide a tangible incentive for increased levels of State and local funding.

3. ***Establish a Bilateral Commitment to Timeframes***

The New Starts program could be improved by FTA committing to a schedule and milestones for its actions and approvals.

The combined effect of the due diligence reviews, the NEPA process, the requirement for FTA approval to advance from one stage to the next, and the FFGA process creates havoc for the grantee's project schedule, both in uncertainty and in the amount of time taken to make it though the process to FFGA execution.

One fact is quite startling -- the Federal Government is the only participant in the New Starts Project development process that does not have to make any commitments regarding the schedule for its actions. The project sponsor, local funding partners, and the engineering, design, and construction firms involved must all agree to and comply with specific timetables for their actions.

The New Starts process would benefit greatly if FTA were simply to adopt a more disciplined and time sensitive approach for its actions in each of the steps in the process, and were to make the type of milestone and schedule commitments that other participants in the process are already obligated to make. For example, FTA and the New Starts grantee could agree to a bilateral schedule for the processing of the NEPA documents and the multiple other plans and reports required in the New Starts process, as well as for the preliminary engineering and final design approval processes.

4. ***Reduce Time Frame From ROD to Construction***

The New Starts program could be improved by reducing the time between the issuance of the Record of Decision and the start of design and construction.

FTA needs to take some specific actions to reduce the amount of "dead time" between issuance of the ROD and the start of final design and construction. As a general rule, when a

ROD is issued by a Federal agency, the underlying Federal action may proceed. However, under the FTA New Starts process, there are additional and time consuming post-ROD steps and approvals that must occur before a grantee may actually commence design and construction of its project -- specifically, the often lengthy process of obtaining FTA's approval to enter final design, and the detailed and time consuming development of the FFGA package and accompanying reports.

The net result is that the time from issuance of the ROD until the execution of the FFGA is typically well over a year, and frequently is two years or more—which means that actual construction of the project is delayed for that period of time. FTA could greatly improve the New Starts process, and save time and public funds, if following the issuance of the ROD the grantee were permitted to proceed with design and at least limited construction activities.

5. ***Provide Increased New Starts Funding to Address the Nationwide Demand***

The New Starts program could be improved by increasing the amount of Federal New Starts funding.

A bigger, more robust New Starts program is needed in order to meet the growing demand for transit investments nationwide. It is true that to address this demand would require several billion dollars in Federal funding. However, this would be an investment in infrastructure in this country that would yield a huge return -- in job growth, in the economic vitality of our cities, in congestion relief, and in air quality. Without venturing into an area beyond this Committee's jurisdiction, if the Federal Government can contribute billions of dollars toward rebuilding and improving the infrastructure in foreign countries, it seems reasonable to pursue a higher level of funding for the substantial transportation infrastructure needs we have in the United States. Many State and local governments -- California is a notable example -- have dramatically increased their funding for transit capital investments in recent years, but the Federal program has not kept pace with this growth. To meet the substantial and growing capital needs throughout the United States, it is critical for the Federal Government to increase its role as a funding partner.

In addition, a more robust funding program, allowing more projects to receive Federal assistance, would also help to reduce the pressure on FTA to select "perfect" projects and subject those projects to unnecessary and redundant levels of review and analysis.

CONCLUSION

That concludes my testimony. I will be happy to answer any questions that you might have. Again, I appreciate the opportunity to provide the views of Los Angeles County Metro on these important transit issues.

