



**U.S. Department of Transportation
Federal Transit Administration**

**NEW STARTS AND
SMALL STARTS
WORKSHOP**

**APTA Legislative Conference
March 17, 2010**



Topics

- Recent Developments
- Overview of the Program
- Project Planning & Development
- New Starts Evaluation and Funding
- Small Starts Evaluation and Funding
- Pre Award Authority and LONPs



Recent Announcements

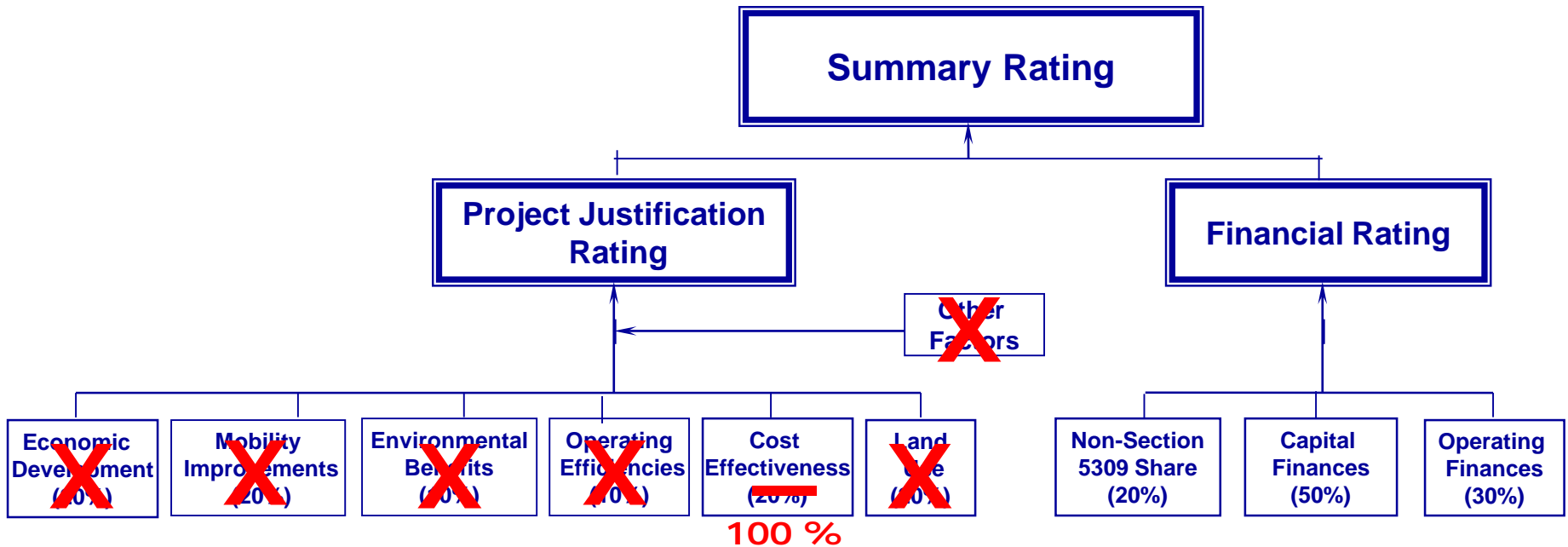


New Starts Budget Decision-Making

- **March 2005 - Budget Formulation Directive instituted**
- **Created a threshold test:**
 - March 2005 – Dear Colleague Letter: “the Administration will target its funding recommendations in FY 2006 and beyond to those proposed New Starts projects able to achieve a “medium” or higher rating for cost-effectiveness.”



New Starts Budget Decision-Making (continued)



Despite statutory evaluation criteria, 2005 directive based the President's Budget decision on cost-effectiveness



New Starts Budget Policy Change

Recent
News

- On January 13, Secretary LaHood announced the Obama Administration is restoring the statutorily prescribed process
 - March 2005 Dear Colleague letter is no longer in effect
 - In order to be recommended for funding in the budget, a project must receive an overall rating of at least “Medium”



New Starts Budget Policy Change (continued)

- FTA will also be initiating a rulemaking process in the near future
- FTA will propose changes to our regulatory framework so that it reflects the wide range of benefits that transit provides:
 - Will give meaningful consideration to transit travel time, but also economic development, environmental, social, and congestion relief benefits
 - Will include a revised cost effectiveness measure that will recognize these benefits
- FTA encourages public participation in that process and seeks feedback



Near Term Implications of Policy Change

- Only immediate change is how budget decisions for construction funding are made
- Until such time as the rulemaking process is completed:
 - New and Small Starts evaluation and rating process, including the calculation of cost-effectiveness, will remain as it is
 - Cost-effectiveness will continue to be evaluated as one of the six statutory project justification criteria
 - FTA's review of ridership estimations, calculation of travel time savings, and comparison with a baseline alternative will continue



Implications for Projects

- A project's scope or cost might change, as long as the project will be able to maintain an overall New Starts rating of at least "Medium"
- The implications of changing the scope or cost of a New Starts project already under development could have effects on:
 - Environmental requirements
 - Schedule
 - Funding requirements



Livability Notices of Funding Availability

**Recent
News**

- Two notices of funding availability published in early December
 - Bus Livability - \$150 million in previous years' unallocated Bus discretionary funds available
 - Urban Circulator - \$130 million in previous years' unallocated New Starts funds available
- Projects evaluated on six livability principles outlined in DOT-EPA-HUD partnership
 - Provide more transportation choices
 - Promote equitable, affordable housing
 - Enhance economic competitiveness
 - Support existing communities
 - Coordinate policies and leverage investment
 - Value communities and neighborhood



Livability Notices of Funding Availability (continued)

- Applications due to FTA February 10, 2010
 - Bus Livability -- 270 applications received (some with more than 1 project), more than \$2 billion in requests
 - Urban Circulator -- 65 applications received, more than \$1 billion in requests
- Applications currently under review
- Announcement of awards late Spring



Transportation Investment Generating Economic Recovery (TIGER program)

**Recent
News**

- \$1.5 billion from the American Recovery and Reinvestment Act
- 1,400 applicants requesting more than \$60 billion in funding
- February 17th -- the Secretary announced 51 projects selected for awards (14 were transit projects)
- Selections based on:
 - contribution to economic competitiveness of the nation
 - improving safety and the condition of the existing transportation system
 - increasing quality of life
 - reducing greenhouse gas emissions
 - strong collaboration among a broad range of participants, including the private sector
- Outreach will be held to discuss why projects were not selected



National Infrastructure Investments



New

- \$600 million included in the FY10 Appropriations Act
- Structured very similarly to TIGER program
- Eligible projects include:
 - highway or bridge projects
 - public transportation projects
 - passenger and freight rail transportation projects
 - port infrastructure investments
- Grants shall not be less than \$10 M and not greater than \$200 M
- Maximum 80 percent Federal share (exceptions for rural areas)
- Notice of Funding Availability this Spring or Summer



