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PUBLIC
TRANSPORTATION

Opportunities Exist to
Improve the
Communication and
Transparency of
Changes Made to the
New Starts Program



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Highlights

Highlights of [GAO-05-674](#), a report to congressional committees

Why GAO Did This Study

The Transportation Equity Act for the 21st Century (TEA-21) and subsequent legislation authorized about \$13.5 billion in guaranteed funding for the Federal Transit Administration's (FTA) New Starts program, which is used to select fixed guideway transit projects, such as rail and trolley projects, and to award full funding grant agreements (FFGA). GAO assessed the New Starts process for the fiscal year 2006 cycle. GAO identified (1) the number of projects that were evaluated, rated, and proposed for new FFGAs and the proposed funding commitments in the administration's budget request; (2) changes FTA has made to the New Starts application, evaluation, rating, and oversight processes since the fiscal year 2001 evaluation cycle and how these changes have been communicated to project sponsors; and (3) how FTA developed the measures used to evaluate and rate projects from the criteria outlined in TEA-21 and how those measures are used in the rating process.

What GAO Recommends

This report makes a number of recommendations intended to ensure that the New Starts regulations reflect FTA's current evaluation and rating process and ensure that FTA's New Starts evaluation process and policies are objective, transparent, and follow the spirit of federal statutes and regulations. FTA officials agreed with the findings and recommendations in this report.

www.gao.gov/cgi-bin/getrpt?GAO-05-674.

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

PUBLIC TRANSPORTATION

Opportunities Exist to Improve the Communication and Transparency of Changes Made to the New Starts Program

What GAO Found

For the fiscal year 2006 evaluation cycle, FTA evaluated and rated 27 projects and identified 4 projects that were expected to be ready for new FFGAs before the end of fiscal year 2006 and an additional 6 projects that may be eligible for other funding outside of FFGAs. The administration's fiscal year 2006 budget proposal requests \$1.5 billion for the New Starts program, a request similar to that of the past 2 years.

FTA has made 16 changes to the New Starts application, evaluation, rating, and oversight processes since the fiscal year 2001 cycle that were primarily intended to make the process more rigorous and systematic. Seven of the 16 changes underwent rulemaking, including providing formal notice to the transit industry and soliciting comment, while 9 changes did not. FTA officials said that these nine changes are consistent with the existing regulations governing the New Starts process or relate to the project development oversight process rather than the evaluation and rating process and, therefore, in their opinion, do not need to undergo formal rulemaking. By not consistently soliciting public opinion, however, FTA is missing an opportunity to obtain stakeholder buy-in, increase the transparency of the New Starts process, and lessen potential difficulties project sponsors face in implementing the changes.

Many of the measures FTA uses to evaluate and rate New Starts projects have evolved over time, with industry input, through formal rulemaking and informal efforts, such as workshops and reports. Although both TEA-21 and FTA's New Starts program regulations emphasize the importance of using a multiple-measure approach for evaluating projects, FTA assigns weight to all three financial criteria but only two of the five project justification criteria in developing a project's rating. FTA officials said that they do not use the other three project justification criteria—which are specified in TEA-21—because the measures fail to distinguish among projects. Project sponsors we interviewed offered suggestions for improving all of the project justification measures, and FTA has efforts underway to improve some of the measures.

Example of a New Starts Project with an Existing FFGA - Bay Area Rapid Transit Extension to San Francisco International Airport



Source: GAO.

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Abbreviations

APTA	American Public Transportation Association
BRT	bus rapid transit
FFGA	full funding grant agreement
FTA	Federal Transit Administration
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
LRT	light rail transit
MOS	minimum operable segment
TEA-21	Transportation Equity Act for the 21 st Century
TSUB	Transportation System User Benefits

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United States Government Accountability Office
Washington, D.C. 20548

June 28, 2005

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

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

Much of the federal government's share of new capital investment in mass transportation since the early 1970s has come through the Federal Transit Administration's (FTA) New Starts program, which awards full funding grant agreements (FFGA) for fixed guideway rail, bus rapid transit, and ferry projects across the country.¹ An FFGA establishes the terms and conditions for federal participation in a project, including the maximum amount of federal funds available for the project, which by statute cannot exceed 80 percent of its net cost. Since fiscal year 1998, the New Starts program has provided state and local agencies with more than \$8.8 billion² to help design and construct transit projects throughout the country.

Under the Transportation Equity Act for the 21st Century (TEA-21)³ and subsequent amendments and other legislation, Congress authorized approximately \$13.5 billion in New Starts commitment authority through 2005.⁴ Even though the level of program funding is higher than it has ever been, demand for these funds has also been extremely high. For that

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

²This is the amount appropriated through fiscal year 2005, according to FTA.

³Pub. L. No. 105-178, 112 Stat. 107 (1998).

⁴New Starts commitment authority is the amount of funding Congress has authorized FTA to commit to New Starts projects for a given authorization period.

reason, TEA-21 directed FTA to prioritize projects for funding by evaluating, rating, and recommending potential projects on the basis of specific financial and project justification criteria—including mobility improvements, cost-effectiveness, environmental benefits, and operating efficiencies. In applying these criteria, TEA-21 directed FTA to consider a number of additional factors, including land use and congestion relief. Furthermore, TEA-21 required FTA to issue regulations for the evaluation and rating process, which FTA did in December 2000.

TEA-21 also requires us to report each year on FTA's processes and procedures for evaluating, rating, and recommending New Starts projects for federal funding and on the implementation of these processes and procedures.⁵ This report discusses (1) the number of projects that were evaluated, rated, and proposed for new FFGAs for the fiscal year 2006 evaluation cycle⁶ and the proposed funding commitments for New Starts in the administration's fiscal year 2006 budget request; (2) changes that FTA has made to the New Starts application, evaluation, rating, and oversight processes since TEA-21 and how those changes have been communicated to project sponsors; and (3) how FTA developed the measures it uses to evaluate and rate projects from the criteria identified in TEA-21 and how the agency uses these measures in the evaluation process. To address these objectives, we reviewed the administration's fiscal year 2006 budget request; the legislation and regulations governing the New Starts process; and FTA's annual New Starts reports, reporting instructions, and other program guidance and documentation. We also interviewed FTA officials and representatives from the American Public Transportation Association, the New Starts Working Group,⁷ and the projects that were rated in the fiscal year 2006 evaluation cycle.⁸ In addition, we attended FTA's meetings with project sponsors—the New Starts Roundtables—in April and May

⁵See the list of related GAO products at the end of this report.

⁶The fiscal year 2006 evaluation cycle began in May 2004, with the issuance of the New Starts reporting instructions. Applications were due in August 2004, and FTA's evaluation of the applications was conducted in the fall of 2004. The annual report was published in February 2005 and included funding recommendations for fiscal year 2006.

⁷The New Starts Working Group is an organization of New Starts project sponsors, metropolitan planning organizations, and private industry transit firms who advocate on behalf of the New Starts program and specific projects.

⁸FTA rated 27 projects in the fiscal year 2006 cycle, but one of these projects subsequently withdrew from the New Starts process; therefore, we interviewed sponsors from 26 projects.

2005. We conducted our work from November 2004 through May 2005 in accordance with generally accepted government auditing standards. (See app. I for more information about our scope and methodology.)

Results in Brief

For the fiscal year 2006 evaluation cycle, FTA evaluated and rated 27 projects and identified 4 that were expected to be ready for new FFGAs before the end of fiscal year 2006. In addition, FTA identified 6 other projects as potentially being eligible for funding outside of FFGAs. The administration is requesting a total of \$1.5 billion for the New Starts program (an amount similar to that requested for the last 2 years). This amount includes \$634.6 million for projects with existing FFGAs and \$590 million for projects proposed for new FFGAs. The total number of projects evaluated and rated has declined slightly every year since TEA-21, from 42 projects in the fiscal year 2000 evaluation cycle to 27 projects in the most recent cycle, while the number of recommended and highly recommended projects has varied from year to year.

FTA has implemented 16 changes to the New Starts application, evaluation, rating, and project development oversight processes since the fiscal year 2001 evaluation cycle, using a variety of communication methods, but has not consistently sought industry input before implementing the changes. By not soliciting public opinion, FTA is missing an opportunity to obtain stakeholder buy-in, increase the transparency of the New Starts process, and lessen potential difficulties project sponsors face in implementing the changes. Although the impetus for each change varied, FTA officials stated that, in general, all of the changes were intended to make the process more rigorous, systematic, and transparent. For example, the requirement for project sponsors to develop a plan for evaluating the impacts of the project and the accuracy of ridership projections will identify lessons learned and hold transit agencies accountable for results. Some project sponsors told us a few of the changes have helped to improve the program, while others expressed a variety of concerns about the effect of some changes. For example, seven project sponsors stated that the “make the case” document helped them focus on the key benefits of the projects and three said it helped them “sell” the project to local decisionmakers or the public. Ten project sponsors noted, however, that FTA did not provide clear guidance on how to develop the “make the case” document and eight said that they had to produce multiple iterations of the document. FTA communicates information about changes to project sponsors through a variety of different methods, including regulations, reporting instructions, and the agency’s Web site. Project sponsors we interviewed had varying opinions

on the effectiveness of these communication methods but overall found that the Web site was ineffective because it was difficult to navigate and information was not consolidated in one location. Seven of the changes that FTA has made to the New Starts process since the fiscal year 2001 evaluation cycle underwent rulemaking, including providing formal notice to the transit industry and soliciting public comment, while nine changes did not. The Freedom of Information Act requires federal agencies to publish in the *Federal Register* notice of changes to programs, and the Administrative Procedure Act sets out the rulemaking process required to make changes to agencies' rules and procedures. FTA officials said that the changes they have made are consistent with the existing regulations governing the New Starts process and that some of the changes relate to the project development oversight process rather than the evaluation and rating process; therefore, in their opinion, the regulations do not need to be amended. Of the nine changes that did not undergo rulemaking, six changes—including the administration's new cost-effectiveness funding recommendation practice that would generally target funding recommendations to projects that achieve at least a medium cost-effectiveness rating—were made without FTA providing any avenues for public review and comment prior to their implementation. When formal rulemaking is not necessary, there are less formal options available for soliciting public comment. For example, in March 2005, FTA solicited public comment on three recent technical changes to the rating process.

Many of the measures that FTA uses to evaluate projects predate TEA-21 and have evolved over time through an iterative process—involving FTA, industry, and Congress—through rulemaking, outreach sessions, and reports. The measures reflect congressional direction to evaluate projects against a variety of criteria, including mobility improvements, environmental benefits, operating efficiencies, and cost-effectiveness, and to consider other issues, such as land use, in the evaluation of projects. FTA's regulations governing the New Starts program likewise emphasize a multiple-measure approach. Using a series of these measures, FTA evaluates projects against statutorily identified criteria, including three local financial commitment criteria and five project justification criteria. Each local financial commitment criterion is counted toward a project's overall rating. However, only two of the project justification criteria typically count toward a project's overall rating, despite statements in the New Starts program regulations that all of the criteria will be used. Specifically, FTA currently assigns a weight of 50 percent each to the cost-effectiveness and land use criteria; the other three project justification criteria are not assigned weights. FTA sought industry input on whether

there should be a weighting system in the last rulemaking process; however, according to FTA officials, the agency did not receive input that was useful to inform its policy. Consequently, the regulations are silent on the weights that should be assigned to each criterion and do not prohibit FTA from treating various criteria as more important than others. FTA officials said that the measures for the other three project justification criteria—mobility improvements, environmental benefits, and operating efficiencies—do not meaningfully distinguish among projects, and aspects of the mobility improvements criterion are already captured in the measure for cost-effectiveness. Although FTA has made improvements to the measures for land use and cost-effectiveness, it has not yet been able to identify measures for the other three project justification criteria that make meaningful distinctions among projects for the purpose of rating and funding decisions. FTA officials told us that they will initiate a formal rulemaking process after the program is reauthorized, at which point all New Starts policies and procedures will be reevaluated.

This report makes recommendations to the Secretary of Transportation to ensure that FTA's New Starts regulations reflect its weighting policy, to improve the measures used to evaluate projects so that all criteria named in statute can be used to develop a project's rating, to publish future changes to the New Starts program in the *Federal Register*, and to solicit industry comment on changes, through rulemaking or some other process, as appropriate. To ensure that transit agencies have clear information on the New Starts program, we are also recommending that FTA consolidate guidance, reporting instructions, and other New Starts program information in one location on its Web site. The Department of Transportation, including FTA, reviewed a draft of this report. FTA officials generally agreed with the report's findings, conclusions, and recommendations.

Background

TEA-21 authorized a total of \$36 billion in "guaranteed" funding for a variety of transit programs, including financial assistance to states and localities to develop, operate, and maintain transit systems.⁹ Under one of these programs, New Starts, FTA identifies and selects fixed-guideway transit projects for funding—including heavy, light, and commuter rail; ferry; and certain bus projects (such as bus rapid transit). FTA generally

⁹"Guaranteed" funds are subject to a procedural mechanism designed to ensure that a minimum amount of funding is made available each year over the life of the project.