Metro

MAJOR CONSTRUCTION PROGRAM SUMMARY

Status as of December 2006

	RED LINE Segment 1	RED LINE Segment 2	RED LINE Segment 3 N. Hollywood	BLUE LINE Long Beach	GREEN LINE El Segundo	GOLD LINE Pasadena	GOLD LINE Eastside	MID-CITY Exposition	ORANGE LINE San Fernando	TOTAL PROGRAM
Length	4.4 Mi.	6.7 Mi.	6.3 Mi.	22 Mi.	20 Mi.	13.7 Mi.	6 Mi.	8.6 Mi.	13 Mi.	100.7 Mi.
Number of Stations	5	8	3	22	14	13	8	10	13	96
Technology	Heavy Rail	Heavy Rail	Heavy Rail	Light Rail	Light Rail	Light Rail	Light Rail	Light Rail	Bus Rapid Transit	
Revenue Operations Date	Jan 1993	Wilshire Jul 1996 Vermont Jun 1999	June 2000	July 1990	August 1995	July 2003	December 2009	June 2010	October 2005/ December 2006	
Construction Status	Completed	Completed	Completed	Completed	Completed	Completed	Construction Start 2004	Construction Start 2006	Completed	
Expended to Date	$1439	* $1809	$1298	$877	$712	$712	$502	$63	$269	$7681
Current Budget	$1439	$1739	$1313	$877	$712	$735	$899	$640	$313	$8667
Federal Funding	48%	41%	71%	0%	0%	0%	58%	2%	6%	38%
State and Local Funding	52%	59%	29%	100%	100%	100%	42%	98%	94%	62%

All dollar values are in millions. *Exceeds Budget due to pending litigation. Reduction in expended amount to budget limit expected upon finalization of litigation proceeds.

TESTIMONY BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE'S SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

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MAY 10, 2007

TESTIMONY FOR THE HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE'S SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
THURSDAY, MAY 10, 2007

Chairman DeFazio, thank you for the opportunity to appear before your committee today to testify on transit-oriented development issues related to the Federal Transit Administration's implementation of the New Starts and Small Starts programs. I am Gary C. Thomas, President/Executive Director of Dallas Area Rapid Transit (DART).

On behalf of the DART Board of Directors and staff, I would like to take this opportunity to express our appreciation to you and your colleagues for your leadership and hard work in addressing the critical transportation needs of our country. As you are well aware, public transportation plays a vital role in helping our nation overcome many challenges we currently face as we strive to provide all Americans with an enhanced quality of life for the 21st century and beyond. I would also like to take this opportunity to thank the members of the North Texas Congressional delegation for their exemplary leadership, vision, and unwaivering support in our drive to fulfill North Texas' mass transit needs.

DART is a 24 year old regional transportation authority providing a multi-modal transit system for a 700 square mile area of North Texas. DART is comprised of 13 member cities and serves approximately 330,000 total passenger trips per day.

Currently, DART serves Dallas and 12 surrounding cities with approximately 130 bus routes, 45 miles of light rail transit (DART Rail), 31 freeway miles of high occupancy vehicle (HOV) lanes, and paratransit service for persons with mobility impairments. DART and the Fort Worth Transportation Authority (the T) jointly operate 35 miles of commuter rail transit (the Trinity Railway Express or TRE), linking downtown Dallas

and Fort Worth with stops in the mid-cities and DFW International Airport. Through 2013, the DART Rail System is slated to more than double in size to 93 miles.

Total ridership on all modes for FY 2006 was 102.9 million passenger trips.
Our ridership, broken down by modes, is:

- Bus: 44.7 million passenger trips
- DART Rail (light rail): 18.6 million passenger trips
- Trinity Rail Express: 2.4 million passenger trips
- HOV: 36.1 million commuter trips
- Paratransit: 660,312
- Vanpool: 440,472

DART's mission is to build, establish and operate a safe, efficient and effective transportation system that, within the DART Service Area, provides mobility, improves the quality of life, and stimulates economic development. As we have witnessed in the Dallas-Ft. Worth area, economic development and land use changes provide immense benefits to projects. It is our strong belief that FTA, in evaluating projects, must recognize the elevated status of land use and economic development as specifically required by SAFETEA-LU.

We have encouraged FTA to work with experts to quantify land use and economic development benefits with a focus on under valued property and the prospects of increasing the value as a surrogate for development potential. Actual commitments and adoptions of land use actions to increase densities around stations by local agencies should be recognized as real measures of change that will benefit transit. Any measure of land use and economic development should also consider the benefit of stabilizing existing land uses and economic activities in mature cities. As the rest of testimony demonstrates, the North Texas region has witnessed signficant economic growth and benefited greatly from transit-oriented development.

In order to accomplish the economic aspect of our mission, DART encourages and facilitates transit-oriented development by actively participating with member cities in rail line and station location and land use planning. Stations are sited in areas that are planned or have potential to accommodate transit-oriented development. Station site design also is coordinated with member cities and developers to maximize the achievement of transit-oriented goals. DART works with the community, landowners, and developers to promote transit-oriented development and create livable, walkable communities.