Future FTA Funding Opportunities



- FTA has approximately \$1 billion in discretionary funding available
- Funds predominantly from FY10 Appropriations Act, although some are previous years' unallocated or lapsed funds
- Additional notice or notices of funding availability will be published in near future
- Funding is available from various programs:
 - Bus and Bus facilities
 - Alternatives Analysis
 - TIGGER
 - Clean fuels
 - Tribal Transit
 - Transit in the Parks



Program Overview



New and Small Starts Program Overview

- **What is a New or Small Start?**
 - New “fixed guideways” and extensions to existing systems
 - Corridor based bus systems
 - Includes light rail, heavy rail, commuter rail, bus rapid transit
- **A Discretionary & Competitive Federal Grant Program**
 - \$1.99 billion appropriated in Fiscal Year 2010
 - Demand for funds exceeds supply
 - Historical average federal New Starts share = 50%
 - Largest discretionary Obama Administration Livability program
- **Evaluation** – As directed in law, FTA evaluates and rates projects:
 - Annually in a Report to Congress (due First Monday in February)
 - For entry into Preliminary Engineering
 - For entry into Final Design
 - Prior to Full Funding Grant Agreement (FFGA) and construction
- **Record of Success** – Over 100 major projects over 35 years



Characteristics of a New Starts Project

- New fixed guideway systems and extensions
- New Starts funding sought is $> \$75\text{M}$ and/or costs $\geq \$250\text{M}$
- Fixed guideway is either:
 - rail OR
 - a separate right-of-way for the use of public transportation or high occupancy vehicles OR
 - a catenary and right-of-way usable by other forms of transportation



Characteristics of a Small Starts Project

- Total cost <\$250 million and Small Starts share <\$75 million
- Fixed guideway along at least 50 percent of the project length in the peak period. Fixed guideway is:
 - rail OR
 - a separate right-of-way for the use of public transportation or high occupancy vehicles OR
 - a catenary and right-of-way usable by other forms of transportationOR
- Corridor bus project including at least:
 - Substantial transit stations
 - Traffic signal priority or pre-emption
 - Low floor buses or level boarding
 - Branding of the proposed service
 - 10 min peak/15 min off-peak headways or better while operating at least 14 hours a day



Characteristics of a Very Small Starts Project

- Must meet the Small Starts criteria for cost and scope
- Plus additional eligibility criteria:
 - Total cost < \$50 million
 - Cost per mile < \$3 million per mile, excluding rolling stock
 - Existing weekday riders over 3,000



New Starts/Small Starts Funding: Supply and Demand

- Demand:
 - 25 New Starts projects in PE and Final Design
 - 10 Small Starts projects in Project Development
 - Total cost of pipeline: ~\$35 billion, ~\$15 billion in New/Small Starts funding
 - FTA tracking >100 corridor focused planning studies considering major transit capital investments
- Supply: \$1.8+ billion annually



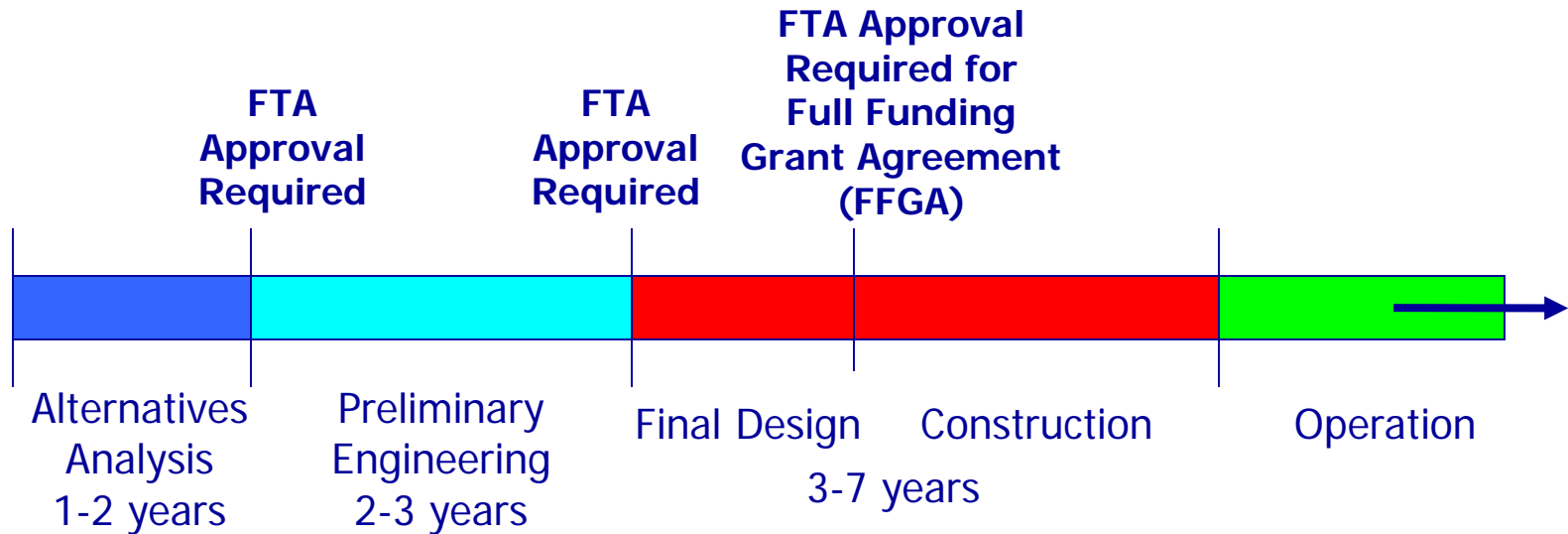
Program Goals

- Fund meritorious projects
 - Develop reliable information on project benefits and costs
 - Ensure projects treated equitably nationally
 - Ratings and funding recommendations are based on the best information available
 - Facilitate communication between FTA, transit industry and Congress



