



December 6, 2013

**SUMMARY OF SUBJECT MATTER**

**TO:** Members, Subcommittee on Highways and Transit  
**FROM:** Staff, Subcommittee on Highways and Transit  
**RE:** Subcommittee Hearing on “Examining the Current and Future Demands on FTA’s Capital Investment Grants”

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**PURPOSE**

The Subcommittee on Highways and Transit will meet on Wednesday, December 11, 2013, at 2:00 p.m. in 2167 Rayburn House Office Building to receive testimony related to the Federal Transit Administration’s (FTA) Fixed Guideway Capital Investment Grants program, commonly known as “New Starts.” At this hearing, the Subcommittee will learn about the changes made to the New Starts program in the *Moving Ahead for Progress in the 21<sup>st</sup> Century Act* (MAP-21; P.L. 112-141) and highlight the expansion in available project eligibility and growth in applications for the approximately \$2 billion in annual funding. The Committee will hear from the FTA, the Utah Transit Authority, the Chicago Transit Authority, the City of St. Paul, Minnesota, and the Cato Institute.

**BACKGROUND**

Federal funding for the Nation’s public transportation systems dates back to 1964 with the enactment of the *Urban Mass Transportation Act* (P.L. 88-365). The measure provided \$375 million in capital assistance over three years. This law created the capital investment grants program, now codified at 49 U.S.C. 5309, to be the federal government’s primary mechanism for supporting locally planned, implemented, and operated transit capital investments. This law set the stage for the current program of financial assistance for public transportation, which is managed and run by FTA.

Federal transit programs are primarily funded from revenues in the Mass Transit Account of the Highway Trust Fund, but a portion of the funding – approximately 20 percent – comes from the General Fund. Currently, of the 18.4 cents per gallon federal excise tax on gasoline, 2.86 cents is deposited into the Mass Transit Account to fund transit programs.

MAP-21 was enacted on July 6, 2012, and reauthorized federal public transportation programs through September 30, 2014. It authorized \$10.578 billion in fiscal year (FY) 2013 and \$10.695 billion in FY 2014 for FTA programs. In addition to the formula programs funded out of the Mass Transit Account, MAP-21 reauthorized a number of programs funded entirely from the General Fund, which include the New Starts program, along with FTA administrative expenses and transit research programs.

### The New Starts Program

FTA's New Starts Program provides grants for large projects that cannot traditionally be funded from a transit agency's annual formula funding. This program, which is among the oldest categories of federal capital transit grants, has facilitated the creation of dozens of new or extended public transportation systems across the country. These grants are generally eligible for a maximum 80 percent federal share of the net project cost.

Under this program, FTA awards grants on a competitive basis for new fixed guideway systems such as heavy rail (subway), light rail, or streetcars. In addition, eligible projects include extensions to existing fixed guideway systems, bus rapid transit (BRT), and projects that expand the capacity of an existing corridor by 10 percent or more.

Applicants seeking New Starts funding must complete two phases, project development and engineering, prior to receiving a grant. In order to enter into Project Development, an applicant must make a written request to the Secretary of Transportation and initiate the environmental review process. Upon completion of the applicable environmental reviews and the activities of the project development phase, a project may advance to the engineering phase. Finally, the Secretary may award funding by signing a Full Funding Grant Agreement (FFGA) once the project has been selected as the locally preferred alternative and it has achieved a sufficient overall rating by FTA. This rating is based on project justification factors that include economic development, mobility improvements, cost effectiveness, environmental benefits, land use, and congestion relief, as well as the degree of local financial commitment.

MAP-21 streamlined the project approval process for New Starts by setting time limits on environmental reviews and consolidating the steps to apply for funding. Project sponsors must complete the required activities of the project development phase within two years. MAP-21 also eliminated the duplicative alternatives analysis phase and instead allows for the review of alternatives to be performed during the metropolitan planning and environmental review processes. In addition, it allows for an expedited technical review process for applicants who have recently completed a New Starts project successfully.

### *Small Starts*

Small Starts projects are defined as those applying for less than \$75 million in federal funding or those with a total project cost of \$250 million or less. Applicants seeking Small Starts funding must complete only one phase, project development, prior to receiving a grant. In order to enter into project development, a project sponsor must make a written request to the Secretary and initiate the environmental review process. The Secretary may award funding by signing a Small Starts Grant Agreement (SSGA) once the project has been adopted as the locally preferred

alternative and the environmental reviews have been completed, and based on FTA's ratings of the project benefits and the local financial commitment.

MAP-21 eliminated the dedicated funding set-aside for Small Starts projects. These projects must now compete alongside the larger-scale New Starts projects for the available funding.

#### *Core Capacity Improvement Projects*

MAP-21 significantly expanded the New Starts program by making projects within existing systems eligible for New Starts funding, if the project would increase the capacity of an existing corridor by at least 10 percent. Eligible core capacity projects cannot include work to maintain a state of good repair of the existing system, and are only allowable in corridors that are at or exceed capacity, or are projected to exceed capacity within five years.

#### *Bus Rapid Transit (BRT)*

MAP-21 changed the definition of BRT to include a separate category for corridor-based BRT projects. Traditional, fixed guideway BRT projects eligible for New Starts funding are those that operate in a dedicated right-of-way for the majority of the project and include features that emulate rail fixed guideway service, such as defined stations and frequent service. Corridor-based BRT projects, those in which the majority of the service does not operate in a dedicated right-of-way, but still contain features that emulate traditional rail fixed guideway service, can qualify as Small Starts.

#### Current and Future Demands

MAP-21 authorized \$1.907 billion in each FY 2013 and FY 2014 for the New Starts program. The total amount appropriated in FY 2013 was less than the authorized amount at approximately \$1.855 billion, as a result of sequestration.

According to the U.S. Department of Transportation's report on funding recommendations for FY 2014, as required by 49 U.S.C. 5309(o)(1), the FTA has existing, signed FFGAs to provide approximately \$14 billion in funding for 17 projects. In addition, FTA has existing, signed SSGAs to provide approximately \$94 million in funding for two projects. On top of these existing demands, the report shows 12 projects, which are currently in the project development and engineering phases, seeking approximately \$8.7 billion in New Starts funding, and 14 Small Starts projects, which are currently in the project development phase, seeking approximately \$680 million in funding.

Given these demands on program funding, projects that have completed the applicable requirements of the New Starts program may face delays in securing grant agreements or receiving their full grant amounts.

**WITNESS LIST**

The Honorable Peter M. Rogoff  
Administrator  
Federal Transit Administration

The Honorable Gregory H. Hughes  
Chairman, Board of Trustees  
Utah Transit Authority

Mr. Chris Bushell  
Chief Infrastructure Officer  
Chicago Transit Authority

The Honorable Chris Coleman  
Mayor  
St. Paul, Minnesota

Mr. Randal O'Toole  
Senior Fellow  
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