From suburban areas to the city center, DART Rail has proven to be a powerful engine for economic development in the North Texas region. A study conducted in September 2005 by Drs. Bernard Weinstein and Terry Clower, economists at The University of North Texas (UNT), demonstrated that DART is driving more than $3.3 billion in development throughout its 45-mile light rail system serving Dallas, Garland, Richardson and Plano.[1] Weinstein and Clower's research also determined that rail stations are enhancing nearby residential and office property valuations. From 1997 to 2001, residential properties near DART Rail stations on average increased in value 39% more than comparable properties not served by rail. Office buildings near DART Rail increased in value 53% more than comparable properties not located near rail.[2]

Transit-oriented development is playing a key role in the transformation of downtown Dallas into a mixed-use area enjoying improved livability, increased property values and attractiveness to newcomers. The Central Business District (CBD) is witnessing a revitalization that began soon after DART opened its first rail operations in 1996. Since that time, a steady stream of renovations began in empty buildings downtown and in a conversion of parking lots into transit-oriented development projects. The trend continues today, notably including residential developments. By the end of 2006, residency in

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[1] Weinstein, Bernard. L, and Clower, Terry L., *The Estimated Value of New Investment Adjacent to DART LRT Stations*, University of North Texas Center for Economic Development and Research, Dallas, TX, September 2005.

[2] Weinstein, Bernard L. and Clower, Terry L. *An Assessment of the DART LRT on Taxable Property Valuations and Transit Oriented Development*, University of North Texas Center for Economic Development and Research, Dallas, TX, September 2002.

downtown Dallas approached the 4,000 mark, and city planners predict the number will reach 10,000 by 2010. According to the City of Dallas Office of Economic Development, more than $640 million in private funds has been invested in the downtown area since 1996. The downtown renaissance and convenient DART rail access has drawn employers as well, with companies relocating and renewing leases in the city center.

On the southern edge of downtown Dallas, the new Dallas Police Headquarters has opened adjacent to Cedars Station and the hugely successful South Side on Lamar residential community. South Lamar Street is quickly transforming into an entertainment district featuring restaurants, clubs and coffeehouses.

Victory Park, near the American Airlines Center and home to the NBA's Dallas Mavericks and NHL's Dallas Stars, is a former brownfield site that has been turned into a tremendously successful example of mixed-use development. The location boasts two high-profile luxury hotels, residences, offices, and retail space.

Several established "transit villages" at DART stations are drawing substantial infill development. Mockingbird Station, Dallas' first true transit village, is a complex of loft apartments and retail and entertainment establishments which opened in 2001. Mockingbird Station now contains 178,000 square feet of retail space, 211 loft-style apartments and 150,000 square feet of office space, and construction has recently begun on an additional 23,000 square feet of retail space with a target completion date in early 2008. Across the street from Mockingbird Station, developers recently completed a $90-million mixed-use refurbishment to the Hotel Palomar. This redevelopment also will contain about 25,000 square feet of lower-level retail with loft-style condominiums. Just up the line at Park Lane Station, construction is under way on a $500-million development with more than two million square feet of retail, apartments, condominiums, hotel rooms and office space.

Downtown Plano has also witnessed a highly successful revitalization. Eastside Village, a two-part transit village near DART's Downtown Plano Station was planned and built before the rail station had even opened. The first phase of Eastside Village is a $16-million retail and residential complex occupying two square blocks and also includes a 2,000-square-foot city conference center. The Eastside Village project was so successful that the $18-million second phase - 225 loft apartments and 25,000 square feet of ground-floor retail space - was initiated before the first phase was completed.

Forward-thinking North Texas communities that are awaiting future rail extensions are now planning ahead for transit-oriented development. The Cities of Carrollton and Farmers Branch are making plans for town center-style projects, while Irving officials recently announced $3.5 billion in transit-oriented development that will transforming the soon-to-be-vacated Texas Stadium site and greatly expand the Las Colinas Urban Center as the gateway to DFW International Airport.