New Starts Project Development Process

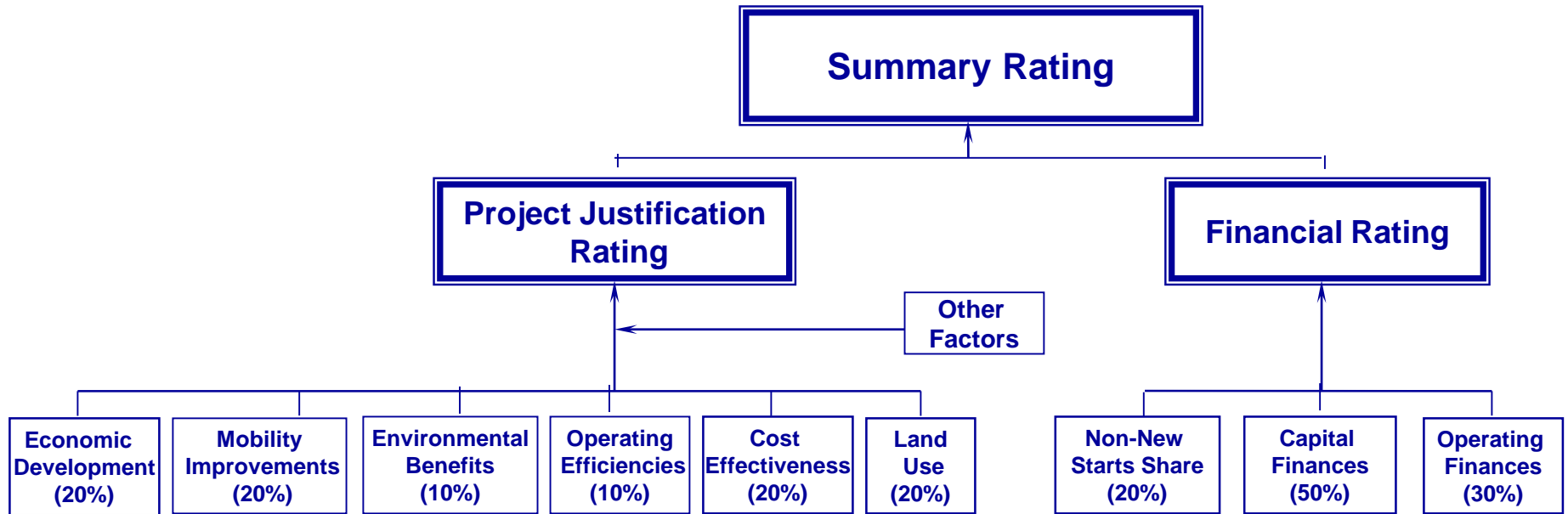
- Project Development: Typically 6-12 Years



Some local keys to accelerate a project:
consensus (route, mode, stations), funding, and environmental work



Statutory New Starts Project Evaluation and Rating Framework

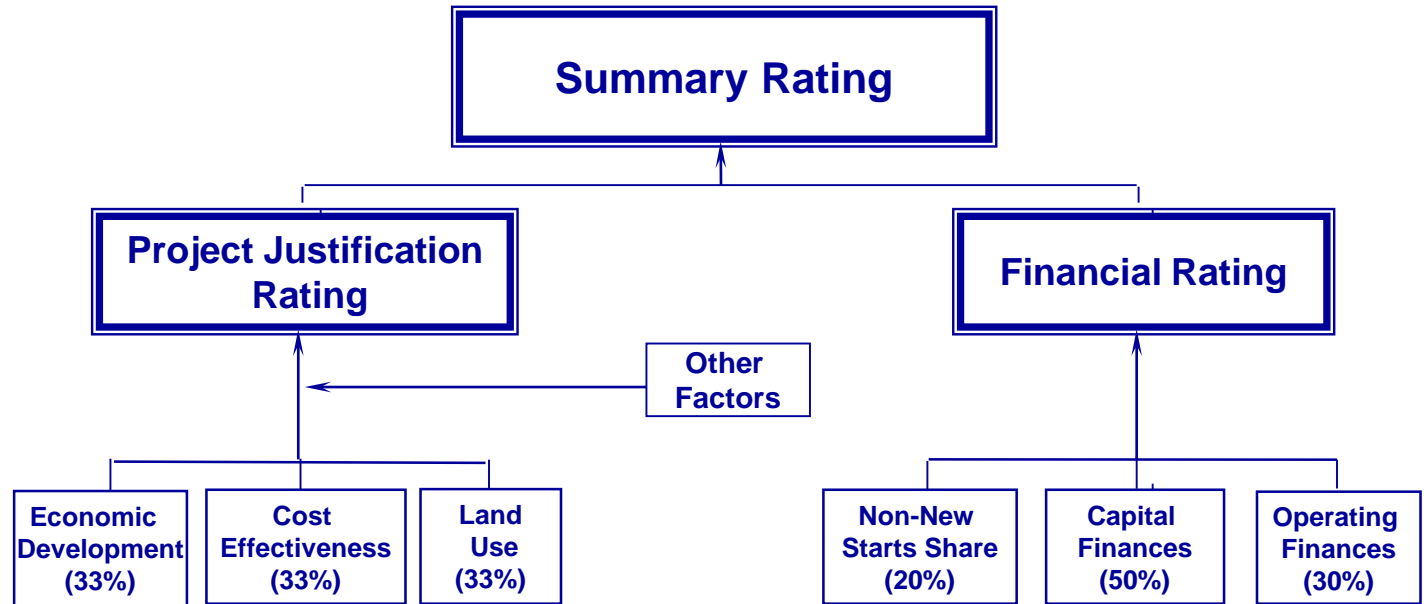


Minimum Project Development Requirements:





Statutory Small Starts Project Evaluation and Rating Framework



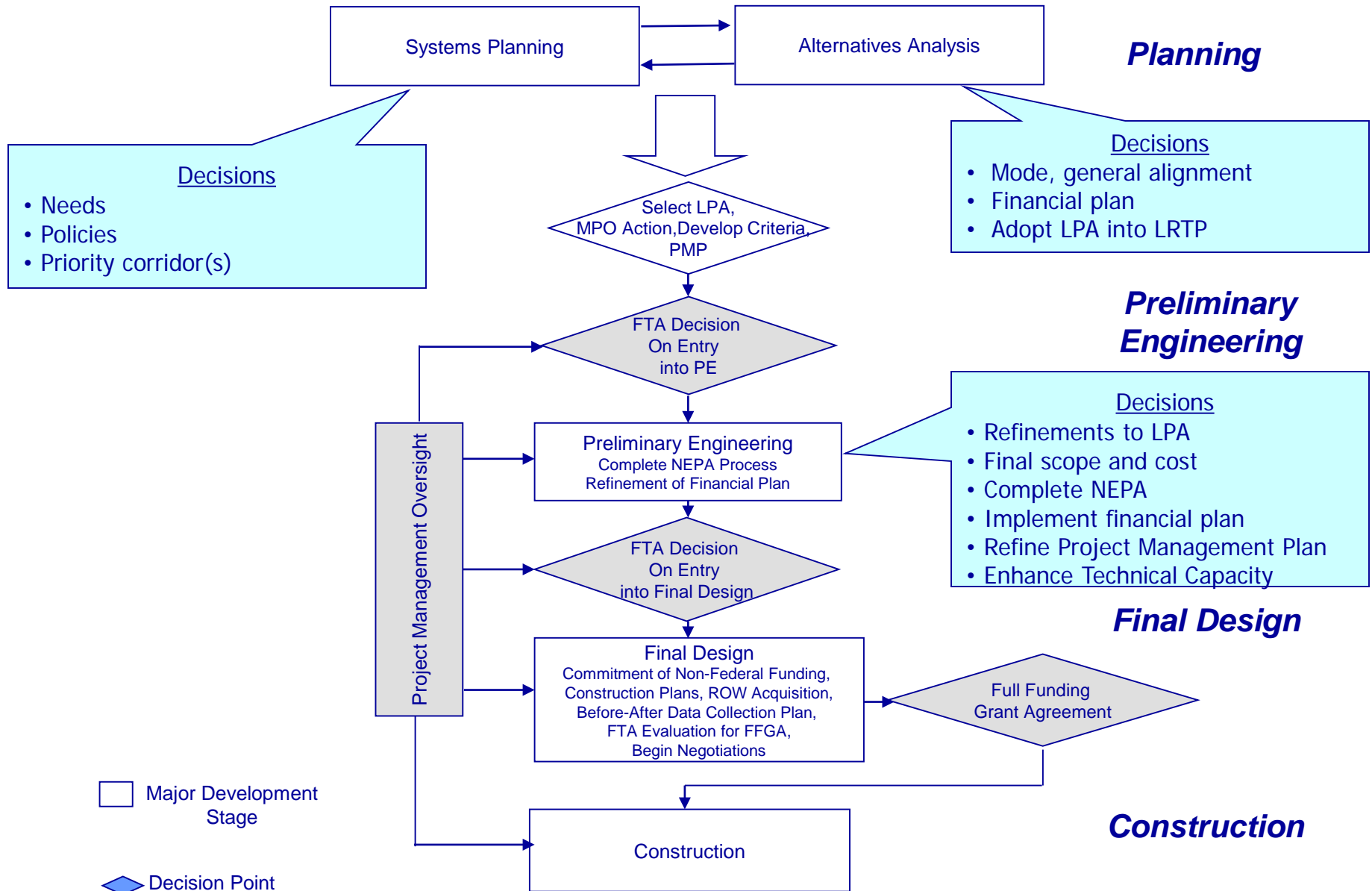
Minimum Project Development Requirements:

Metropolitan Planning and Programming Requirements	Project Management Technical Capability	Federal environmental Approvals (NEPA)	Other Considerations
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Planning and Project Development

New Starts Planning and Project Development Process





Requirements for FTA Approval into Preliminary Engineering

- Completed alternatives analysis
- No outstanding planning issues remain
- Locally preferred alternative adopted into fiscally constrained long range plan
- New Starts evaluation measures confirmed reasonable:
 - Capital Cost, Scope, Schedule
 - Operating Costs
 - Travel Forecasts and definition of baseline alternative
 - Financial Plan
- Project Management Plan
- Sponsor demonstration of technical capacity
- “Medium” or higher rating for project
 - at least medium rating for both project justification and local financial commitment



Requirements for FTA Approval into Final Design

- Completed NEPA process (ROD or FONSI)
- Completed FTA Risk Assessment Process
- Approved Project Management Plan (PMP)
- Approved Rail and Bus Fleet Management Plan
- Addressed Railroad Right-of-Way (ROW) Issues
- Established Process for Real Estate and ROW Acquisition
- “Medium” or Higher Project Rating
 - At least Medium rating for both Project Justification and Finance (including commitment of 50% of non-5309 funds)



FTA Review of Cost, Scope, Schedule

Examines whether the data is:

- Mechanically correct and complete
- Free of any material inaccuracies
- Consistent with relevant, identifiable industry or engineering practices
- Uniformly applied and consistent in the method of calculation
- Consistent with the project scope
- Uniform in escalation of costs from the base year to the year-of-expenditure \$
- Reasonable escalation factors (YOE\$)
- Soundness of the economic forecasts and escalation factors to be applied



FTA Risk Assessment

- Consists of three parts: Risk identification, Risk assessment, Risk mitigation/monitoring
- Identifies issues at early stage before they become problems
- Identifies feasible solutions at a stage before they are precluded
- Provides opportunities for improving the cost and schedule
- Facilitates the development of strategies with mitigation risk



Risk Assessment Process FAQs

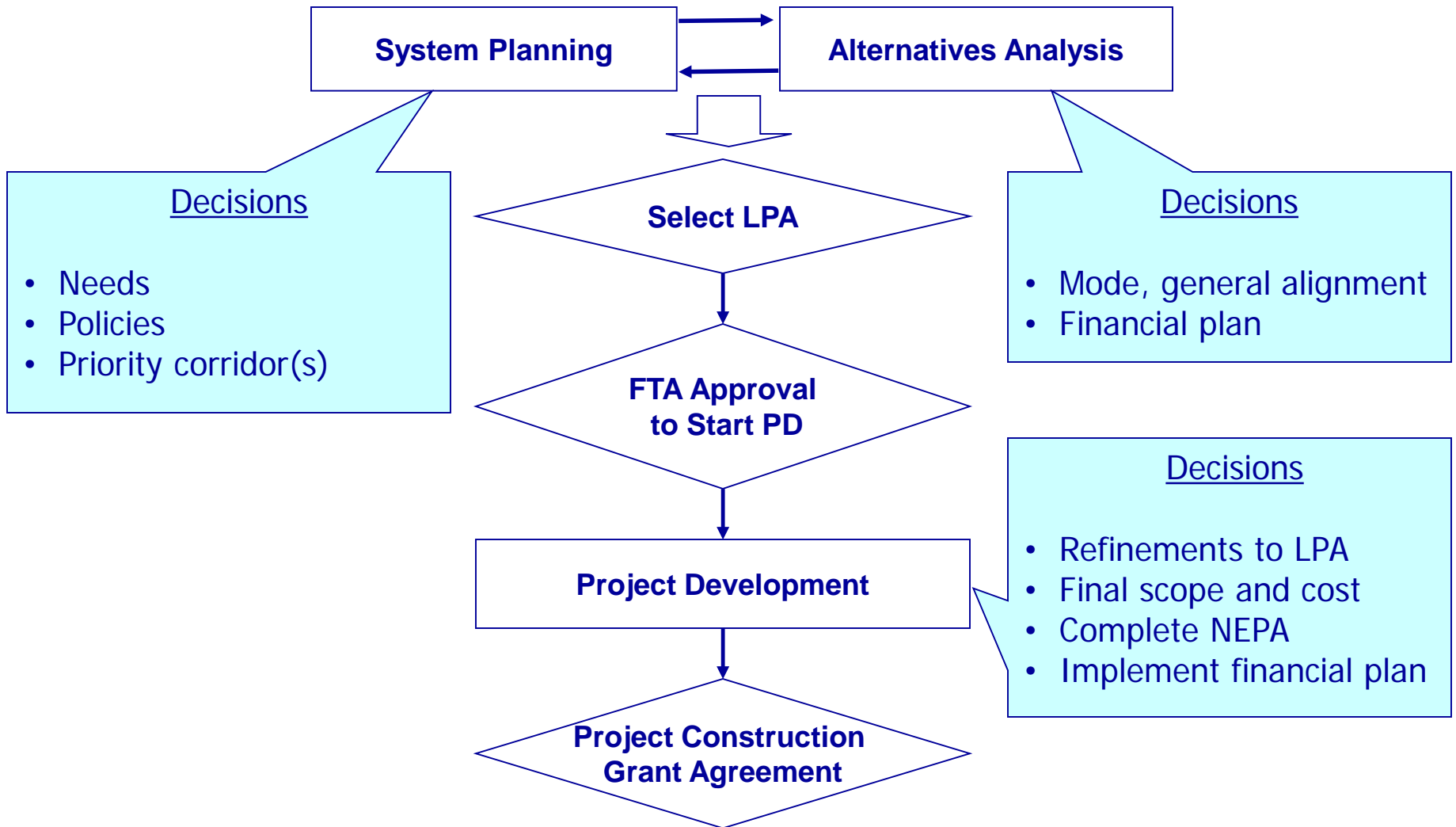
- What Are FTA's Minimum Contingency Targets?