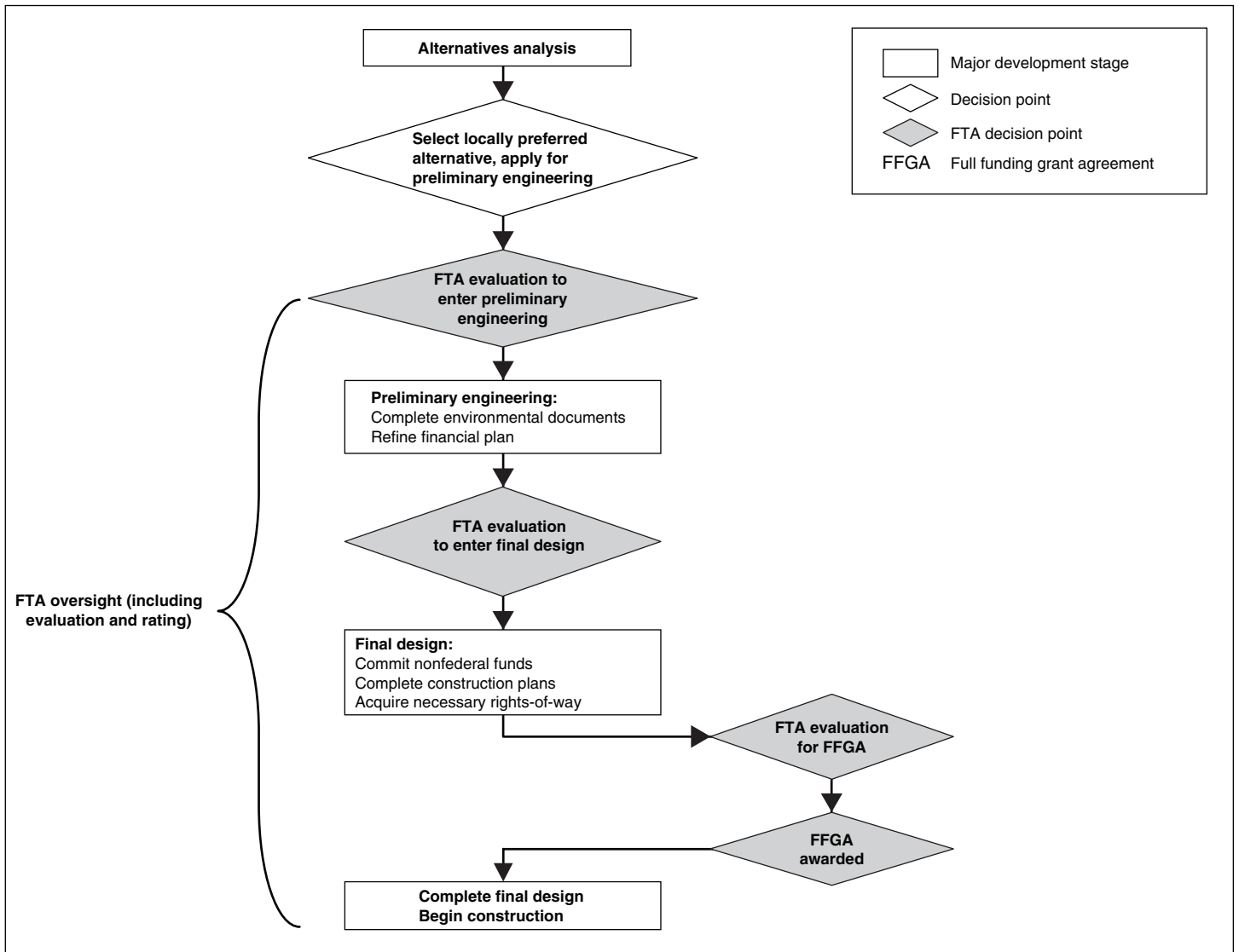
funds New Starts projects through FFGAs, which establish the terms and conditions for federal participation in a New Starts project and also define a project's scope, including the length of the system and the number of stations; its schedule, including the date when the system is expected to open for service; and its cost.

To obtain an FFGA, a project must progress through a local or regional review of alternatives and meet a number of federal requirements, including providing information for the New Starts evaluation and rating process (see fig. 1). As required by TEA-21, New Starts projects must emerge from a regional, multimodal transportation planning process. The first two phases of the New Starts process—systems planning and alternatives analysis—address this requirement. The systems planning phase identifies the transportation needs of a region, while the alternatives analysis phase provides information on the benefits, costs, and impacts of different corridor-level options, such as rail lines or bus routes. The alternatives analysis phase results in the selection of a locally preferred alternative—which is intended to be the New Starts project that FTA evaluates for funding, as required by statute. After a locally preferred alternative is selected, project sponsors submit a request to FTA for entry into the preliminary engineering phase.¹⁰ Following completion of preliminary engineering and federal environmental requirements, the project may be approved by FTA to advance into final design,¹¹ after which the project may be approved by FTA for an FFGA and proceed to construction, as provided for in statute. FTA oversees grantee management of projects from the preliminary engineering phase through construction and evaluates the projects for advancement into each phase of the process, as well as annually for the New Starts report to Congress. We have recognized the New Starts program as a good model that the federal government could use for approving other transportation projects.

¹⁰During the preliminary engineering phase, project sponsors refine the design of the proposal, taking into consideration all reasonable design alternatives, which results in estimates of costs, benefits, and impacts (e.g., financial or environmental). According to FTA officials, to gain approval for entry into preliminary engineering, a project must (1) have been identified through the alternatives analysis process, (2) be included in the region's long-term transportation plan, (3) meet the statutorily defined project justification and financial criteria, and (4) demonstrate that the sponsors have the technical capability to manage the project during preliminary engineering. Some federal New Starts funding is available to projects for preliminary engineering activities.

¹¹Final 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.

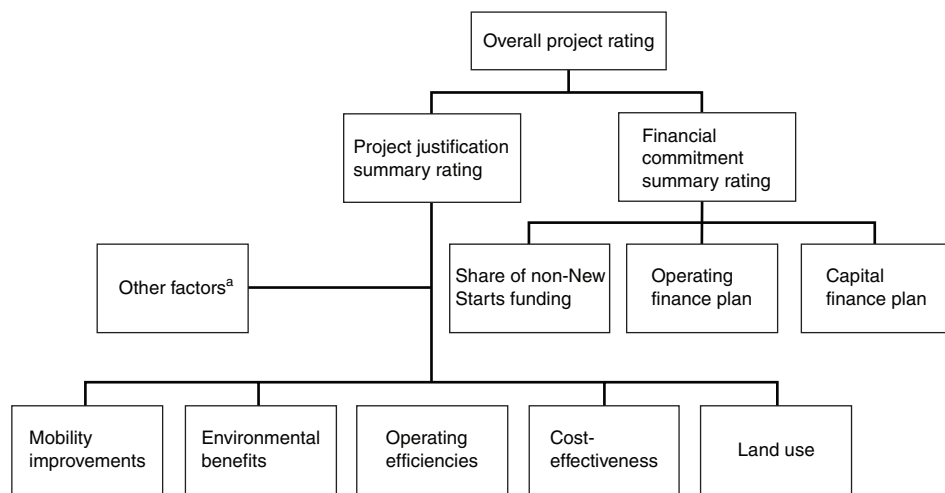
Figure 1: New Starts Planning and Development Process



Source: FTA.

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

Figure 2: New Starts Project Evaluation Criteria



Source: FTA.

^aOther factors can include environmental justice and equity issues, economic development initiatives, innovative financing, etc.

FTA assigns the proposed project a rating of high, medium-high, medium, low-medium, or low for each criterion, then assigns a summary rating for local financial commitment and project justification. Finally, FTA develops an overall project rating of “highly recommended,” “recommended,” “not recommended,” or “not rated.” (See table 1 for the criteria FTA uses to evaluate projects.) The exceptions to this process are statutorily “exempt” projects, which are those that request less than \$25 million in New Starts funding. These projects are not required to submit project justification

information—although FTA encourages them to do so—and do not receive ratings from FTA; thus, the number of projects in preliminary engineering or final design may be greater than the number of projects evaluated and rated by FTA.

Table 1: FTA’s Criteria for Assigning Overall Project Ratings

Overall rating category	Criteria
Highly recommended	Requires at least a medium-high for both the financial and project justification summary ratings
Recommended	Requires at least a medium for both the financial and project justification summary ratings
Not recommended	Assigned to projects not rated at least medium for both the financial and project justification summary ratings
Not rated	Indicates that insufficient information was submitted or that FTA has serious concerns about the information submitted because the underlying travel forecasting assumptions used by the project sponsor may have inaccurately represented the benefits of the project

Source: FTA.

As required by statute, the administration uses the FTA evaluation and rating process, along with the stage of development of New Starts projects, to decide which projects to recommend to Congress for funding.¹² Although many projects receive an overall rating of “recommended” or “highly recommended,” only a few are proposed for FFGAs in a given fiscal year. FTA proposes “recommended” or “highly recommended” projects for FFGAs when it believes that the projects will be able to meet certain conditions during the fiscal year that the proposals are made. These conditions include the following:

- All non-New Starts funding must be committed and available for the project.

¹²The 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 project must be in the final design phase and have progressed to the point where uncertainties about costs, benefits, and impacts (e.g., environmental or financial) are minimized.
 - The project must meet FTA's tests for readiness and technical capacity, which confirm there are no cost, project scope, or local financial commitment issues remaining.

FTA Identified Four New Projects for FFGAs and Requested \$1.5 Billion for Fiscal Year 2006

Of the 34 projects in preliminary engineering or final design for the fiscal year 2006 cycle, 27 were evaluated and rated and 7 were statutorily exempt from the rating process. Four projects were recommended for funding with the expectation that they would be ready for new FFGAs before the end of fiscal year 2006, and an additional 6 projects were identified as potentially receiving a recommendation for New Starts funding outside of FFGAs. The administration's fiscal year 2006 budget proposal requests a total of \$1.5 billion for the New Starts program, an amount similar to requests for the past 2 fiscal years. (See app. II for the administration's 2006 budget proposal and FTA's project ratings.)

FTA Evaluated and Rated 27 Projects and Proposed 4 for FFGAs in Fiscal Year 2006

FTA's *Annual Report on New Starts: Proposed Allocations of Funds for Fiscal Year 2006* ("annual report") listed a total of 34 projects in preliminary engineering and final design, and FTA evaluated and rated 27 of them.¹³ Seven were statutorily exempt from being rated because they requested less than \$25 million in New Starts funding. Of the 27 projects that were rated, 2 were highly recommended, 12 were recommended, 8 were not recommended, and 5 were designated "not rated." In its annual report, FTA said that projects were designated as "not rated" because they did not submit the required information or because of FTA's continuing concerns about the reliability of the transportation benefits forecast for these projects. According to FTA, a principal source of these concerns was inconsistent assumptions used in defining the baseline alternative and the proposed New Starts project, making it difficult to isolate the impacts of the proposed project. In some cases, the local travel demand models were inconsistent with FTA guidance and good planning practice. FTA is

¹³FTA does not evaluate and rate projects with existing FFGAs, that are in alternatives analysis, or that are statutorily exempt because they are requesting less than \$25 million in New Starts funding.

currently working with the sponsors of these projects to improve the forecasts.

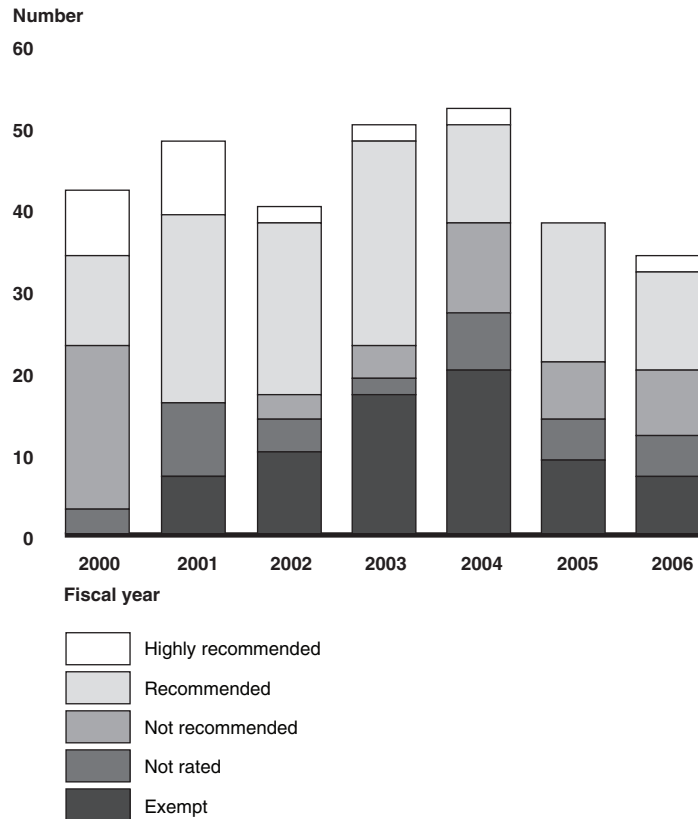
As shown in figure 3, the combined number of recommended and highly recommended projects declined sharply from 27 in the fiscal year 2003 evaluation cycle to 14 in the fiscal year 2004 evaluation cycle, while the combined number of not recommended and not rated projects rose from 6 to 18. As we previously reported, this was primarily due to difficulties project sponsors encountered when implementing the new cost-effectiveness measure—the Transportation System User Benefits (TSUB) measure¹⁴—and adjusting to FTA’s preference policy that favors projects that seek a federal New Starts share of no more than 60 percent of the total project costs.¹⁵ According to FTA, the information that was provided by project sponsors in their reports on TSUB highlighted previously unknown problems with many local models that forecast travel demand. FTA first incorporated both of these changes beginning with the fiscal year 2004 evaluation cycle. Project ratings generally improved (i.e., there were more projects with recommended ratings and fewer with not recommended ratings) in the fiscal year 2005 evaluation cycle as project sponsors improved their financial plans, grew more comfortable with the new cost-effectiveness measure, and made corrections and improvements to their models that forecast travel demand, according to FTA.¹⁶ While the combined number of not rated and not recommended projects was approximately the same in the fiscal year 2005 and 2006 evaluation cycles, the number of projects receiving ratings of at least recommended has decreased slightly again. Unlike in previous years, however, there was no obviously identifiable reason for this change, except for the fact that some projects moved out of the ratings pool and into construction, according to FTA.

¹⁴FTA uses the incremental cost per hour of TSUB for assessing a project’s cost-effectiveness.

¹⁵For more information about the problems project sponsors encountered in implementing these changes, see GAO, *Mass Transit: FTA Needs to Provide Clear Information and Additional Guidance on the New Starts Ratings Process*, [GAO-03-701](#) (Washington, D.C.: June 23, 2003).