Transit-oriented development not only creates a tremendous impact on the economy in the North Texas region but also on the whole state of Texas. According to research conducted by the UNT Center for Economic Development and Research, the development of the 93-mile DART Light Rail System through 2013 is generating more than $8 billion in statewide economic activity, $3 billion in labor income, and more than 64,000 person years of employment.[3]

Also, the $3.3 billion in new transit-oriented development that DART Rail stations have attracted through 2005 has produced $78 million in annual property tax revenues (city, county, school) and $40.6 million in sales tax income for the state and $6.5 million for local municipalities.[4]

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[3] Weinstein, Bernard L. and Clower, Terry L, *Economic and Fiscal Impacts of DART Operations and Capitol Expenditures,* University of North Texas Center for Economic Development and Research, Dallas, TX, April 2007.

[4] Weinstein, Bernard L. and Clower, Terry L., *The Fiscal Impacts of DART's Transit Oriented Development*, University of North Texas Center for Economic Development and Research, Dallas, TX, April 2007.

As these studies clearly demonstrate, transit-oriented development creates a vitality in communities that promotes greater economic development, increased mobility, improved air quality, and an enhanced quality of life. As such, I would encourage FTA to consider land use and economic development as key factors when evaluating projects.

Mr. Chairman, this concludes my presentation to the Committee. I will be happy to answer any questions you have. Again, thank you for the opportunity to testify before you today.

House Transportation and Infrastructure Committee
Subcommittee on Highways and Transit

May 10, 2007

Testimony from Peter Varga,
Executive Director, Chief executive Officer
Interurban Transit Partnership
Grand Rapids, Michigan

Chairman DeFazio, Congressman Ehlers, and distinguished members of the Subcommittee, I am Peter Varga, Executive Director and Chief Executive Officer of the Interurban Transit Partnership ("The Rapid" as it is referred to locally). The Rapid operates 19 fixed bus routes and carries nearly 7.4 million riders per year. Ridership has grown by 43% since 2000.

The Grand Rapids region began a study of transit options in early 2003 as part of a Major Investment Study ("MIS") to consider the most appropriate technology and project corridors for an expansion of transit service through the New Starts program for the region. As the MIS was being conducted, which we refer to locally as "Great Transit, Grand Tomorrows" (GT2), Congress adopted the Small Starts program as part of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"). We quickly shifted our focus to the new Small Starts program since it provided an opportunity to develop a transit project that was consistent with the scale of project most appropriate for Grand Rapids.

Two separate projects emerged from the MIS - (1) a 10 mile Bus Rapid Transit ("BRT") project from downtown Grand Rapids south along Division Street that will include service to the cities of Grand Rapids, Wyoming and Kentwood, as well as the townships of Gaines and Byron, and (2) a downtown streetcar circulator of approximately 2.2 miles in length that will connect major destinations and trip generators in the downtown. However, only the BRT will be submitted under the Very Small Starts program while local and private sector funds will be sought for the downtown streetcar circulator. My testimony will focus on how that decision was made and the impact of the Federal Transit Administration ("FTA") FY 2008 Small Starts Guidance and the impact of the establishment of a Very Small Starts program on that decision.

As you know, the Very Small Starts program provided a reduced project review and evaluation process for those projects with the following characteristics:

- a total capital cost of less than $50 million
- per mile cost less than $3 million (excluding vehicles)
- operate at least fourteen hours per day, with ten minutes peak.15 minute off peak headways
- in corridors that currently carry at least 3,000 rider per day,
- substantial transit stations,
- signal priority/preemption, and,
- low-floor vehicles or level boarding.

Projects containing these characteristics, after preparing basic information about the project, would receive a "medium" rating on each of the principal criteria - cost effectiveness, land use, and effect on local economic development.

In contrast, a streetcar project would be required to prepare information pursuant to a reduce New Starts process and would be subject to the current measure for cost effectiveness. Moreover, the effect of the project on economic development would be relegated to being considered an "other factor" and not given the same weight as the other criteria.

The Grand Rapids region quickly concluded that under the FTA criteria for the Small Starts and Very Small Starts program that the greatest prospect for securing federal funding would be realized by pursuing funding for the BRT project through the Very Small Starts program. Therefore, we have worked closely with FTA over the past several months as we have developed the supporting documentation to seek FTA approval to advance the BRT project into the next phase - project development. FTA has given us invaluable technical assistance through this process.