	AACE	DOE	TCRP	FTA
Late AA	50%	40%	N/A	N/A
Entry PE	30%	30%	36%	30%
Entry FD	15%	20%	26%	20%
FFGA	10%	15%	N/A	15%
100% Bid	5%	10%	11%	10%

Interpolated off of source documentation



Small Starts Planning and Project Development





Requirements for FTA Approval to Enter Project Development

- Completed alternatives analysis (simplified AA possible)
- No outstanding planning issues remain
- Locally preferred alternative adopted into fiscally constrained long range plan
- Small Starts evaluation measures confirmed reasonable
- “Medium” or higher rating for project
 - at least medium rating for both project justification and local financial commitment
- Sponsor demonstration of technical capacity



Alternatives Analysis – Small Starts

- Narrower range of alternatives
- Potentially less complex analytical methods



Alternatives Analysis – Very Small Starts

- Simplified AA process if project qualifies as Categorical Exclusion
 - Identification of corridor problems or opportunities
 - Definition of the project
 - Analysis of costs, benefits, and impacts of the project compared to existing conditions
 - Determination of financial viability
 - Explanation of choice of preferred alternative
 - Implementation Plan



New Starts/Small Starts Funding Process



Full Funding Grant Agreement Project Construction Grant Agreement

- What is an FFGA or PCGA?
 - Formal Agreement signed by FTA and Grantee following detailed review by DOT, OMB and Congress
 - Agreement on Project Scope, Budget, and Schedule
 - Terms and Conditions of Federal Participation
 - Multi-year Funding Commitment (subject to Congressional Appropriations)
 - Caps Federal Section 5309 New/Small Starts funds



FFGA and PCGA

- To receive an FFGA or PCGA a project must:
 - Be Authorized in Law
 - Complete the Planning, Project Development, and NEPA Processes
 - Meet Project Readiness Requirements (technical capacity, firm and final cost estimate, non-New Starts funding committed)
 - Approved Before-After Data Collection Plan
 - Receive a “Medium” or higher overall rating
 - Meet all other Federal Requirements



PCGA vs Capital Grant

- FTA may administer Small Starts funding as a capital grant rather than a PCGA for projects whose total Small Starts funding request is less than \$25 million, and whose request can be met with a single year appropriation or with existing appropriations



Practical Limits for New Starts Funding

- Consider other projects in your region and their request for New Starts funds
- Overmatch encouraged (on average, projects generally seek only a 50% New Starts share)
- Consider the total amount of New Starts funding requested for the project, and the annual appropriations expected
 - Few projects outside of NYC region have received greater than \$800 million total
 - Annual appropriations (other than for NYC projects) have generally not exceeded \$100M per year



Small Starts Funding Limits

- Program eligibility specifies that Small Starts share cannot be greater than \$75 million total
- Up to 80% Small Starts share, but FTA encourages overmatch



Annual Report on New Starts

- Recommends Funding Levels for existing FFGAs and PCGAs
- Recommends New FFGAs and PCGAs
- Companion document to the President's budget
- Provides descriptions and ratings of projects in preliminary engineering and final design and project development



Budget Process Overview

Mid to Late Summer	Annual Report Submittals due to FTA
Early Fall	FTA and DOT begin budget discussions with OMB
November	FTA completes evaluations/ratings
December	FTA finalizes Annual Report (reflects conditions as of November)
February	Annual Report published (includes funding recommendations and evaluations/ratings)
October or later	Appropriations



A Note About Commitment Authority

- With each authorization law, FTA is granted commitment authority
- Each FFGA and PCGA that FTA executes counts against the commitment authority ceiling
- If the ceiling is reached, FTA may not enter into additional FFGAs/PCGAs until Congress grants additional commitment authority
- FTA has reached the commitment authority ceiling provided in SAFETEA-LU
- The American Recovery and Reinvestment Act provided FTA with additional commitment authority
- The FY2010 Appropriations Act provided FTA with unlimited commitment authority through the end of the fiscal year



New Starts Evaluation and Rating



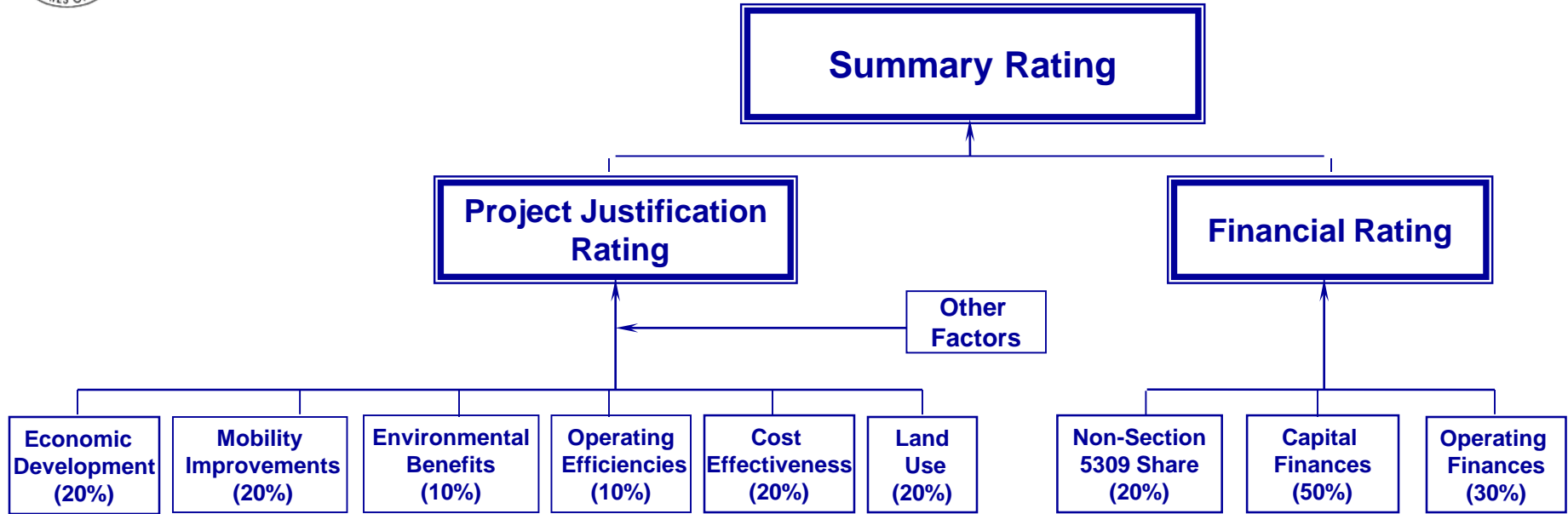
New Starts Rating Criteria

- Mobility improvements
- Environmental benefits
- Operating efficiencies
- Cost effectiveness*
- Land Use*
- Economic Development*
- Reliability of costs and ridership forecasts*
- Local financial commitment*
- Other factors*