¹⁶See GAO, *Mass Transit: FTA Needs to Better Define and Assess Impact of Certain Policies on New Starts Program*, [GAO-04-748](#) (Washington, D.C.: June 25, 2004).

Figure 3: Distribution of New Starts Projects in Preliminary Engineering and Final Design for Fiscal Year 2000 to 2006 Evaluation Cycles



Source: GAO analysis of FTA data.

Note: The pool of projects evaluated and rated each year changes, as some projects from the previous year receive FFGAs and begin construction, while new projects enter preliminary engineering and are evaluated and rated for the first time.

The fiscal year 2006 rating cycle saw the smallest total number of projects in preliminary engineering and final design during the TEA-21 period. The number of projects evaluated and rated has decreased slightly every year, from 42 projects in the fiscal year 2000 rating cycle to 27 projects in the most recent cycle.¹⁷ During this same time frame, the number of exempt projects grew steadily through the fiscal year 2004 cycle but has been declining ever since. FTA officials suggested that these trends could be the result of a combination of factors. First, many of the projects that TEA-21 authorized have worked their way through the New Starts process and obtained FFGAs, and thus are not subject to the annual evaluation and rating process. At the same time, new projects entered preliminary engineering each year and were rated for the first time. FTA officials speculated that additional projects would be included in reauthorization legislation and would enter the New Starts pipeline over the course of the reauthorization period. Second, FTA has increased the level of scrutiny it applies to projects attempting to advance from alternatives analysis to preliminary engineering to help ensure that only the strongest projects enter the New Starts pipeline. Third, FTA has worked with project sponsors to reduce the number of inactive projects in the New Starts pipeline. Fourth, since the time TEA-21 was enacted, some state and local transportation agencies have been feeling the impact of local budget constraints, making it more difficult to secure local funding for proposed New Starts projects. This could be exacerbated by FTA's policy of favoring projects that seek a federal New Starts share of no more than 60 percent of the total project costs. As we reported in 2004, several project sponsors told us that FTA's push for a lower federal New Starts share would likely affect their decision to advance future transit projects.¹⁸ Therefore, we recommended that FTA examine the impact of the preference policy on projects in the evaluation process. FTA is considering how to conduct such an examination.

FTA's evaluation process informed the administration's recommendation to fund four projects that are expected to be ready for new FFGAs before the end of fiscal year 2006, including Charlotte, South Corridor Light Rail Transit; New York, Long Island Rail Road East Side Access; Phoenix, Central Phoenix/East Valley Light Rail Transit Corridor; and Pittsburgh,

¹⁷While the total number of projects in preliminary engineering and final design has fluctuated from year to year, this includes the statutorily exempt projects. Once these projects are excluded from the total, the number declines steadily each year.

¹⁸GAO-04-748.

North Shore Light Rail Transit Connector. The total capital cost of these four projects is estimated to be \$9.9 billion, of which the total federal New Starts share is expected to be \$3.6 billion. FTA executed an FFGA for the Phoenix project in January 2005 and for the Charlotte project in May 2005. The other two projects are expected to be ready for FFGAs before the end of fiscal year 2006. According to FTA, the remaining projects that received overall ratings of recommended or highly recommended do not yet pass FTA's readiness tests for FFGAs.

The administration also proposed reserving \$158.6 million in New Starts funding for final design and early construction activities for as many as six "other projects," including San Diego, Mid-Coast Light Rail Transit Extension; Denver, West Corridor Light Rail Transit; New York, Second Avenue Subway; Washington County (Oregon), Wilsonville to Beaverton Commuter Rail; Dallas, Northwest-Southeast Light Rail; and Salt Lake City, Weber County to Salt Lake City Commuter Rail. These six projects were in or nearing final design, received overall highly recommended or recommended ratings, and had cost-effectiveness ratings above "low." According to FTA officials, no other projects met these criteria. The annual report did not specify amounts for particular projects to ensure that the project is moving forward as anticipated prior to making specific funding recommendations to Congress, according to FTA officials, because projects may encounter unexpected financial or other obstacles that slow their progress. For example, FTA told us that the sponsor for one of the projects is considering a significant expansion of the project scope, which would put it back in preliminary engineering and render it ineligible for the funds FTA proposed reserving for the "other projects" for fiscal year 2006. Reserving funds for these projects without specifying a particular amount for any given project will allow the administration to make "real time" funding recommendations when Congress is making appropriations decisions. FTA does not anticipate that all of the six projects will be recommended for funding in fiscal year 2006.

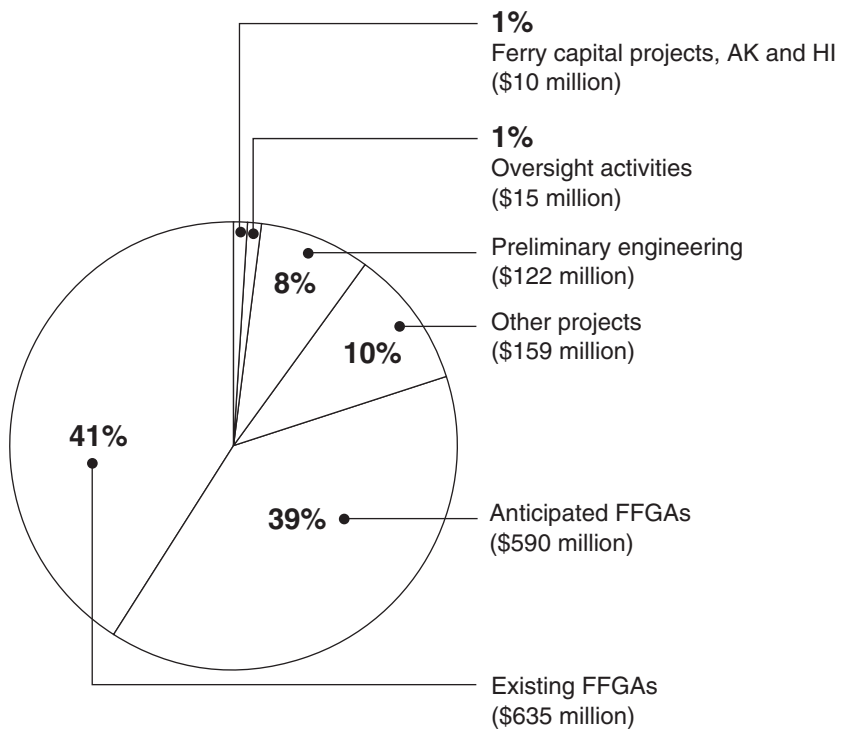
Administration's Proposed Fiscal Year 2006 Budget Requests Similar Amount of Funding to Previous Years

The administration's fiscal year 2006 budget proposal requests that \$1.5 billion be made available for the New Starts program, an amount similar to that requested in the last two fiscal years. Figure 4 illustrates the specific budget allocations the administration has proposed for fiscal year 2006, including the following:

- \$634.6 million would be allocated among the 16 projects with existing grant agreements,

- \$590 million would be allocated to four projects expected to be proposed for new FFGAs,
- \$158.6 million would be allocated to as many as six “other” projects to continue project development, and
- \$122.5 million is reserved to be allocated among projects in preliminary engineering, at the discretion of Congress and as provided in law.¹⁹

Figure 4: Total New Starts Funding for Fiscal Year 2006 Equals \$1.5 Billion



Source: GAO analysis of FTA data.

Note: FTA is authorized to use up to 1 percent of amounts made available for the New Starts program for project management oversight activities. TEA-21 requires that specified amounts of New Starts funds be set aside annually for projects in Alaska and Hawaii, for new fixed guideway systems and

¹⁹TEA-21 limits the amount of New Starts funding that can be used for purposes other than final design and construction to not more than 8 percent of funds appropriated.

extensions to existing systems that are ferry boats or ferry terminal facilities or that are approaches to ferry terminal facilities.

FTA had approximately \$2.2 billion in commitment authority—that is, the amount of funding authorized for New Starts projects—remaining as of May 2005. TEA-21 and subsequent amendments and legislation provided FTA the authority to make about \$13.5 billion in funding commitments for New Starts projects. Surface transportation programs, including the New Starts program, were scheduled to expire in September 2003, but have subsequently been extended through June 2005.²⁰ According to FTA officials, the commitment authority for fiscal year 2006 and beyond will be addressed in the next surface transportation authorization legislation. However, FTA officials told us that there will not be sufficient commitment authority remaining to execute all four proposed FFGAs until additional commitment authority is provided through congressional authorization.

FTA Has Implemented a Number of Changes to the New Starts Program, Some Without Project Sponsors' Input

FTA has made 16 changes to the New Starts application, evaluation, rating, and project development oversight processes since the fiscal year 2001 evaluation cycle—the first full evaluation and rating cycle after the enactment of TEA-21. FTA has used a variety of written and electronic methods to communicate information about these changes, although it primarily relies on reporting instructions, roundtables, and workshops. For nine of these changes, FTA did not publish information about the change in the *Federal Register* or institute a rulemaking process and for six of these nine changes did not provide any avenues for public review and comment prior to implementing the changes. FTA has said that all of the changes it has made are consistent with the evaluation framework outlined in the existing regulations governing the New Starts process. Some project sponsors we interviewed thought certain changes helped to improve the process; however, a considerable number of project sponsors expressed concern that they did not have an opportunity to comment on many of the changes before they were implemented and have experienced considerable challenges while attempting to incorporate some of the changes. For example, some changes have required project sponsors to devote additional agency resources, as well as time.

²⁰The Surface Transportation Extension Act of 2005 (P.L. 109-14) extended the programs until June 30, 2005.

FTA Has Made 16 Changes Intended to Improve the Application, Evaluation, Rating, and Project Development Oversight Processes since the Fiscal Year 2001 Evaluation Cycle

We identified 16 changes that FTA made to the New Starts application, evaluation, rating, and project development oversight processes since the fiscal year 2001 evaluation cycle.²¹ These changes range from requiring that projects undergo a risk assessment to instituting new practices for funding recommendations. (See table 2 for complete list of changes.) For example, FTA made two significant changes to the evaluation and rating process for the fiscal year 2004 evaluation cycle. First, FTA implemented the TSUB measure as a variable in the calculation of cost-effectiveness and mobility improvements.²² The new measure is intended to calculate the change in the amount of travel time and costs that people incur for taking a trip. This is a more comprehensive measure than the old “cost per new rider” measure because it takes into account a broader set of benefits to transit riders, including new and existing transit riders. Second, in response to language contained in appropriations committee reports, FTA instituted a preference policy favoring projects that seek a federal New Starts share of no more than 60 percent of the total project cost. As shown in table 2, FTA implemented changes for a variety of reasons, including simplifying the New Starts process and focusing more on results and performance. Although the impetus for each change varied, FTA officials stated that, in general, all the changes were intended to make the process more rigorous, systematic, and transparent. For example, the requirement for project sponsors to develop a plan for evaluating the impacts of the project and the accuracy of travel forecasts—that is, a Before and After study—will identify lessons learned and hold transit agencies accountable for results. In our previous work we have commented on a number of these changes and made some recommendations for improving the New Starts process. (See app. III for a list of recommendations from previous reports.)

²¹We compiled a list of changes that FTA has made to the application, evaluation, rating, and project development oversight processes from TEA-21, FTA regulations, annual reports and reporting instructions, and previous GAO reports. We verified this list of changes with FTA officials and project sponsors. We chose the fiscal year 2000 evaluation cycle as our baseline because this was the first cycle to reflect some TEA-21 changes. TEA-21 formalized many pre-existing FTA practices, so we did not include those in our review. FTA has also made other minor modifications to the New Starts process, which we did not include in our review.

²²This change was included in the formal rulemaking process initiated after TEA-21 and was published as part of the New Starts program regulations in December 2000.

Table 2: Changes to the New Starts Application, Evaluation, Rating, and Project Development Oversight Processes since the Fiscal Year 2001 Evaluation Cycle

Change	Brief description of change	Method and date introduced	Evaluation cycle effective	Reason for change	Published in Federal Register?	Formal opportunity for comment?
Additional subfactors added to the land use criterion	Several additional "statutory considerations" were added to the land use criterion, including the cost of sprawl, infrastructure cost savings due to compact land use, and population density and current transit ridership in a corridor.	Transportation Equity Act for the 21 st Century (TEA-21)/New Starts regulations, June 1998/Dec. 2000	Fiscal year (FY) 2003	Required by TEA-21	Yes	Yes
Baseline alternative introduced	FTA eliminated the requirement for the separate no-build and transportation system management alternatives, ^a and instead requires that the proposed New Start be evaluated against a single "baseline alternative" (i.e., the best that can be done without the New Starts investment).	New Starts regulations, Dec. 2000	FY 2003	Simplify New Starts process and address project sponsor concerns about undue reporting burden	Yes	Yes
Pedestrian mobility formally incorporated into land use criterion	Pedestrian mobility had been a component of FTA's land use evaluation, as described in FTA guidance issued each year. However, the regulations formally incorporated an element for pedestrian mobility into the land use criterion.	New Starts regulations, Dec. 2000	FY 2003	Formalize agency practice	Yes	Yes
"Employment near stations" measure added to mobility improvements criterion	FTA added a new factor to calculate destinations for jobs within a half-mile radius of boarding points on the new system, complementing the existing factor that measures low-income households within a half-mile radius of boarding points.	New Starts regulations, Dec. 2000	FY 2003	Address industry concerns that FTA was undervaluing destination trips	Yes	Yes

