



Highlights of [GAO-04-748](#), 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 \$8.3 billion in guaranteed funding for the Federal Transit Administration's (FTA) New Starts program, which funds fixed guideway transit projects, such as rail and trolley projects, through FFGAs. GAO assessed the New Starts process for the fiscal year 2005 cycle. GAO identified (1) the number of projects that were evaluated, rated, and proposed for new FFGAs and how recent changes to the process were reflected in ratings; (2) the proposed funding commitments in the administration's budget request and legislative reauthorization proposals; and (3) the extent to which amounts appropriated since 1998 fulfilled FFGAs.

What GAO Recommends

GAO recommends that the Secretary of Transportation direct the Administrator of FTA to (1) clearly explain the basis on which it decides which projects will be recommended for funding outside of FFGAs, such as projects considered to be meritorious, and what projects must do to qualify for such a recommendation and (2) examine the impact of FTA's policy favoring projects requesting less than 60 percent New Starts funds. Department officials generally agreed with the information provided and concurred with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-748.

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.

MASS TRANSIT

FTA Needs to Better Define and Assess Impact of Certain Policies on New Starts Program

What GAO Found

For the fiscal year 2005 cycle, FTA evaluated 38 projects, rated 29 projects, and proposed 7 projects for funding. FTA recommended 5 of the 7 projects for full funding grant agreements (FFGAs). FTA considered the remaining 2 projects to be meritorious and recommended a total of \$50 million for these projects in fiscal year 2005. However, FTA does not clearly explain how it decides which projects will be recommended for funding outside of FFGAs or what project sponsors must do to qualify for such a recommendation. Last year, in response to language contained in appropriations committee reports, FTA instituted a policy favoring projects that seek a federal New Starts share of no more than 60 percent of the total project cost—even though the law allows projects to seek up to 80 percent—in its recommendation for FFGAs. According to FTA officials, this policy allows more projects to receive funding and ensures that local governments play a major role in funding such projects. FTA describes the 60 percent policy as a general preference; however, FTA's fiscal year 2005 New Starts report suggests that this policy is absolute in that projects proposing more than a 60 percent federal New Starts share will not be recommended for an FFGA. Therefore, FTA agreed to describe the policy as a general preference in future reporting instructions, thus allowing for the possibility of exceptions. Although most of the projects evaluated during the current cycle proposed a federal New Starts share of less than 60 percent of total project costs, some project sponsors GAO interviewed raised concerns about the difficulties of securing the local funding share. However, the overall impact of this policy on projects is unknown.

The administration's fiscal year 2005 budget proposal requests \$1.5 billion for the New Starts program, a \$225 million increase over the amount appropriated for the fiscal year 2004 cycle. Congress is currently considering legislative reauthorization proposals, which contain a number of provisions and initiatives for the New Starts program including streamlining the New Starts evaluation process for projects requesting less than \$75 million in New Starts funds, expanding the definition of eligible projects, changing the ratings categories, and maintaining the maximum federal New Starts share at 80 percent of total project cost. Project sponsors GAO interviewed had varying views on these provisions, but most said that clear definitions would be needed for any proposed changes to the New Starts process.

All 26 projects with existing FFGAs have not received funds as scheduled—the amount of funding appropriated was less than the amount authorized and scheduled by the FFGA. According to FTA, all completed projects have received the total amount authorized in the FFGAs, but not necessarily according to the original FFGA schedule. As of March 2004, the 26 projects have received a total of \$294 million, or 5 percent, less than the amount scheduled by the projects' FFGAs. The amount and timing of differences varied for each project. Project sponsors GAO interviewed have developed methods to mitigate the impact of receiving less than the scheduled annual amount for their project, but these methods can generate additional costs.