* = Also Small Starts Criteria



Existing New Starts Rating Framework

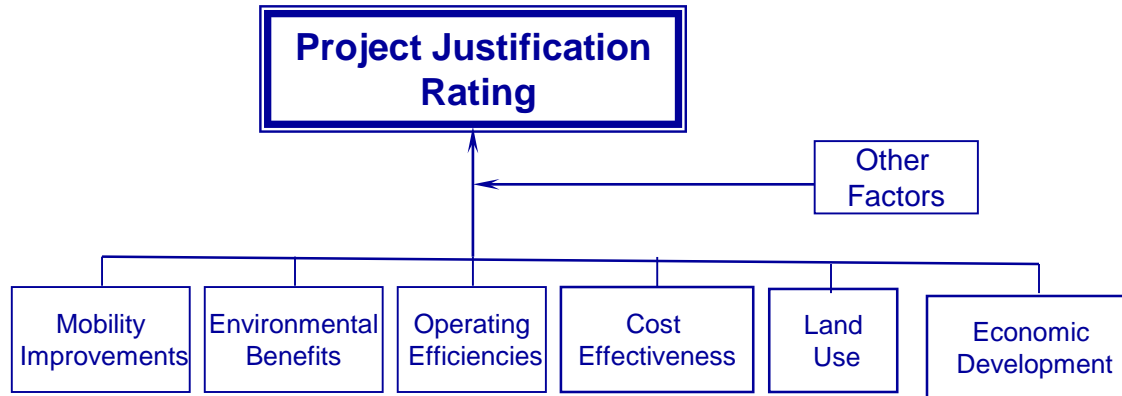


Minimum Project Development Requirements:





Proposed Project Justification



- “Other factors” may increase or decrease a summary project justification rating by no more than one step



Mobility Benefits

- Based on:
 - Number of Transit Trips
 - User Benefits per Passenger Mile
 - Number of Transit Dependents Using the Project
 - Transit Dependent User Benefits per Passenger Mile
 - Share of User Benefits Received by Transit Dependents Compared to Share of Transit Dependents in the Region



Environmental Benefits

- Based on the EPA air quality designation for the metropolitan area where the project is located
 - Projects in non-attainment areas for any transportation-related pollutants receive a “High” rating
 - Projects that are in attainment areas receive a “Medium” rating

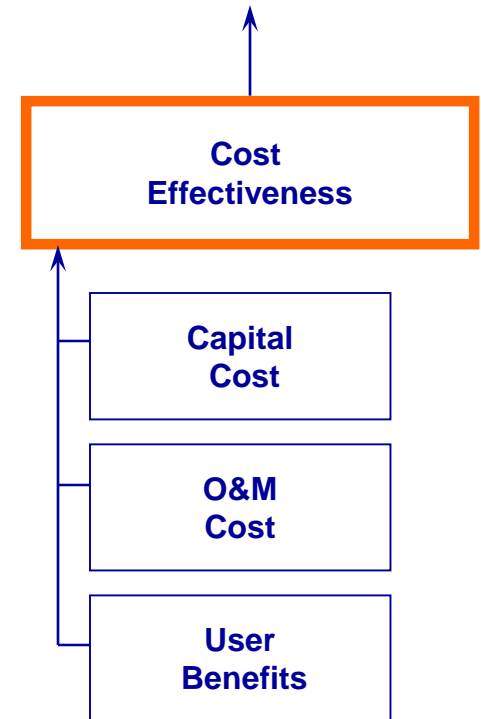


Cost Effectiveness

- Dollars per hour of “user benefits” =

$$\frac{\text{annualized capital cost} + \text{annual O\&M cost}}{\text{user benefits}}$$

- Benefits and costs computed in relation to a “Baseline Alternative”





What's a Baseline Alternative?

- Low capital cost relative to fixed guideway
- Includes service frequencies, coverage, park-n-ride lots comparable to the build alternative
- “Best you can do to improve transit without building a new guideway”



Why Use a Baseline Alternative?

- Illuminates project's benefits and costs
 - Allows for identification of the additional project benefits due to significantly larger additional capital costs
 - Addresses concerns of critics that lower cost options are just as effective
- Ensures consistent evaluations nationally
 - Enables FTA to fairly assess project benefits in areas with good current transit service and areas with poor service



What's a "user benefit"

- A measure of changes in travel time which reflects locally-derived values for trip components
- Captures value of the following components
 - In-vehicle time
 - Walk and wait time
 - Number of transfers
 - Capacity constraints
 - Reliability, comfort, security, branding



Cost-Effectiveness Breakpoints

- Breakpoints updated annually using the Gross Domestic Product index
- Breakpoints for FY11 Annual Report are:

High	\$12.49 and under
Medium-High	\$12.50 - \$15.99
Medium	\$16.00 - \$24.99
Medium-low	\$25.00 - \$30.99
Low	\$31.00 and over