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Change	Brief description of change	Method and date introduced	Evaluation cycle effective	Reason for change	Published in Federal Register?	Formal opportunity for comment?
Decision rule for financial summary rating	FTA instituted a decision rule that required projects to receive at least a "medium" rating for both capital and operating plans to get an overall "recommended" rating.	New Starts regulations, Dec. 2000	FY 2003	Emphasize both capital and operating plans	Yes	Yes
Before and After study required^b	Project sponsors seeking a full funding grant agreement (FFGA) for their New Starts project must submit to FTA a plan for the collection and analysis of information leading to the identification of the impacts of the project and the accuracy of the forecasts that were prepared during project planning and development.	New Starts regulations, Dec. 2000	FY 2003	Overall government focus on performance and results	Yes	Yes
Transportation System User Benefits (TSUB) measure introduced	FTA revised its cost-effectiveness and mobility improvements criteria by adopting the TSUB measure that includes benefits for both new and existing transit system riders.	New Starts regulations, Dec. 2000	FY 2004	Address industry's concerns about cost per new rider index	Yes	Yes
Project justification criteria weights changed	The cost-effectiveness and land use criteria were each weighted 50%. In the previous rating cycle, FTA attempted to use all five project justification criteria in the rating process.	Reporting instructions, ^c June 2003	FY 2004	Other criteria's measures do not meaningfully distinguish among projects	No	No
60% preference policy instituted	FTA instituted a preference policy in its ratings process favoring current and future projects that do not request more than a 60% federal share. To achieve this, FTA changed its criterion related to capital finance plans to give projects seeking a federal share greater than 60% a "low" financial rating.	Annual report for FY 2004 evaluation cycle	FY 2004	FY 2004 Appropriations Conference Report	No	No

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Change	Brief description of change	Method and date introduced	Evaluation cycle effective	Reason for change	Published in Federal Register?	Formal opportunity for comment?
Risk assessments introduced^b	The Risk Assessment is an FTA management and oversight tool intended to identify the issues that could affect schedule or cost, as well as the probability that a cost estimate will be met.	New Starts and FTA construction roundtables, ^d April/May 2003	FY 2005	Implemented for project management oversight	No	No
"Make the case" document required^b	FTA requires all project sponsors to submit a three-page narrative that justifies why the New Starts project is the best possible alternative and why it is needed.	Reporting instructions, ^c June 2003	FY 2005	To have a short document that describes the individual merits of a project from the community's perspective	No	No
Travel forecasts requested in advance of application deadline	FTA encouraged (but did not require) grantees to submit their travel forecasts by June 30, 2004, in advance of the Aug. 20 deadline for the rest of the information.	Reporting instructions, ^c April 2004	FY 2006	To allow technical assistance to be provided in time for the project to be rated in the upcoming annual report	No	No
Cost-effectiveness practice^b	Generally, the administration will target its funding recommendations to projects that achieve a cost-effectiveness rating of medium or higher to be recommended for funding. Previously, the administration would recommend projects for funding that had a low-medium cost-effectiveness rating, if they met all other criteria.	New Starts Workshop ^e and FTA "Dear Colleague" letter, ^f March 2005	FY 2007	Address concerns raised by the DOT Inspector General, Congress, and Office of Management and Budget	No	No
Standard cost categories required	FTA updated the useful life assumptions for various categories of assets and is requiring project sponsors to report costs in standard categories.	New Starts Workshop ^e and FTA "Dear Colleague" letter, ^f March 2005	FY 2007	To be consistent with useful life estimates	No	Yes
Cost-effectiveness rating breakpoints adjusted for inflation	FTA adjusted cost-effectiveness rating breakpoints for inflation using the Gross Domestic Price Index.	New Starts Workshop ^e and FTA "Dear Colleague" letter, ^f March 2005	FY 2007	Cost-effectiveness breakpoints were first established in 2002	No	Yes

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Change	Brief description of change	Method and date introduced	Evaluation cycle effective	Reason for change	Published in Federal Register?	Formal opportunity for comment?
2030 planning horizon permitted	Project sponsors will be permitted to use either a 2025 or 2030 planning horizon for estimating the project's costs and benefits to maintain consistency with the horizon year used by the local metropolitan planning organization.	New Starts Workshop ^e and FTA "Dear Colleague" letter, ^f March 2005	FY 2007	To maintain consistency with what local metropolitan planning organizations are using	No	Yes

Sources: GAO and FTA.

^aThe transportation system management alternative is equivalent to the New Starts baseline alternative for most New Starts projects.

^bFTA officials identified these changes as involving project development oversight that do not affect project ratings.

^cFTA uses reporting instructions to provide project sponsors with technical and procedural assistance on the application and reporting of New Starts criteria.

^dFTA uses New Starts roundtables to share information and experiences with project sponsors, identify and discuss common issues, and generate suggestions for improving the planning and development process.

^eThe American Public Transportation Association typically hosts an annual legislative conference at which FTA conducts an information session on the New Starts program.

^fThe Dear Colleague letter is periodically sent from the FTA Administrator to project sponsors regarding issues associated with the New Starts program.

Some project sponsors we interviewed thought that certain changes helped to improve the process. For instance, seven project sponsors stated that the “make the case” document helped them focus on the key benefits of the projects and three said it helped them “sell” the project to local decisionmakers or the public. In addition, many project sponsors acknowledged that the TSUB measure is more comprehensive than the old “cost per new rider” measure. However, project sponsors expressed a variety of concerns about the effects the changes had on the steps required to complete the application process and about FTA’s implementation of the changes. For instance, for the “make the case” document, 15 project sponsors stated that FTA did not create clear expectations, 10 noted that FTA prepared no written guidance, and 5 indicated that FTA did not provide specific examples or templates.²³ A few of these project sponsors also stated that they did not feel like they understood what FTA wanted for the “make the case” document, and eight said that they had to produce multiple iterations of the document. Twelve project sponsors also mentioned they were not clear about how FTA was using the document. In addition, when asked what effect the implementation of the TSUB measure had on their project, 13 of 26 project sponsors said it made the application process more expensive, and 20 of 26 said that this measure required them to spend significantly more time to complete the application. Similar comments were made by project sponsors about other changes, including the risk assessment and Before and After study requirements.²⁴ For example, when asked what effect the risk assessment requirement has had on their project, 4 of the 26 project sponsors said it resulted in a more rigorous or systematic evaluation and rating process, 7 said it made the process more expensive, and 5 said it delayed their project. Three project sponsors noted that each of the individual requirements add to the overall workload and eventually result in the application process becoming a full-time project. However, some project sponsors observed that as they become more familiar with each change and as FTA issues more guidance, such as for using FTA’s software to calculate the TSUB value, the change has become less burdensome.

²³In response to project sponsor requests, in June 2005, FTA e-mailed two examples of the “make the case” document to those project sponsors who had registered for the 2005 New Starts roundtables.

²⁴Both the TSUB and the Before and After study requirements were included in the formal rulemaking process, and were implemented as part of the New Starts program regulations in December 2000.

In Spring 2005 FTA Introduced New Cost-Effectiveness Practice and Technical Changes to the Cost-Effectiveness Calculation

In March 2005, FTA announced a new practice for the New Starts program whereby the administration will generally target funding recommendations to projects able to achieve at least a medium or higher cost-effectiveness rating. FTA announced this change through a “Dear Colleague” letter sent to FTA grantees, including current New Starts project sponsors. The letter was also posted on the home page of FTA’s Web site. The administration’s previous policy had been to recommend projects for funding that received at least a medium-low cost-effectiveness rating, provided that they met all other criteria and project readiness requirements. In the letter to project sponsors, FTA explained that the impetus for change was the concerns that GAO, the Office of Management and Budget, the Department of Transportation’s Inspector General, and Congress raised about recommending projects for funding that had medium-low cost-effectiveness ratings.²⁵ In the letter, and in subsequent communication to project sponsors, FTA also stated that the practice applies to a recommendation for funding and not to the way the project’s overall rating is determined. For example, a project can still receive an overall recommended project rating with a medium-low cost-effectiveness rating and can advance from preliminary engineering to final design with this rating; however, as a general rule, the project would not be recommended for funding by the administration. FTA has said that this new practice will help it to further prioritize and distinguish among projects for federal funding, which is important given current fiscal challenges and the resulting need to maximize the benefit of every federal dollar invested in transportation.

According to FTA officials, the four New Starts projects with anticipated FFGAs for the fiscal year 2006 cycle (see app. II) will not be affected by the new practice. However, FTA has said that the six New Starts projects that are categorized as “other projects” in the fiscal year 2006 annual report—and therefore eligible for a portion of the \$158.6 million in New Starts funds FTA reserved—will be subject to the new cost-effectiveness funding recommendation practice and will continue to be subject to this practice when they apply for an FFGA. According to FTA, two of the six “other projects” currently do not meet this standard, and FTA is working with them to improve their cost-effectiveness rating. Six project sponsors we

²⁵For example, see [GAO-04-748](#) and “The Rating and Evaluation of New Starts Transit Systems,” Statement of the Honorable Kenneth M. Mead, Inspector General, U.S. Department of Transportation, before the Committee on Appropriations, Subcommittee on Transportation, Treasury and Independent Agencies, U.S. House of Representatives, April 28, 2004.

interviewed expressed concern as to whether they would be able to make the necessary modifications to their projects in order to earn a higher cost-effectiveness rating by the next evaluation cycle—which begins in August 2005. Also, seven project sponsors commented that FTA puts too much emphasis on the cost-effectiveness measure, and four indicated that the new cost-effectiveness practice increases this emphasis. FTA officials stated that FTA and the administration consider more than just cost-effectiveness in making funding recommendations, noting that every project that received a not recommended rating in the last 2 years did so because of its poor financial summary rating.

In addition to the new cost-effectiveness practice in the March “Dear Colleague” letter, FTA also proposed five technical changes to the way cost-effectiveness is calculated and asked for industry comment on these proposed changes by April 1, 2005. All comments were posted on the Department of Transportation’s online docket²⁶ and were available for public review. The proposed changes included (1) adjusting the cost-effectiveness rating breakpoints (i.e., low, low-medium, medium, medium-high, high) for inflation, and possibly applying a regional index in an effort to address cost differences across the country; (2) permitting project sponsors to utilize either a 2025 or 2030 planning horizon to be consistent with metropolitan planning organizations’ regional planning processes; (3) permitting standardized costs and the proposed adjustments to useful life estimates, which clarify and lengthen these estimates for a number of assets; (4) permitting modal constants for new guideway modes as a means of enabling travel models to estimate the effect of improvements to transit service quality beyond the time and cost measures already accounted for in the travel models (such as comfort and reliability); and (5) excluding some soft costs (e.g., administrative expenses) from the calculation of annualized capital costs for the purpose of calculating cost-effectiveness. FTA officials told us that they wanted to obtain industry comment on the proposed changes and to use this feedback to help decide which proposed changes to adopt. Officials from FTA also said the deadline for industry comments was driven by the reporting deadlines for the New Starts annual evaluations and the need to promptly release reporting instructions for the News Starts program. On the basis of FTA’s review of the proposed changes

²⁶The Department of Transportation publishes and stores on-line information about proposed and final regulations, copies of public comments on proposed rules, and related information on its Docket Management System. The department uses this docketed material when making regulatory and adjudicatory decisions, and makes docketed material available for review by interested parties.

and project sponsor responses, FTA announced in an April 29th “Dear Colleague” letter its decision to incorporate three of the five proposed changes for the fiscal year 2007 cycle—adjusting rating breakpoints for inflation, permitting the 2030 design year forecast, and permitting the use of the standardized cost categories’ useful life assumptions to calculate annualized capital costs for the purpose of calculating cost-effectiveness. FTA stated that further research is needed on the other two proposed changes. FTA incorporated the three technical changes into its fiscal year 2007 reporting instructions, which were released to project sponsors on May 3, 2005.

FTA Uses Multiple Methods to Communicate Information about Changes

FTA communicates information about changes to project sponsors through a variety of different methods, including annual reporting instructions, “Dear Colleague” letters to project sponsors, conversations with project sponsors, roundtables and workshops with FTA officials and project sponsors, and the FTA Web site. FTA officials indicated that they most heavily rely on regulations, reporting instructions, and roundtables and workshops to communicate information about changes to the New Starts application, evaluation, rating, and project development oversight processes. In particular, FTA officials told us that they use the workshops as a two-way communication vehicle, during which they can explain the New Starts application and evaluation process to project sponsors. The workshops are usually held two to four times a year in conjunction with a transit industry conference. For example, during the American Public Transportation Association (APTA) legislative conference in early March 2005, FTA officials held a workshop to discuss the New Starts process as well as the administration’s new cost-effectiveness funding recommendation practice. The agency also holds two New Starts roundtables each year to explain the application and evaluation process and allow project sponsors the opportunity to have an open discussion with FTA officials as well as share information on best practices. FTA used this year’s New Starts roundtables in New York and San Francisco to, among other things, respond to questions about the recently introduced changes. FTA’s annual reporting instructions also describe changes to the application and evaluation process, in addition to providing guidance to project sponsors on preparing their New Starts submittal. For instance, in the reporting instructions for the New Starts report for the fiscal year 2005 evaluation cycle, FTA introduced the change to the weighting system used to calculate the project justification rating.

Project sponsors told us that they generally learn about changes through one or more of FTA's communication methods, although they have varying views on the effectiveness of the different methods. Most project sponsors we interviewed said that they typically view the roundtables and workshops and conversations with FTA officials as generally or very effective methods for learning about changes. However, some concerns were also raised about these communication methods. First, three project sponsors stated that they feel compelled to attend all of FTA's workshops and roundtables in order to keep up with the changes to the New Starts process because these meetings are the primary methods FTA uses to introduce changes. Others noted that they have received inconsistent information about changes depending on the source. As a result, 18 of 26 project sponsors stated they prefer to obtain information about the changes directly from FTA officials—and 11 of these project sponsors stated that they prefer to receive the information in writing for documentation purposes. Eleven of the 26 project sponsors we interviewed said that FTA's Web site was generally or very ineffective as a method for communicating information about changes. Project sponsors cited a variety of challenges in using the Web site as a source of information about changes to the New Starts program. For example, some project sponsors stated the Web site was difficult to navigate and had a poor search engine, while others stated they had difficulty finding information about the New Starts program and that in some cases the information they retrieved from the Web site was not up to date. Several project sponsors indicated that maintaining a central repository for all information related to the New Starts program on FTA's Web site would be helpful.