The Board of The Rapid approved the BRT project as its Locally Preferred Alternative on January 24, 2007 and two weeks ago the Grand Valley Metropolitan Council, the metropolitan planning organization for our region, approved the inclusion of the BRT project on the regional Transportation Improvement Program. We will be submitting our project information to FTA this Summer and seeking approval to enter PD later this year.

There continues to be considerable interest in the downtown circulator streetcar project. However, a decision was made not to seek Small Starts funding because the project would not meet the eligibility criteria for the Very Small Starts program, based on the $60 million cost of the project, and the fact that the Small Starts program, as implemented to date by FTA, does not establish a project approval framework that is favorable to streetcar projects. Thus, we will seek to build the project without Federal funding.

You might ask why we believe that the project would not fare well under the current Small Starts program criteria. First, we understood the Small Start program to offer a simplified process, but the process established by FTA is essentially the existing New Starts project approval process which is very data and time intensive. Second, we understood that it was the intent of Congress to place a greater emphasis on land use and the effect of a project on economic development, but FTA has opted to relegate economic development to an "other factor" and maintain the project approval process used for the New Starts program. It is our understanding that FTA has taken the position that the Congress was not clear that cost effectiveness, land use and the effect of the project on economic development are to receive equal weight in the project review and evaluation process. Any legislative language or other directive to FTA to clarify your intent would be very helpful in reinforcing the change in the law made by Congress.

Third, FTA continues to rely on a cost effectiveness measure that places an emphasis on long distance trips and comparing options based on travel times which is not the transportation role for a streetcar project. Fourth, a review of the FY 2008 and proposed FY 2009 Guidance would indicate that FTA does not embrace streetcars based on the fact that project sponsors can't count

pedestrian trips generated as a result of the availability of the streetcar, the reluctance to develop and implement a measure for the effect of a project on economic development even as the statute requires the agency to do so, and the lack of recognition of ability of a streetcar operating in a denser urban environment to eliminate auto trips due to its accessibility and availability. Thus, while we will proceed with the BRT project through the Very Small Starts program, we remain interested in a streetcar project and would seek federal funding if the project review criteria were revised by FA.

Thank you for the opportunity to testify before the Subcommittee today and to present our perspectives on the Small Starts program.

Submitted by
Rep. Space

Respectfully Submitted to
Subcommittee on Highways and Transit
by
Franklin B. Conaway
Franklin B. Conaway & Associates
Chillicothe, Ohio

May 10, 2007

Chairman DeFazio, distinguished members of the Committee, my name is Franklin B. Conaway, principal of Franklin B. Conaway & Associates, specializing in center city redevelopment and passenger rail planning.

I have many years experience in the fields of center city redevelopment, passenger rail planning, historic preservation (as a redevelopment tool) and civil construction. For nearly two years, I have been wrestling with existing and proposed FTA New Starts/Small Starts evaluation and rating procedures. I have attended FTA listening sessions, submitted written recommendations for a much simplified Small Starts/Very Small Starts review process, and developed a mutually respectful relationship with FTA staff who also firmly believe the Small Starts program should offer an opportunity for a greatly streamlined funding process. Most of my recent work has been on behalf of Columbus, Ohio and specifically the non-profit Columbus Downtown Development Corporation (CDDC). During 2005-2006 CDDC was the lead private organization, working with the City of Columbus, in planning for a 7.7-mile streetcar circulator for downtown Columbus. I served as the Streetcar Project Supervisor and the Transportation Oriented Development Project Supervisor. Currently, I am finishing the TOD strategy as it relates to streetcars in downtown Columbus. I am also performing streetcar circulator assessments in two additional cities.

The evolving Small Starts/Very Small Starts programs offer the very best hope for a real world FTA funding initiative that will fundamentally help to revitalize our center cities and get many thousands of Americans out of their cars. Unfortunately, certain key FTA officials seem not to comprehend the new and desperately needed role streetcars can play as center city circulators – connecting neighborhoods to each other and to the center core. They also seem to not understand the benefits of streetcars under particular conditions. Perhaps this is not entirely their fault and they simply need more examples. But to have more examples, we need more demonstration projects to affirm the wisdom of the new community building function of streetcars. I urge the subcommittee to recommend that up to three streetcar project demonstration cities be selected in the near future for this purpose.