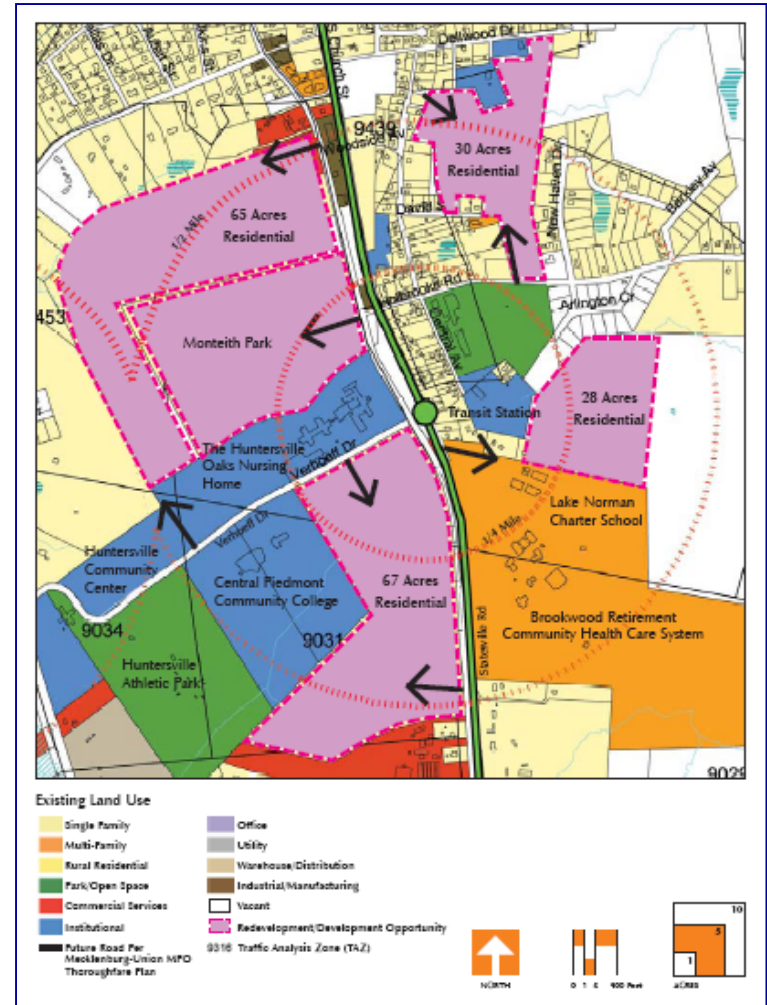
Operating Efficiencies

- Comparison of system-wide operating cost per passenger mile of the proposed project versus the baseline alternative



Land Use

- Previously based on strength of:
 - Transit supportive existing land use
 - Transit supportive plans and policies
 - Demonstrated local performance of transit supportive policies
- Now based on strength of:
 - Transit supportive existing land use



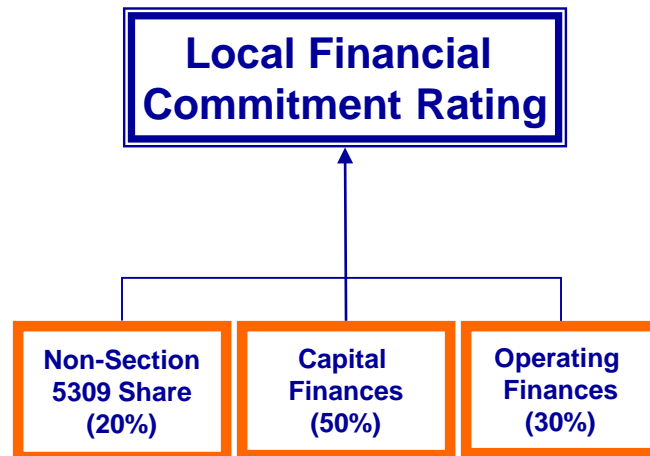


Economic Development

- Previously treated as “other factor”
- Now based on two subfactors previously evaluated under land use:
 - Transit supportive plans and policies
 - Demonstrated local performance of transit supportive policies



Local Financial Commitment



Based on:

- Current capital and operating financing condition
- Commitment of capital and operating funds
- Cost estimates/planning assumptions/capacity

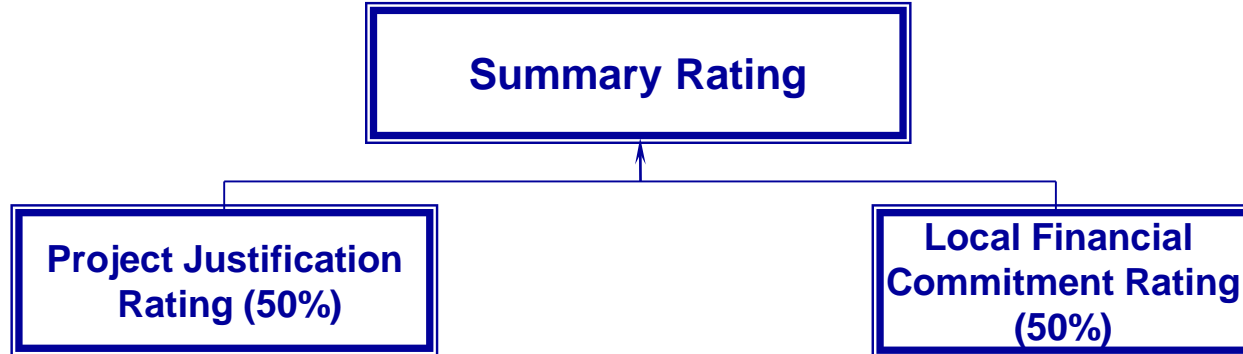


Financial Ratings In Project Development

- PE Approval – Reasonable financial plan; Funding sources identified; Good non-federal funding history
- FD Approval – At least 50 percent of non-5309 New Starts funding committed; Firm cost estimates; Ability to address funding shortfalls
- FFGA – 100% non-New Starts funding committed; Funding shortfalls covered



Summary Ratings



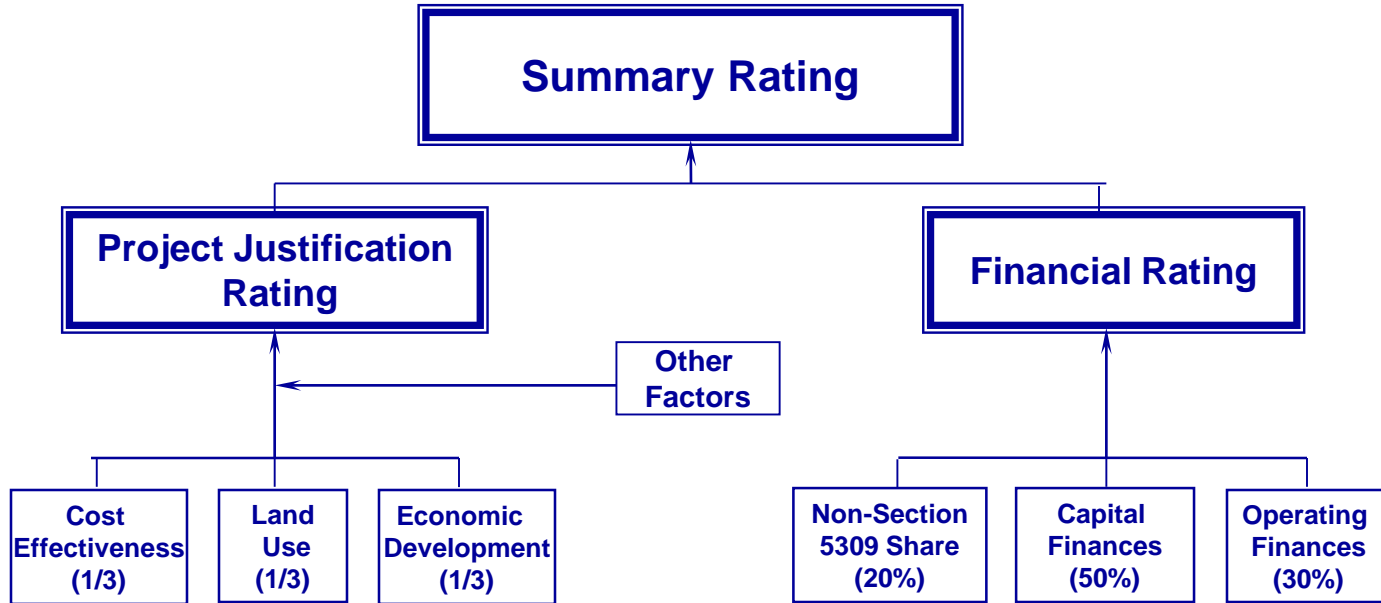
- Decision Rule:
 - Must have at least “Medium” on both project justification and finance to receive “Medium” overall