FTA Has Not Consistently Used the Public Notice or Rulemaking Process to Introduce Changes or Solicit Industry Comment on Proposed Changes

Of the 16 changes that FTA has made to the New Starts application, evaluation, rating, and project development oversight processes since the fiscal year 2001 evaluation cycle, seven underwent rulemaking, including providing formal notice to the transit industry and soliciting public comment, while nine changes did not (see table 2). The Freedom of Information Act requires federal agencies to publish in the *Federal Register* notice of changes to programs and the Administrative Procedure Act sets out the rulemaking process—which would include notifying the public and soliciting and considering comments, among other things—required to make changes to agencies' rules and procedures. FTA last undertook rulemaking for the New Starts program in 1999 at the direction of TEA-21

and issued regulations in December 2000.²⁷ Officials from FTA told us that they have not amended their regulations to incorporate the nine changes made to the New Starts process since that time because, in their opinion, the changes are within the framework of the current regulations. FTA officials also said that some of the changes—such as the risk assessment requirement—involve project development oversight and do not affect the evaluation and rating process; therefore, in their view, the changes do not need to be included in program regulations. However, by making changes outside of the regulatory process, FTA has missed an opportunity to obtain formal public input on the proposed changes, which would increase the transparency of the agency’s decision-making process and ensure that the views of project sponsors and other interested parties are considered. There are a range of options available to FTA for obtaining industry input, from the more formal rulemaking process to less formal ways of soliciting comment. In those instances where FTA determines that a formal rulemaking process is unnecessary, it could provide project sponsors an informal opportunity to review and comment on any substantive changes proposed for the New Starts program, as FTA recently did when it solicited public comment on proposed technical changes to the rating process.

Of the nine changes that were not published in the *Federal Register* and did not undergo rulemaking, six were made without providing other avenues for public review and comment prior to their implementation. For example, FTA did not seek industry input before implementing the risk assessment requirement, project justification criteria weights, and the “make the case” changes to the document. The limited opportunities to review and comment on proposed changes have resulted in implementation problems, according to some project sponsors. In addition, FTA did not provide project sponsors the opportunity to comment on the administration’s recently announced cost-effectiveness funding recommendation practice. Many project sponsors expressed concern about the way FTA has developed and implemented changes to the New Starts process. For example, 14 of the 26 project sponsors with whom we spoke said that they have generally not been given an opportunity to offer input into prospective changes before they are implemented. Many project sponsors noted that the March “Dear Colleague” letter was a step in the right direction in that it was one of the first times since the last rulemaking that FTA had sought

²⁷65 *Fed. Reg.* 76864 (Dec. 7, 2000). The Federal Transit Act of 1998, within TEA-21, required FTA to publish regulations on the manner in which proposed projects will be evaluated and rated.

their input on proposed changes. However, five project sponsors commented that FTA did not give them sufficient time to review and comment on the proposed changes. In addition, FTA did not publish these changes in the *Federal Register* and provide at least 30 days' notice, the minimum time typically required when changes are subject to the Administrative Procedure Act. Congressional committees have also expressed concerns about the transparency by which FTA makes changes to the evaluation and rating process, as shown by the bills to reauthorize surface transportation programs—introduced in early 2005—that offer a more formalized approach for providing notice to and soliciting comment from project sponsors.²⁸ In particular, the House reauthorization bill would require that FTA provide notice and an opportunity for comment at least 60 days before issuing any “nonregulatory substantive changes.”²⁹ The Senate proposal states that FTA should issue periodic descriptions of the rating criteria and allow for public comment.³⁰ (See app. IV for information about other changes proposed by the House and Senate.)

Project sponsors offered a number of suggestions for improving FTA's communication about changes to the New Starts process. For example, nine project sponsors told us that FTA should provide them with an opportunity to offer input into a change before it is made. Thirteen project sponsors mentioned that FTA should provide them with more lead time when the agency requires them to implement a change. For example, a number of project sponsors expressed concern that the recent technical changes to the cost-effectiveness calculation announced in April 2005 were made too close to when New Starts information is due—June for travel forecasts and “make the case” documents and August for the remaining application materials.³¹ In addition, eight project sponsors expressed that FTA should develop a standard schedule for when it announces and implements changes to the New Starts process. For example, one project sponsor suggested that FTA announce all changes at its New Starts roundtable a year before the changes are to be implemented.

²⁸At the time this report went to print, the House and Senate were in conference and no conference report was available.

²⁹H.R. 3, Sec. 3031, 109th Cong. (2005).

³⁰151 *Cong. Rec.* S5668 (daily ed. May 20, 2005).

³¹FTA cited the delay in the implementation of the TSUB measure as an example of FTA providing additional time for project sponsors to comply with a change.

Our previous body of work on organizational transformation³² indicates that communication with stakeholders should be a top priority for any agency, is most effective when done early and often in any process, and is central to forming the partnerships that are needed to develop and implement an organization's strategies. An effective communication strategy should facilitate an honest two-way exchange with, and allow for feedback from, stakeholders. This communication is central to forming the effective internal and external partnerships that are vital to a program's success. For the past 2 years, FTA officials have announced at the roundtables that they are planning to develop and implement a strategy for improving communication among FTA offices and between FTA and project sponsors. FTA officials have told us that the strategy could include providing a single FTA point of contact for project sponsors and improving the distribution of policy, guidance, and procedures, perhaps using tools such as a listserv or webinar, as it did when it sought comments from project sponsors on the recent cost-effectiveness changes.³³ FTA has implemented new communications tools, such as the webinar, but has not developed a comprehensive communications strategy.

New Starts Measures Have Evolved Over Time, but Not All Measures Count Toward a Project's Rating

Many of the measures FTA uses to evaluate and rate New Starts projects predate TEA-21 and have evolved over time. In developing these measures, FTA has historically sought industry input by way of formal rulemaking as well as outreach sessions, workshops, and reports. Although both TEA-21 and FTA's current New Starts program regulations emphasize the importance of using a multiple-measure approach for evaluating projects, FTA assigns a 50 percent weight to both the cost-effectiveness and the land use criteria when developing the project justification summary rating. The other three project justification criteria are not weighted, although the mobility improvements criterion is used as a "tie-breaker" when the average of the cost-effectiveness and land use ratings falls equally between

³²See GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: Nov. 14, 2002).

³³A webinar is a seminar or workshop that is conducted electronically over the World Wide Web. A listserv is an electronic mailing list that allows subscribers to send and receive information on a particular topic.

two ratings (e.g., between “medium” and “medium-high”).³⁴ According to FTA officials, FTA does not use these criteria because the underlying measures have weaknesses that diminish their use in distinguishing among projects. Project sponsors we interviewed offered suggestions for improving all of the project justification measures.

Congress Directed FTA to Use Multiple Criteria in Evaluating and Rating Projects

Through the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and TEA-21, Congress has directed FTA to use multiple criteria in evaluating and rating New Starts projects. In particular, TEA-21 identifies a series of financial and project justification criteria that reflect a broad range of benefits and effects of the proposed projects. The financial criteria include the share of non-New Starts funding and the capital and operating finance plans. The project justification criteria identified by TEA-21 include mobility improvements, cost-effectiveness, operating efficiencies, and environmental benefits. TEA-21 also identifies several additional statutory “considerations” to the evaluation process, including land use issues. TEA-21 directs FTA to “evaluate and rate the project as ‘highly recommended,’ ‘recommended,’ or ‘not recommended,’ based on...the project justification criteria,” among other things.³⁵ FTA has recognized and acknowledged the congressional intent for New Starts projects to be evaluated using multiple measures. For instance, in a January 2005 report to Congress, FTA states that it is “clear that Congress intends FTA to evaluate projects based on more than cost-effectiveness criteria” and that the “statutory framework is consistent with the concept that a wide range of benefits should be considered in evaluating projects.”³⁶

FTA also has endorsed the concept of using multiple criteria to evaluate and rate New Starts projects and FTA’s New Starts regulations set forth a multiple measure evaluation process. The New Starts regulations state that “FTA will combine the ratings for each of the financial rating factors and project justification criteria into overall ‘finance’ and ‘justification’ ratings.... These ratings will then be combined into the single, overall

³⁴Specifically, when mobility improvements are rated “low,” the summary rating will “round down” to the lower of the two ratings; for all other mobility improvement ratings, the rating is “rounded up” to establish the summary project justification rating.

³⁵49U.S.C. 5309 (e)(6).

³⁶U.S. Department of Transportation, Federal Transit Administration, “Report to Congress on Evaluating New Starts Projects,” January 3, 2005, p. 6.

project ratings.”³⁷ Further, in response to a comment on the cost-effectiveness measure in the proposed New Starts regulations, FTA stated the following:

“It is important to note that the measure for cost-effectiveness is not intended to be a single, stand-alone indicator of the merits of a proposed new starts project. It is but one part of the multiple measure method that FTA uses to evaluate project justification under the statutory criteria. While cost-effectiveness is an important consideration, so are mobility improvements, environmental benefits, and the other factors described both in TEA-21 and elsewhere in this rule.”³⁸

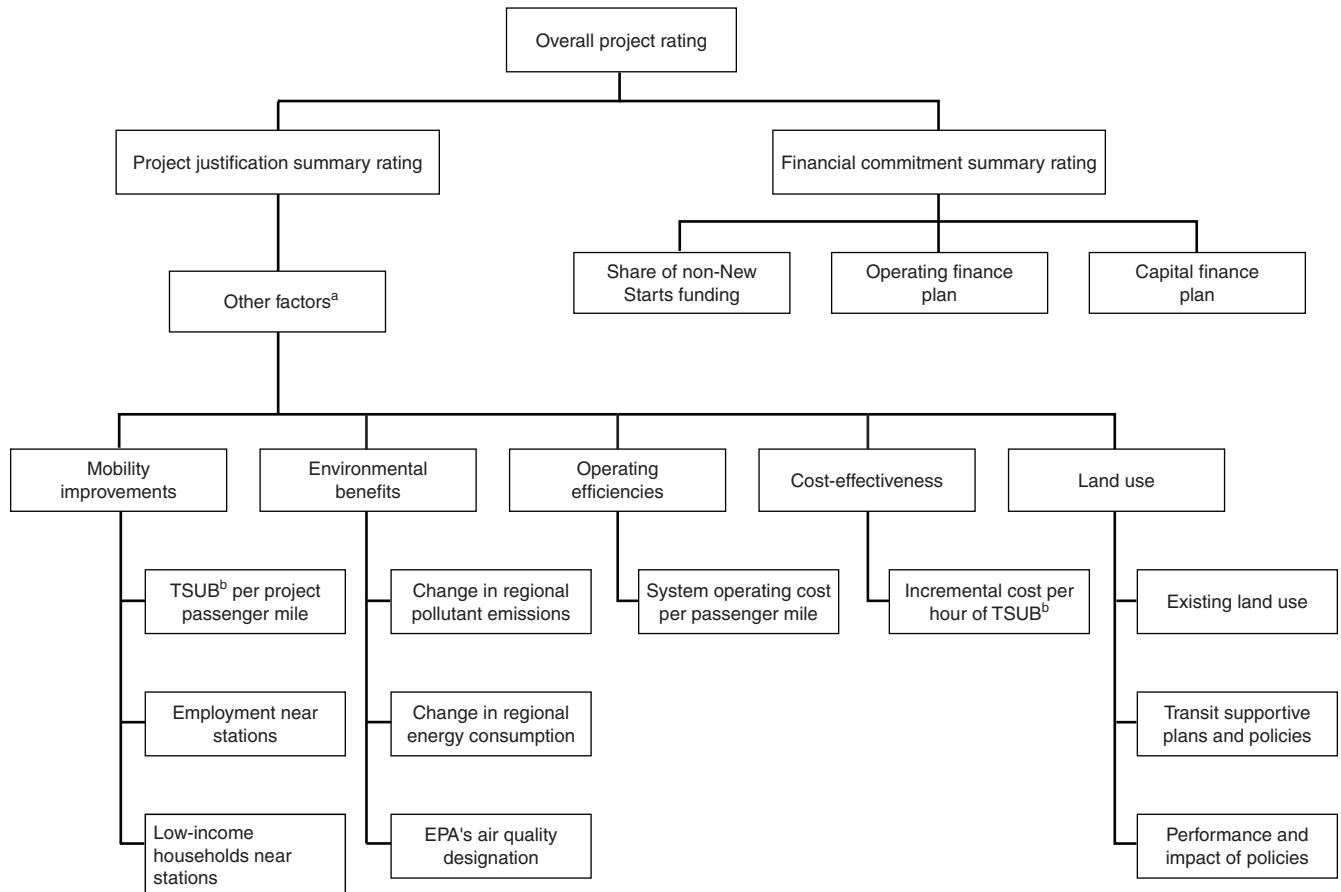
FTA has repeated the importance of using a multiple measure approach in many reports and other documents since then, including its annual reports to Congress. The New Starts regulations identify the measures FTA will use to evaluate projects from the project justification criteria outlined in TEA-21.³⁹ Figure 5 shows the project justification criteria identified by TEA-21 and the associated measures identified by FTA in the New Starts regulations. (See app. V for more detail on these measures.)

³⁷65 *Fed. Reg.* 76875 (Dec. 7, 2000).

³⁸65 *Fed. Reg.* 76873 (Dec. 7, 2000).

³⁹For the financial rating, the criteria also serve as the measures.

Figure 5: Criteria and Measures for Evaluating Projects, as Outlined in TEA-21 and FTA's New Starts Program Regulations



Source: FTA.

^aOther factors can include environmental justice and equity issues, economic development initiatives, innovative financing, etc.

^bTSUB = Transportation System User Benefits.

FTA Used Industry Input to Develop Measures for All Criteria Identified in TEA-21

The measures FTA uses to evaluate and rate New Starts projects have evolved over time, beginning years before TEA-21, through an iterative process involving Congress and the transit industry. FTA (then known as UMTA) introduced the first system for rating New Starts projects in 1984. At that time, projects were rated on cost-effectiveness (cost per new rider) and local financial commitment. Through ISTEA in 1991, Congress added mobility improvements, environmental benefits, and operating efficiencies

to the list of criteria FTA should use to evaluate projects and also added land use policies as an additional factor for consideration.