Nearly all of the FTA's proposed Small Starts evaluation procedures are slightly modified versions of the New Starts practices and are totally irrelevant to streetcar circulators. The prime example is the continued focus on cost effectiveness, which is predicated on the amount of travel time savings achieved through speed over mileage. Circulators are about access, not about speed. They (certain FTA staff) are trying desperately to fit a round peg into a square hole and thereby

destroying the hope created by what appeared to be an imaginative congressional mandate for a streamlined funding process.

In order to achieve a streamlined Small Starts/Very Small Starts process that will rapidly benefit cities across the nation, a separate set of practices should be established within FTA for streetcar projects. Streetcar circulators have many characteristics that distinguish them from regionally oriented transportation systems (although they should be an integral part of the regional transportation system). The existing practices and evaluation criteria created by FTA have resulted in an unmistakable tilt toward long haul projects with emphasis on speed. These projects serve the suburban lifestyle and can even encourage sprawl development. Again, this is the opposite thrust of streetcars, which serve to invigorate urban centers. Primarily designed to evaluate the extension of various forms of bus service, the complexity of existing practices are a tribute to the genius of their creators, but in the application of often arbitrary constraints to anything that does not fit existing models they leave no openings for realistic new approaches for project funding.

I would propose the following summarized considerations as being of primary importance in any FTA funding program for evaluating proposed streetcar circulators:

1. **Existing Conditions**

   The right conditions, including conditions of scale, must be in place. This means the street and block patterns must be conducive to the operation of streetcars and the arrangement of existing vital neighborhoods, destinations, attractions and development districts is such that they will be well served and sustained by streetcars. We have developed a 20-point checklist for evaluating and rating these conditions. Streetcars will not work well everywhere.

2. **Ability to Build the Project with Large Local Funding Commitment**

   The percentage of federal funding required for typical streetcar projects is so dramatically different from typical FTA New Starts projects that streetcars deserve their own FTA process and rating system. The lower the amount and percentage of FTA funds being requested, and the higher the level of the local funding commitment, the simpler the review process should be. By rewarding communities with a much simplified review process for a high local funding commitment, FTA can make a limited budget go much further and do far more good for more cities. For example, Columbus might build a $100 million project and apply for only $20 to $30 million from FTA. With confirmation of the ability to fund the local share, including operating costs, a much simpler and time saving FTA review process should be invoked (assuming other requirements are satisfactorily addressed). Also, during any interim period during which new standards, processes and models are evolving the exemption for projects seeking no more than $25 million should be retained. Keeping the exemption would at least recognize streetcar projects as being far less costly to FTA than many other categories of projects. As an aside, in the Very

Small Starts category, the $3 million per mile constraint virtually eliminates from competition any streetcar project requiring tracks and street improvements.

3. Economic Development and Land Use

A strong transportation oriented development strategy should be in place that includes clear economic development and land use objectives that are attainable and measurable within the time frames included in the TOD plan. In accordance with the new provisions of SAFETEA-LU, FTA should give credit for originality, the quality of management for implementing the TOD strategy, and the relevance of the strategy and its results to the downtown transportation and economic development issues of other cities (demonstration value). High ratings from FTA should result from well-planned streetcar circulators in recognition of the special ability of streetcars to play an integral role in achieving broad economic development and land use goals (as compared to other forms of transit).

4. Quality and Ingenuity of Public/Private Partnerships

Streetcar circulator projects in several cities have already demonstrated a characteristic that is mostly foreign to other forms of transit – the financial commitment and level of high quality volunteer services provided by the private sector. Significant private sector support comes from both for-profit entities and non-profit organizations. In Columbus, Ohio, private corporations have already contributed over $300,000 (not including hundreds of hours in volunteer time) to conceptual planning for a streetcar circulator. A group of firms have indicated their immediate willingness to contribute several million additional dollars to moving the streetcar circulator project forward on an accelerated time schedule. This kind of leadership and commitment from the private sector forms the foundation for results oriented public/private partnerships, and such commitments should result in high ratings from FTA and contribute to a streamlined review process. In the hope that FTA would at least experiment with a more flexible review process for a few Small Starts demonstration projects, Columbus was preparing to initiate its FTA funding effort in October 2006. We were specifically discouraged from doing so by FTA because particular existing New Starts requirements had not yet been complied with. The point here is that we firmly believe an almost entirely new process should be established for streetcar circulator projects within the new Small Starts/Very Small Starts programs because of fundamental differences in the characteristics of these projects. We have learned that these differences are not understood (or appreciated) under the current standards.