Small Starts Evaluation and Rating Process



Small Starts Rating Framework



Minimum Project Development Requirements:



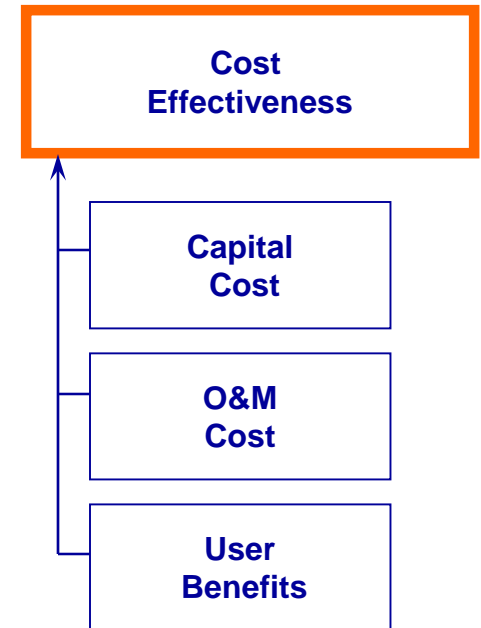


Cost Effectiveness – Small Starts

- Dollars per hour of “user benefits” =

$$\frac{\text{annualized capital cost} + \text{annual O\&M cost}}{\text{user benefits}}$$

- Benefits and costs computed in relation to a “Baseline Alternative”
- Computed for opening year of project rather than forecast year
 - Same cost-effectiveness breakpoints as applied to New Starts projects (hence, opening year estimate of user benefits increased by 50 percent to reflect 20 year forecast)





Land Use

- Previously based on strength of:
 - Transit supportive existing land use
 - Transit supportive plans and policies
 - Demonstrated local performance of transit supportive policies
- However, simplified reporting
 - several subfactors which were included under each category for New Starts were streamlined or eliminated
- Now based on strength of:
 - Transit supportive existing land use



Economic Development

- Previously treated as “other factor”
- Now based on two subfactors previously evaluated under land use:
 - Transit supportive plans and policies
 - Demonstrated local performance of transit supportive policies



Very Small Starts – Project Justification

- Project automatically warranted as cost-effective with transit supportive land use appropriate to the proposed level of investment
- No rating/evaluation necessary
- Medium rating assigned



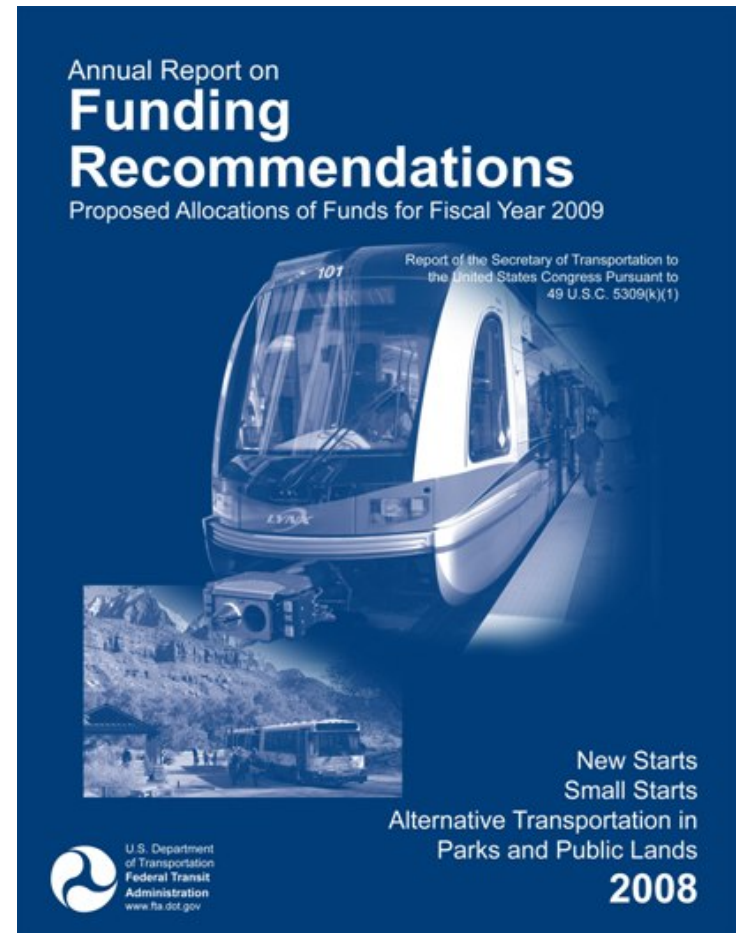
Evaluation of Small/Very Small Starts Local Financial Commitment

- Small or Very Small Starts projects receive “medium” for local financial commitment if:
 - Reasonable plan to secure local share (all non-New Starts funding committed for PCGA)
 - Project O&M under 5 percent of agency operating budget
 - Agency in solid financial condition
- Projects that cannot meet the conditions above submit a financial plan
 - According to FTA guidance
 - Covering period up to and including opening year
 - Evaluated based on criteria used for New Starts



Project Ratings and Decision-making

- Ratings guide FTA approvals of PE, PD, Final Design, and FFGAs and PCGAs
- “Medium” or better overall rating required to advance
- Once in PE or PD, rating reported each year in Annual Report on Funding Recommendations





Pre-Award Authority and Letters of No Prejudice



Pre-Award Authority Policy Guidance Changes

Activity	Point when automatic pre-award authority is extended		
	PE	Completion of NEPA	FD
Preliminary engineering	✓		
ROW acquisition		✓	
Utility relocation		✓	
Procurement of vehicles		✓	
Final Design			✓
Non-construction activities			✓



LONP Policy Guidance Changes

- Letters of No Prejudice (LONP)
 - Required for activities not covered by automatic pre-award authority
 - Will not be approved until NEPA is complete
 - Receipt of Federal funding for the project is not implied or guaranteed by an LONP
- Under new policy
 - Issuance of LONPs will be expedited
 - FTA will no longer perform a detailed review of the cost and scope of activities for routine LONP requests, especially from experienced project sponsors
 - LONP should no longer be considered an indication by FTA that the project is a promising candidate for an FFGA or PCGA