FTA circulated a policy paper in 1994, asking for public comment on its proposed measures and procedures for assessing projects to address the requirements laid out in ISTEA. The agency received 31 responses from transit operators, metropolitan planning organizations, state departments of transportation, and other interested parties. FTA used these responses in finalizing its criteria and measures in a notice published in 1996 in the *Federal Register*. In the 1994 policy paper, FTA also solicited comments on the appropriateness of using a multiple-measure method for evaluating projects. Respondents generally agreed that this was appropriate, although they were split on how (or whether) the various criteria should be weighted. FTA formally adopted the multiple-measure approach in 1996.

TEA-21 required FTA to issue regulations for the evaluation and rating process, and FTA used that rulemaking opportunity to revise several of the project justification measures. Before and during the rulemaking process, FTA conducted outreach sessions around the country, soliciting comments on its processes and procedures for managing the New Starts program. FTA issued a Notice of Proposed Rulemaking in 1999 and received comments from 41 individuals and organizations. In response to the comments, FTA made several changes to the project justification measures. For example, many of these commenters objected to the “cost per new rider” measure for cost-effectiveness, saying that the focus on new riders ignores benefits provided to other riders, which may bias the measure against cities with “mature” transit systems. In response, FTA replaced it with the incremental cost per hour of TSUB measure (to capture benefits to both new and existing riders). The agency also added a mobility improvements measure for employment near stations to complement the existing low-income households near stations measure in response to industry comments that a system that is located near low-income households is of little use to residents unless it can also provide access to employment and other activity centers.

Since issuing the regulations, FTA has continued efforts to fine-tune and improve some of the project justification measures. For example, FTA convened a panel of experts from the Urban Land Institute to discuss the land use measures and is seeking industry input on possible changes. FTA’s *Strategic Business Plan for Fiscal Year 2005* includes deliverables to (1) develop a land use measure that is more quantifiable, offers a better basis for distinguishing among projects, and provides grantees information with

which to improve their projects and (2) develop a methodology for measuring the congestion relief benefits of New Start projects.⁴⁰ Both are scheduled to be completed by summer 2005. FTA officials told us that the fiscal year 2005 program plan included research funds for these efforts. In addition, as discussed previously, FTA recently instituted technical modifications to the cost-effectiveness measure.

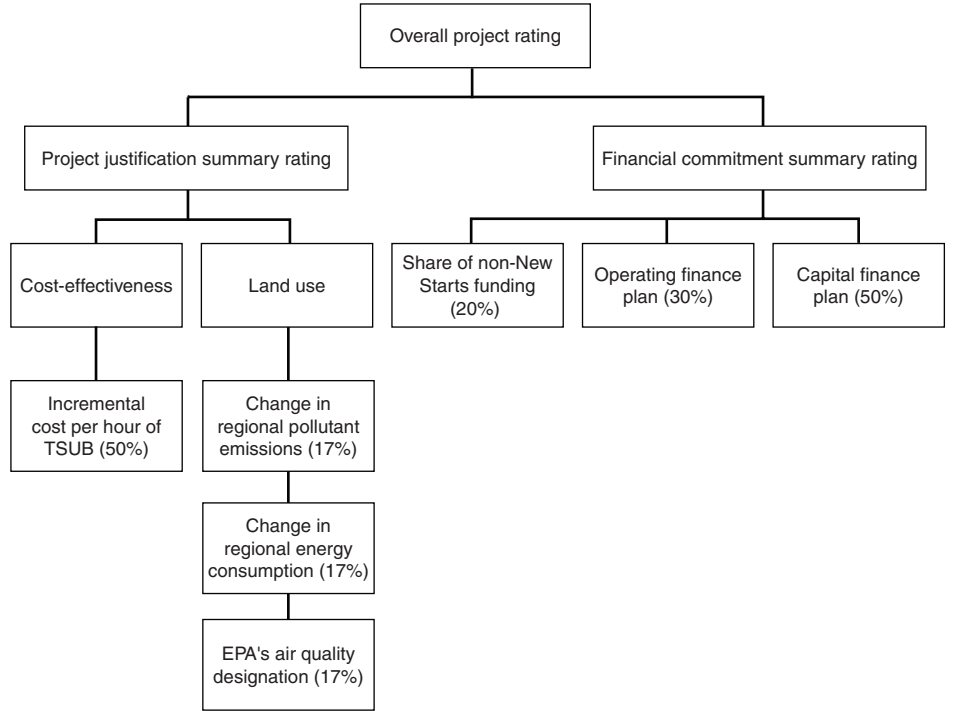
FTA Does Not Use All Project Justification Criteria in Determining Ratings Because of Perceived Weaknesses in the Measures

Despite the requirement to use multiple measures, FTA does not use three of the five project justification criteria in calculating a project's rating. Specifically, FTA currently assigns a weight of 50 percent each to the cost-effectiveness and land use criteria; the other three project justification criteria are not assigned weights (see fig. 6). In its annual report for fiscal year 2006, FTA stated that it assigns individual ratings for the other three project justification criteria and reports them in the annual report, but these ratings "are not considered in the determination of an overall project justification rating."⁴¹ FTA does, however, use all three financial commitment criteria in developing a project's rating.

⁴⁰The current mobility improvements and cost-effectiveness measure (i.e., TSUB) does not include highway congestion relief benefits.

⁴¹The rating for the mobility improvements may be used as a tie-breaker between cost-effectiveness and land use ratings—that is, a low mobility improvements rating will round down the summary rating and a mobility improvements rating above a low will cause the summary rating to be rounded up. However, FTA officials told us that ties have been rare in the last several years. The "other" factors will also be considered if there is a compelling reason to do so; however, an FTA official told us that to the best of his knowledge these other factors have never changed a project's rating.

Figure 6: Weights Used to Determine Project Justification and Financial Summary Ratings for New Starts Projects



Source: GAO presentation of FTA data.

Note: Numbers do not add to 100 due to rounding.

FTA officials told us that they do not use the mobility improvements, environmental benefits, and operating efficiencies criteria in determining the project justification summary rating because the measures do not, as currently structured, provide meaningful distinctions among competing New Starts projects. Many project sponsors we interviewed had similar views, noting that individual projects are too small to have much impact on the whole region or the whole transit system. For example, one of the environmental benefits measures requires project sponsors to measure the project's impact on the annual number of tons of emissions forecast for the region for various pollutants. FTA officials also said that they do not assign weight to the mobility improvements measures in determining the project justification rating because they believe that the employment and low-income household measures do not meaningfully distinguish among projects, and the user benefits are already captured in the cost-

effectiveness measure. Therefore, to count the user benefits as part of the mobility improvements would result in a double-counting of the benefits.⁴² In contrast, FTA officials told us that the cost-effectiveness and land use measures help to make meaningful distinctions among projects. For example, according to FTA, existing transit supportive plans and policies demonstrate an area's commitment to transit projects and are a strong indicator of a project's future success.

Because FTA officials believe that these project justification measures do not provide meaningful distinctions among projects and are not factored into a project's rating, FTA does not stringently evaluate the projects on the associated criteria. For instance, according to FTA's New Starts reporting instructions, every project must submit data on operating efficiencies and automatically receives a score of medium on that criterion. Similarly, a project that is in a nonattainment area for a pollutant and that demonstrates a projected decrease in that pollutant gets a high environmental benefits rating, while a project in an attainment area that demonstrates a decrease gets a medium environmental benefits rating.⁴³

The New Starts regulations do not specify the weights that should be assigned to each project justification criterion. FTA sought industry input on whether there should be a weighting system in the last rulemaking process; however, according to FTA officials, the agency did not receive input that was useful to inform its policy. Consequently, the regulations are silent on the weights that should be assigned to each criterion and do not prohibit FTA from treating various criteria as more important than other criteria. FTA instituted its current weighting system with the fiscal year 2004 evaluation cycle after determining that the operating efficiencies, environmental benefits, and mobility improvements measures do not effectively distinguish among projects and that there is overlap among the

⁴²For more information on double-counting the benefits of transportation investments, see 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).

⁴³The U.S. Environmental Protection Agency designates each region as in attainment, nonattainment, or maintenance—reflecting current compliance with the National Ambient Air Quality Standards under the Clean Air Act—for transportation-related pollutants including ozone, carbon monoxide, particulate matter, and nitrogen oxides. Geographic areas that have levels of a pollutant above those allowed by the standard are called nonattainment areas. Areas that did not meet the standard for a pollutant in the past but have reached attainment and met certain procedural requirements are known as maintenance areas.

mobility and cost-effectiveness measures. Because the regulations do not set forth the weights that should be assigned to each criterion, FTA did not amend the regulations when it instituted the current weighting system.

Although FTA does not use all of the project justification criteria identified in TEA-21 to calculate project ratings, project sponsors must submit information for all five project justification criteria and FTA publishes this information for each project in the New Starts annual report. FTA officials offered several reasons for requiring project sponsors to continue to provide this information. First, TEA-21 requires FTA to consider these criteria when evaluating projects. Even though not all of the project justification criteria count toward the rating, FTA officials told us that they review and consider all five criteria and, therefore, are operating within the evaluation framework established in TEA-21 and the New Starts regulations. Second, FTA officials said that they believe that mobility improvements, environmental benefits, and operating efficiencies are important and should be a part of the evaluation process, even though FTA does not yet have measures for these criteria that help make distinctions among projects for the purpose of rating and funding decisions. No measures are specified in TEA-21, which only describes the criteria FTA should use to evaluate and rate projects, so FTA has the flexibility to revise the measures as needed. FTA officials stated that they continue to examine and pursue options to improve the measures and that FTA has committed approximately \$500,000 of its fiscal year 2005 research funds to continue its work to improve the New Starts measures. The officials also said that they would wait to change these measures until legislation governing the New Starts program is reauthorized. They said that they will have to institute a formal rulemaking process at that time and would use that opportunity to solicit public comment on the New Starts evaluation and rating process. Third, FTA officials told us that information on these three criteria is presented in the annual report and may be useful to Congress and local decisionmakers. A number of project sponsors we spoke to expressed frustration that they must prepare and submit information for all the measures for the five project justification criteria even though some of this information does not contribute to the projects' ratings.

Project Sponsors and Others Identified Strengths and Weaknesses of the Measures and Suggested Improvements

Project sponsors we interviewed, as well as FTA, the Department of Transportation's Inspector General, and other industry experts have identified various strengths and weaknesses of the project justification measures used to evaluate the New Starts projects. For example, all of these sources acknowledge that FTA's measure of cost-effectiveness does not capture benefits that accrue to highway users as more people switch to the improved transit system and highway congestion decreases. According to the department's Inspector General, the omission of highway travel time savings means that the benefits from proposed projects that convey significant travel time savings for motorists are not recognized in the selection process. FTA noted that current local models used to estimate future travel demand for New Starts are incapable of estimating reliable highway travel time savings as a result of the New Starts project. According to the department's Inspector General, this limitation is due to unreliable local data on highway speeds.⁴⁴ FTA is working with the Federal Highway Administration to study ways to remedy this problem. Table 3 shows the strengths, weaknesses, and other concerns most commonly mentioned by the New Starts project sponsors we interviewed.

⁴⁴"The Rating and Evaluation of New Starts Transit Systems," Statement of the Honorable Kenneth M. Mead, Inspector General, U.S. Department of Transportation, before the Committee on Appropriations, Subcommittee on Transportation, Treasury and Independent Agencies, U.S. House of Representatives, April 28, 2004.

Table 3: Strengths, Weaknesses, and Other Concerns about New Starts Measures, as Identified by Project Sponsors

Criterion	Measure	Strengths	Weaknesses	Other concerns ^a
Mobility improvements	Transportation System User Benefits (TSUB) per project passenger mile	<ul style="list-style-type: none"> • Captures benefits to new and existing riders (3) 	<ul style="list-style-type: none"> • Does not include highway benefits (4) • Favors longer projects (3) 	<ul style="list-style-type: none"> • Unclear what it means or how it is used (6) • Difficult to explain (5) • Difficult/time-consuming to calculate (4)
	Employment near stations	<ul style="list-style-type: none"> • Measures the potential transit market (4) 	<ul style="list-style-type: none"> • Does not include projected or planned employment (3) • Does not capture benefits to the whole system or corridor (3) 	
	Low-income households near stations	<ul style="list-style-type: none"> • Measures the potential transit market (7) • Measures urban revitalization, equity, or social justice (3) 	<ul style="list-style-type: none"> • Does not measure “choice” riders (e.g., commuters); does not reflect purpose of all transit systems (8) • Does not really measure mobility (5) 	
Environmental benefits	Change in regional pollutant emissions	<ul style="list-style-type: none"> • Directly addresses pollution reduction (4) 	<ul style="list-style-type: none"> • Individual project has a small impact on the region (13) 	
	Change in regional energy consumption	<ul style="list-style-type: none"> • No consensus on strengths 	<ul style="list-style-type: none"> • Individual project has a small impact on the region (10) • This is not within the transit agency’s control (3) 	
	Environmental Protection Agency’s air quality designation	<ul style="list-style-type: none"> • Helps determine where transit is most needed (3) 	<ul style="list-style-type: none"> • Individual project has a small or no impact on the region’s designation (6) • This is not within the transit agency’s control (6) 	<ul style="list-style-type: none"> • Designation should not matter—all areas should be trying to improve air quality (3)
Operating efficiencies	System operating cost per passenger mile	<ul style="list-style-type: none"> • Understandable, simple, straightforward, reasonable (6) 	<ul style="list-style-type: none"> • Individual project has small impact on systemwide efficiency (5) • Incomplete by itself; needs context (3) 	
Cost-effectiveness	Incremental cost per hour of TSUB	<ul style="list-style-type: none"> • Captures/quantifies project benefits in one number for comparison (9) • Reasonable, understandable (3) • Improvement over old measure (3) 	<ul style="list-style-type: none"> • Sensitive to variations in underlying assumptions (5) • Does not include highway benefits (5) • Does not account for other local goals or benefits (5) • Does not include project’s impact on land use^b (3) 	<ul style="list-style-type: none"> • Complicated to calculate and explain (7) • Thresholds/caps seem arbitrary (4)

(Continued From Previous Page)

Criterion	Measure	Strengths	Weaknesses	Other concerns ^a
Land use	Existing land use	<ul style="list-style-type: none"> • Reflects current or future ridership (5) • Demonstrates project's benefits/need (3) 	<ul style="list-style-type: none"> • Focuses on present, but project is built for the future (5) • Subjective (3) 	
	Transit supportive plans and policies	<ul style="list-style-type: none"> • Emphasizes link between land use and transit (8) 	<ul style="list-style-type: none"> • Qualitative, difficult to document/measure (5) 	
	Performance and impact of policies ^c	<ul style="list-style-type: none"> • Measures actual public local support for transit (3) • Shows opportunity for expansion/development (3) 	<ul style="list-style-type: none"> • Qualitative, subjective, vague (8) 	

Source: GAO.