In addition to the above considerations it is also strongly recommended that certain New Starts requirements be significantly amended or completely eliminated in order to establish Small Starts/Very Small Starts funding programs specifically relevant to streetcar circulator systems.

1. Alternative Analysis

The alternative analysis process should be adjusted to favor streetcars so long as regional transportation studies have identified the need for a center city circulator and the requisite physical, economic development and community sustaining conditions exist to support successful operations. In today's world, the environmental advantages of streetcars, the economic development/land use benefits, and their average longevity (more than twice that of buses) should automatically make them the preferred alternative.

2. Ridership

Streetcars enjoy the highest "passenger attracting" characteristics of all forms of transit that can be broadly utilized for circulator purposes. People *like* to ride on streetcars and will *choose* to ride on a streetcar – even over automobiles – if the streetcar takes them to where they want to go. This is generally not true for buses.

Current methodologies for forecasting ridership are irrelevant to projecting ridership on streetcars. A simple comparative analysis of ridership levels under similar conditions in other cities will provide the most reliable predictions. For example, as part of our economic impact analysis, Columbus has completed a detailed comparative analysis of three cities of similar size, population, topography, economic health, etc. We have measured our assets and liabilities against theirs, and project an initial daily ridership of over 5,000 people. In my opinion, this is a very conservative estimate.

Streetcar circulators established under the right conditions invariably enjoy far more ridership than would be indicated through the current modeling process. With the proposed replacement methodology, the key is to be certain the comparisons are truly relevant to one another.

3. Cost Effectiveness, Travel Time Savings and Cost Benefit Ratios

As stated above, it is totally unrealistic to apply the current FTA standards for measuring cost effectiveness – including travel-time savings – to streetcar circulators. It is like trying to put a size 12 shoe on a size 6 foot. A well planned streetcar circulator will result in a significant reduction in vehicle miles in the center city, less freeway congestion because fewer people live in the suburbs (trips not taken), and far greater and more evenly distributed economic development benefits than any other transit mode could provide. These very quantifiable benefits should replace cost effectiveness and travel-time savings as evaluation criteria. The cost to build and operate a well-planned streetcar circulator is miniscule when compared to the *not to be otherwise realized* economic, social and quality of life benefits.

In summation, during the concept development stage of the proposed downtown Columbus streetcar circulator system the entire Columbus downtown community, including city government, CDDC and multiple private corporations, neighborhood groups, and historic preservation organizations have expended great effort to present a demonstration project to FTA

that would provide multiple categories for monitoring, measuring, confirming and/or rejecting the various assumptions in support of streetcar circulators. We previously committed ourselves to seeking no more than $25 million in FTA funding, to providing a rating system for evaluating the best conditions for streetcar operations, to providing an accurate assemblage of community data to be measured against in achieving short term and long term economic development and land use goals. We have also completed a transportation oriented development strategy that would be administered with a commitment to achieve all of the projected goals included in the TOD strategy within three five-year periods. Utilizing historic tax credits as incentives, this strategy includes the planned renovation of over 800,000 square feet of historic building space.

It is our earnest hope that the Subcommittee on Highways and Transit will endorse proposals to direct FTA to revamp the evaluation criteria for Small Starts to assertively include streetcars and to select up to three Small Starts demonstration projects for streetcar circulator systems. The selected cities should be the ones that take the most financial responsibility for getting their system built and that are the most likely to provide the most convincing evidence to support a drastically streamlined FTA review process for this most needed form of transit. While I am not officially representing Columbus at this time, based upon my knowledge of this city's special opportunities, and assuming an ongoing commitment to build a downtown streetcar circulator, I sincerely hope Columbus, Ohio will be one of these cities.

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