Note: Numbers in parentheses indicate response frequency. This table only includes responses that were mentioned by at least 3 of the 26 project sponsors we interviewed.

^aProject sponsors raised these other concerns during our discussions on the measures' strengths and weaknesses.

^bFor example, one project sponsor said that the measure does not account for local land use policies and the resulting development potential in the area, such as the impact of that city's 20-year zoning plans.

^cThis measure includes performance of land use policies and potential impact of transit project on regional land use.

In addition, in a recent report on the benefits and costs of transportation improvements, we identified challenges in measuring the benefits and costs of transit investments—some of which are relevant to the measures used by FTA to evaluate New Starts projects.⁴⁵ For example, desirable changes in land use are indirect benefits of a transportation investment, which are difficult to forecast and quantify. We also reported that social benefits such as reductions in environmental costs—including reduced emissions—were difficult to quantify and value. Additionally, we reported that there is great variation in the models local transportation planning agencies use to develop travel forecasts (which underlie many of the New Starts measures), producing significant variation in forecast quality and limiting the ability to assess quality against the general state of practice. Some experts have also found that travel demand models tend to predict unreasonably bad conditions in the absence of a proposed highway or transit investment. In particular, travel forecasting does not contend well with land-use changes or effects on nearby roads or other transportation alternatives that result from transportation improvements or growing congestion. Before conditions get as bad as they are forecasted, people

⁴⁵GAO-05-172.

make other changes, such as residence or employment changes, to avoid the excessive travel costs.⁴⁶

Our previous work has stated that agencies successful in measuring performance had performance measures that, among other things, demonstrate results and cover multiple priorities. Specifically, successful measures (1) are aligned with agencywide goals and mission and are clearly communicated throughout the organization; (2) are clearly stated, with a name and definition that are consistent with the methodology used to calculate the measures; (3) have a measurable target; (4) are objective; (5) are reliable; (6) cover core program activities; (7) have limited overlap with other measures; (8) provide balance in ensuring that various priorities are covered; and (9) address governmentwide priorities, such as quality and cost of service. For example, measures that are not objective may result in performance assessments that are systematically over- or understated, and a lack of balance could create skewed incentives when measures overemphasize some goals.⁴⁷ While these successful attributes were developed specifically for performance measures, they also could be useful in determining how to improve other types of measures, such as those FTA uses to evaluate and rate New Starts projects.

The sponsors of the 26 projects we interviewed had many suggestions for improving the project justification measures. These suggestions ranged from adding measures to the mobility improvements, environmental benefits, and land use criteria to changing the way in which operating efficiencies are calculated. The most commonly cited suggestions are listed in table 4, but we did not determine whether the suggestions were appropriate or feasible. FTA officials told us that they received limited suggestions for specific measures or methodologies for mobility improvements, environmental benefits, and operating efficiencies during the rulemaking process.

⁴⁶FTA introduced the Summit software in the fiscal year 2004 rating cycle to improve the accuracy of local travel models used to support New Starts projects. According to FTA, Summit has provided a means to identify and diagnose travel forecasting problems related to assumptions regarding fare and service policies, regional transportation networks, land use, and economic conditions. The software has also helped ensure that local forecasts are utilizing comprehensive and up-to-date data on travel behavior and local transportation systems.

⁴⁷See GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

Table 4: Suggestions for Improving New Starts Measures, as Identified by Project Sponsors

Area	Suggestions
Mobility improvements	<ul style="list-style-type: none"> • Add measures, such as population density, residential density, number of high-income households served, projected or planned employment near stations, retail and stadiums near stations, transit-oriented development, accessibility, or number of new riders (10)
Environmental benefits	<ul style="list-style-type: none"> • Add measures or replace existing measures with movement toward a sustainable transit system, effect of project on automobile congestion, number of cars taken off the road, noise quality, preservation of open space, or other measures identified in the Environmental Impact Statement (4)
Operating efficiencies	<ul style="list-style-type: none"> • Measure operating cost per passenger or per passenger hour instead of per passenger mile (3)
Cost-effectiveness	<ul style="list-style-type: none"> • Add measures, such as cost per new rider, in addition to the current measure of incremental cost per hour of Transportation System User Benefits (5) • Adjust thresholds for inflation^a (3)
Land use	<ul style="list-style-type: none"> • No consensus on suggestions

Source: GAO.

Notes: Numbers in parentheses indicate response frequency. This table only includes responses that were mentioned by at least 3 of the 26 project sponsors we interviewed.

^aFTA announced it was adjusting the cost-effectiveness thresholds for inflation on April 29, 2005, after we had completed our interviews.

Conclusions

TEA-21 and FTA's New Starts regulations clearly state that New Starts projects should be evaluated and rated using multiple criteria. Further, the statute and regulations identify the project justification criteria that should be used in the evaluation process, including mobility improvements, environmental benefits, operating efficiencies, cost-effectiveness, and land use, as well as the financial commitment criteria that should be used in the evaluation process. The regulations also identify the measures that will be used to operationalize the criteria. Although FTA uses all three financial criteria, in practice, FTA uses only two of the project justification criteria—cost-effectiveness and land use—to calculate a project's overall rating. FTA's reliance on two of the five project justification criteria, coupled with the recent cost-effectiveness practice for funding—which further emphasizes one criterion—is drifting away from the multiple-measure evaluation and rating process outlined in TEA-21 and the current New Starts regulations. According to FTA officials, FTA does not assign weights to environmental benefits, operating efficiencies, and mobility improvements because of weaknesses in the measures and the overlap of some measures that could result in double-counting of benefits. FTA has made notable progress in improving the measures for cost-effectiveness and land use, including seeking advice from experts and the transit industry and conducting pilot tests since the enactment of TEA-21.

However, given that FTA has been statutorily directed to also use environmental benefits, operating efficiencies, and mobility improvements in evaluating and rating projects, it is imperative that FTA either pay additional attention to improving these three criteria so that they can be more explicitly used in the evaluation process or explicitly demonstrate the linkages between these criteria and the measures used.

FTA has made a number of changes intended to enhance the rigor of the program over the past 6 years, and some of these changes, such as the Before and After study, risk assessment, and cost-effectiveness practice could help FTA hold project sponsors accountable for results and maximize the benefits of each dollar invested. However, FTA could improve the transparency of changes made to the New Starts program by giving project sponsors an opportunity to review and comment on any substantive changes before they are implemented. The Freedom of Information and Administrative Procedure Acts establish formal processes for notifying the public and making changes to federal programs, including soliciting comments about proposed changes. If FTA officials determine that a formal rulemaking process is unnecessary, FTA could still provide project sponsors an opportunity to review and comment on any substantive changes proposed for the New Starts program, potentially avoiding some of the implementation problems that have occurred in the past. In addition, the review and comment period could help FTA improve the proposed changes as well as gain industry buy-in and support for changes—elements that are critical for success.

FTA could also strengthen its communication efforts by improving its Web site so that project sponsors view it as a viable source for obtaining information about changes to the New Starts program. The Web site could provide a central forum for comprehensive, up-to-date information on the New Starts program and could also be useful for publicizing FTA's activities to improve the application, evaluation, rating, and oversight processes. Much of this information is already available on FTA's Web site. However, the information that remains is scattered in different locations and many project sponsors told us that it was difficult to locate needed information. Making the information easier to find could help reduce confusion about the New Starts process.

Recommendations for Executive Action

To ensure that the New Starts regulations reflect FTA's current evaluation and rating process, and to ensure that FTA's New Starts evaluation process and policies are objective, transparent, and follow the intent of federal

statute, we recommend that the Secretary of Transportation direct the Administrator, FTA, to take the following four actions:

- ensure that the agency's regulations governing the New Starts evaluation and rating process reflect FTA's current weighting practices for the criteria when the regulations are revised;
- improve the measures for evaluating New Starts projects so that all five project justification criteria can be used in determining a project's overall rating, or provide a crosswalk in the agency's New Starts regulations showing clear linkages between the criteria outlined in statute and the criteria and measures used in the rating process;
- publish future changes to the New Starts program in the *Federal Register* and subject future changes to the New Starts program to the rulemaking process or, at a minimum, a 30-day informal review and comment period, as appropriate. As part of this process, the agency should develop criteria for determining which changes should be subject to the rulemaking process, as outlined in federal statute, or to an informal review and comment period. At a minimum, these criteria could include changes that impose new reporting requirements or new analysis on project sponsors, changes to the principles used to recommend projects for funding, and changes to the weights assigned to the criteria used to evaluate and rate projects. The criteria should be communicated to Congress and to project sponsors and others in the transit community; and
- consolidate information and guidance related to the New Starts program in one location on the agency's Web site and regularly review this information to ensure it is up to date and easy to access.

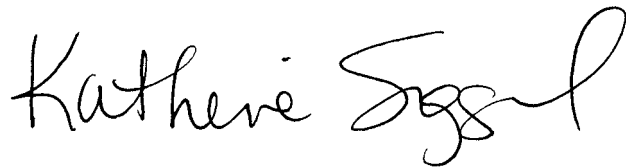
Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Transportation for review and comment. Officials from the Department and FTA indicated that they generally agreed with the report's findings, conclusions, and recommendations. FTA officials also provided technical clarifications, which we incorporated as appropriate.

We are sending copies of this report to congressional committees with responsibilities for transit issues; the Secretary of Transportation; the

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

If you or your staff have any questions on matters discussed in this report, please contact me at siggerudk@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO contacts and key contributors to this report are listed in appendix VI.

A handwritten signature in black ink that reads "Katherine Siggerud". The signature is written in a cursive style with a large, looping initial "K" and a long, sweeping tail on the "d".

Katherine Siggerud
Director, Physical Infrastructure

Scope and Methodology

To address our objectives, we reviewed the administration's fiscal year 2006 budget request, the Federal Transit Administration's (FTA) annual New Starts report, FTA's New Starts regulations, FTA's 2004 and 2005 reporting instructions for the New Starts program, federal statutes pertaining to the new Starts program, and previous GAO reports. We also interviewed FTA officials and representatives from the American Public Transportation Association, New Starts Working Group, and the Association of Metropolitan Planning Organizations. In addition, we attended FTA's New Starts roundtables with project sponsors in New York and San Francisco in April and May 2005, respectively.

We also conducted semistructured interviews with project sponsors from the 26 projects that were evaluated and rated in the fiscal year 2006 evaluation cycle (see table 5). These interviews were designed to gain project sponsors' perspectives on a number of topics, including the manner in which FTA communicates changes to the New Starts application, evaluation, rating, and project development oversight processes; the impact of the changes that FTA has made to the application, evaluation, rating, and project development oversight processes since the fiscal year 2001 evaluation cycle—the first full evaluation and rating cycle after the enactment of the Transportation Equity Act for the 21st Century (TEA-21); and the measures FTA uses to evaluate projects. To verify the clarity, length of time of administration, and understandability of the interview questions, as well as to determine whether respondents had sufficient knowledge and information to answer the questions, we pretested the questions with three project sponsors. We made changes to the content and format of the final set of interview questions as a result of these pretests. After conducting the interviews with sponsors from all 26 projects, we used a content analysis to systematically determine project sponsors' views on key interview questions and identify common themes in project sponsors' responses. Two analysts reached consensus on the coding of the responses, and a third reviewer was consulted in case of disagreements, to ensure that the codes were reliable.

Table 5: Projects Contacted for Our Review

Location	Project
Final design or proposed for full funding grant agreement	
Charlotte	South Corridor LRT
Las Vegas	Resort Corridor Downtown Extension
New York City	Long Island Rail Road East Side Access
Phoenix	Central Phoenix/East Valley LRT
Pittsburgh	North Shore LRT Connector
Raleigh-Durham	Regional Rail System
Washington County	Wilsonville to Beaverton Commuter Rail
Preliminary engineering	
Boston	Silver Line Phase III
Dallas	Northwest/Southeast Light Rail MOS
Denver	West Corridor LRT
Fort Collins	Mason Transportation Corridor
Hartford	New Britain-Hartford Busway
Los Angeles	Mid-City/Exposition Corridor LRT
Miami	North Corridor Metrorail Extension
Minneapolis-Big Lake	Northstar Corridor Rail
New Orleans	Desire Streetcar Line
New York City	Second Ave. Subway MOS
Norfolk	Norfolk LRT
Northern VA	Dulles Corridor Metrorail Extension to Wiehle Ave.
Orange County	Centerline LRT
Philadelphia	Schuylkill Valley Metrorail
Portland	South Corridor I-205/Portland Mall LRT
Salt Lake City	Weber County to Salt Lake City Commuter Rail
San Diego	Mid-Coast LRT Extension
San Francisco	New Central Subway
Santa Clara County	Silicon Valley Rapid Transit Corridor

Sources: GAO and FTA.

Note: LRT = Light Rail Transit; MOS = Minimum Operable Segment

To ensure the reliability of information presented in this report, we interviewed FTA officials about FTA's policies and procedures for compiling the New Starts annual reports, including FTA's data collection and verification practices for New Starts information. Specifically, we asked them whether their policies and procedures had changed

significantly since we reviewed them for our 2004 report on New Starts.¹ FTA officials told us that there were no significant changes in their data collection and verification policies and procedures for New Starts information. Therefore, we concluded that the FTA information presented is sufficiently reliable for the purposes of this report.

We conducted our work from November 2004 through May 2005 in accordance with generally accepted government auditing standards, including standards for data reliability.

¹GAO, *Mass Transit: FTA Needs to Better Define and Assess Impact of Certain Policies on New Starts Program*, [GAO-04-748](#) (Washington, D.C.: June 25, 2004).

Projects with Existing FFGAs and Projects in Preliminary Engineering and Final Design in the Fiscal Year 2006 Cycle

Dollars in millions

State/ territory	Location/project	Overall project rating/status	Fiscal year 2006 recommended funding	Total New Starts funding scheduled by FFGA or requested by project sponsors
Projects with existing full funding grant agreements (FFGAs)				
CA	Los Angeles—Metro Gold Line East Side Extension	FFGA	\$80.0	\$490.7
CA	San Diego—Mission Valley East Light Rail Transit (LRT) Extension	FFGA	7.7	330.0
CA	San Diego—Oceanside-Escondido Rail Corridor	FFGA	12.2	152.1
CA	San Francisco—Bay Area Rapid Transit Extension to San Francisco Airport	FFGA	81.9	750.0
CO	Denver—Southeast Corridor LRT	FFGA	80.0	525.0
IL	Chicago—Douglas Branch Reconstruction	FFGA	45.2	320.1
IL	Chicago—North Central Corridor Commuter Rail	FFGA	20.6	135.3
IL	Chicago—Ravenswood Line Extension	FFGA	40.0	245.5
IL	Chicago—South West Corridor Commuter Rail	FFGA	7.3	103.0
IL	Chicago—Union Pacific West Line Extension	FFGA	14.3	80.8
MD	Baltimore—Central LRT Double-Track	FFGA	12.4	120.0
NJ	Northern New Jersey—Hudson-Bergen Minimum Operable Segment (MOS)-2	FFGA	100.0	500.0
OH	Cleveland—Euclid Corridor Transportation Project	FFGA	24.8	82.2
OR	Portland—Interstate MAX LRT Extension	FFGA	18.1	257.5
PR	San Juan—Tren Urbano	FFGA	10.2	307.4
WA	Seattle—Central Link Initial Segment	FFGA	80.0	500.0
Subtotal			634.6	4,899.6
Projects recommended for FFGAs				
AZ	Phoenix—Central Phoenix/ East Valley LRT	Recommended	90.0	587.2
NC	Charlotte—South Corridor LRT	Recommended	55.0	192.9
NY	New York—Long Island Rail Road East Side Access	Highly recommended	390.0	2,632.0
PA	Pittsburgh—North Shore LRT Connector	Recommended	55.0	217.7
Subtotal			590.0	3,629.8

**Appendix II
Projects with Existing FFGAs and Projects in
Preliminary Engineering and Final Design in
the Fiscal Year 2006 Cycle**

(Continued From Previous Page)

Dollars in millions

State/ territory	Location/project	Overall project rating/status	Fiscal year 2006 recommended funding	Total New Starts funding scheduled by FFGA or requested by project sponsors
Projects in final design				
MO	Kansas City—Southtown Bus Rapid Transit (BRT)	Exempt		12.3
NC	Raleigh-Durham—Regional Rail System	Not rated		416.1
NV	Las Vegas—Resort Corridor Downtown Extension	Not recommended		159.7
OR	Washington County—Wilsonville to Beaverton Commuter Rail ^a	Recommended		51.8
TN	Nashville—East Corridor Commuter Rail	Exempt		23.5
Subtotal				663.4
Projects in preliminary engineering				
AK	Wasilla—South Wasilla Track Realignment	Exempt		N/A
CA	Los Angeles—Exposition Corridor LRT	Not rated		276.0
CA	Orange County—CenterLine LRT	Not rated		482.8
CA	San Diego—Mid-Coast LRT Extension ^a	Recommended		65.8
CA	San Francisco—Central Subway	Recommended		762.2
Projects in preliminary engineering				
CA	Santa Clara County—Silicon Valley Rapid Transit Corridor	Not recommended		973.0
CO	Denver—West Corridor LRT ^a	Recommended		249.0
CO	Fort Collins—Mason Transportation Corridor	Not recommended		33.0
CT	Hartford—New Britain-Hartford Busway	Not recommended		168.5
DE	Wilmington—Wilmington to Newark Commuter Rail Improvements	Exempt		24.9
FL	Miami—North Corridor Metrorail Extension	Not rated		421.3
FL	Tampa Bay—Tampa Bay Regional Rail ^b	Not recommended		727.7
LA	New Orleans—Desire Streetcar Line	Not recommended		68.7
MA	Boston—Silver Line Phase III	Recommended		468.3
MN	Minneapolis-Big Lake—Northstar Corridor Rail	Not recommended		132.5
NY	New York—Second Avenue Subway MOS ^a	Highly recommended		1,300.0
OR	Portland—South Corridor I-205/Portland Mall LRT	Recommended		296.2
PA	Harrisburg—CORRIDORone Rail MOS	Exempt		24.9
PA	Philadelphia—Schuylkill Valley MetroRail	Not recommended		2,071.1

**Appendix II
Projects with Existing FFGAs and Projects in
Preliminary Engineering and Final Design in
the Fiscal Year 2006 Cycle**

(Continued From Previous Page)

Dollars in millions

State/ territory	Location/project	Overall project rating/status	Fiscal year 2006 recommended funding	Total New Starts funding scheduled by FFGA or requested by project sponsors
RI	Providence—South County Commuter Rail	Exempt		24.9
TX	Dallas—Northwest/Southeast Light Rail MOS ^a	Recommended		700.0
TX	El Paso—Sun Metro Area Rapid Transit Starter Line	Exempt		N/A
UT	Salt Lake City—Weber County to Salt Lake City Commuter Rail ^a	Recommended		466.8
VA	Norfolk—Norfolk LRT	Not rated		100.7
VA	Northern Virginia—Dulles Corridor Metrorail Project - Extension to Wiehle Avenue	Recommended		760.5
Subtotal				10,598.8
Total			1,224.6	19,791.6

Source: FTA.

Note: Totals may not add due to rounding.

^aProjects proposed for potential federal funding commitments outside of full funding grant agreements.

^bThis project has since withdrawn from the New Starts application process.

Status of Previous GAO Recommendations for Improving the New Starts Evaluation Process

Report	Recommendation	Status
GAO/T-RCED-00-104	The Federal Transit Administration (FTA) should prioritize the projects it rates as highly recommended or recommended and ready to receive New Starts funds.	FTA officials told us that their recently implemented cost-effectiveness practice was partly in response to this recommendation. FTA will generally not recommend funding for a project that does not achieve at least a "medium" cost-effectiveness rating.
GAO-01-987	FTA should make commitment authority allocated to projects for which the federal funding commitments have been withdrawn available for all projects competing for New Starts funding (i.e., "release" the funding).	In fiscal year 2003, FTA released \$157 million in commitment authority reserved for a Los Angeles Mid-City subway project that had been suspended for more than 3 years.
GAO-03-701	FTA should amend its regulations governing the level of federal funding share for projects to reflect its policy of favoring projects that request less than 60 percent New Starts funding.	FTA disagreed with this recommendation, arguing that its preference policy is not a legally binding requirement and therefore should not be reflected in the New Starts regulations. However, the agency did change the way it characterized the policy in its fiscal year 2006 New Starts annual report. This document states that FTA "generally" will not recommend funding for projects that request more than a 60 percent New Starts share of funding.
GAO-03-701	FTA should issue additional guidance to transit agencies describing FTA's expectations regarding the local travel forecasting models and the specific type of data FTA requires to calculate the Transportation System User Benefits measure.	FTA completed several actions and has other ongoing efforts to address the recommendation. (1) FTA provided additional guidance in its reporting instructions, clarifying the practices that must be followed in preparing the Transportation System User Benefits measure. (2) FTA provided additional guidance in July 2003, on how it would evaluate the measures in the fiscal year 2005 rating process. (3) FTA held several special workshops for transit agencies on Transportation System User Benefits, travel forecasting, and development of transit alternatives. (4) FTA initiated a proactive outreach to project sponsors to help them prepare and evaluate the measure, identifying weaknesses in their proposed measure and suggesting improvements. (5) FTA has a number of ongoing planned improvements to its guidance, including developing a users guide to the Summit software, developing case studies and exemplary practices, and updating its guidance on travel forecasting for New Starts projects.
GAO-04-748	FTA should clearly explain the basis on which it decides which projects will be recommended for funding outside of full funding grant agreements, and what projects must do to qualify for such a recommendation. These explanations should be included in FTA's annual New Starts report and other published New Starts guidance.	In its fiscal year 2006 New Starts report, FTA described its criteria for recommending projects for funding outside of full funding grant agreements. These criteria include projects that were in or nearing final design, received overall highly recommended or recommended ratings, and had cost-effectiveness ratings above a "low."

**Appendix III
Status of Previous GAO Recommendations
for Improving the New Starts Evaluation
Process**

(Continued From Previous Page)

Report	Recommendation	Status
GAO-04-748	FTA should examine the impact of its preference policy on projects currently in the evaluation process, as well as projects in the early planning stages, and examine whether its policy results in maximizing New Starts funds and local participation.	FTA has not implemented this recommendation.

Source: GAO.

Key New Starts Provisions Contained in House and Senate Reauthorization Bills

Provision	Senate proposal	House proposal
Streamline the New Starts evaluation process for projects under \$75 million	<ul style="list-style-type: none"> Allows the Secretary of Transportation discretion to develop a streamlined evaluation process for projects requesting less than \$75 million in New Starts funds. Eliminates the “exempt” classification for projects requesting less than \$25 million in New Starts funding and allows FTA to analyze and rate all projects through a streamlined process. 	<ul style="list-style-type: none"> Establishes a “Small Starts” program for projects requesting between \$25 million and \$75 million in New Starts funding, with a total project cost of less than \$200 million. These projects would be evaluated through a streamlined rating process. Maintains the “exempt” classification for projects requesting less than \$25 million in New Starts funding.
Expand the definition of eligible projects	<ul style="list-style-type: none"> Allows nonfixed-guideway transit projects (e.g., bus rapid transit operating in nonexclusive lanes) requesting less than \$75 million to be eligible for New Starts funding. 	<ul style="list-style-type: none"> Expands New Starts funding eligibility to include nonfixed-guideway projects with a majority of fixed-guideway components seeking between \$25 million and \$75 million as part of its “Small Starts” initiative.
Change the rating categories	<ul style="list-style-type: none"> Revises the current rating system (that uses “highly recommended,” “recommended,” and “not recommended” ratings) to five levels of ratings: “high,” “medium-high,” “medium,” “medium-low,” and “low.” 	<ul style="list-style-type: none"> Maintains the current rating system.
Maintain a maximum federal New Starts share at 80 percent	<ul style="list-style-type: none"> Maintains the maximum New Starts share at 80 percent for individual projects (in contrast to the administration’s reauthorization proposal, which would lower the maximum New Starts share to 50 percent). 	<ul style="list-style-type: none"> Maintains the maximum New Starts share at 80 percent for individual projects. Specifically prohibits FTA from requiring a nonfederal share that is more than 20 percent of the project’s cost.
Formalize communication about changes	<ul style="list-style-type: none"> Requires FTA to issue periodic descriptions of the review and evaluation process and criteria and allow for public comment. 	<ul style="list-style-type: none"> Requires FTA to provide notice and an opportunity for comment at least 60 days before issuing any nonregulatory substantive changes.

Sources: H.R. 3, 109th Cong. (2005), and 151 *Cong. Rec.* S5667-S5669 (daily ed. May 20, 2005).

FTA's Project Justification Measures for Evaluating and Rating New Starts Projects

Criterion	Measure	Definition
Mobility improvements	Transportation System User Benefits per project passenger mile (normalized travel time savings)	Annual Transportation User Benefits (user expenditure savings between New Starts baseline and build alternatives) per forecasted project passenger mile, divided by total Transportation System User Benefits per passenger mile
	Low-income households served	Estimated number of low-income households (i.e., households below the poverty level) located within 1/2 mile of boarding points (transit stations) on the proposed New Starts project
	Employment near stations	Number of jobs within 1/2 mile of the New Starts project's proposed transit stations
Environmental benefits	Change in criteria pollutant/precursor emissions	Annual number of tons of emissions forecast for the region—comparing conditions under the New Starts investment to the New Starts baseline alternative—for carbon monoxide, particulate matter, nitrogen oxides, volatile organic compounds, and carbon dioxide
	Change in regional energy consumption	Net impact on energy savings as a result of changes in automobile and commercial travel in the region, offset in part by the energy requirements for operation of the proposed transit investment, measured in British Thermal Units
	Current Environmental Protection Agency regional air quality designation	U.S. Environmental Protection Agency's current air quality designation for the region, reflecting current compliance with the National Ambient Air Quality Standards, reported as attainment, nonattainment, or maintenance for transportation-related pollutants including ozone, carbon monoxide, particulate matter, and nitrogen oxides
Operating efficiencies	Operating cost per passenger mile	Change in systemwide operating cost per passenger mile in the forecast year, comparing the New Starts build alternative to the baseline alternative
Cost-effectiveness	Incremental cost of Transportation System User Benefits	Annualized capital and operating costs divided by Transportation System User Benefits (annual user expenditure savings) of the New Starts project as compared to the baseline
Land use	Existing land use	Includes corridor and station area development, character (i.e., residential, commercial, mixed-use), pedestrian facilities, and parking supply
	Transit supportive plans and policies	Includes growth management, transit supportive corridor policies, supportive zoning regulations near transit stations, and tools to implement land use policies
	Performance and impact of policies	Includes performance of land use policies and potential impact of transit project on regional land use

Source: FTA.

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