

# GAO Highlights

Highlights of [GAO-14-472](#), a report to congressional committees

## Why GAO Did This Study

FTA provides funds to transit project sponsors to build new or extensions to existing fixed-guideway transit systems through the Capital Investment Grant program. This program funds New, Small, and Very Small Starts projects—funds that are based partly on the project's total estimated cost. For example, for New Starts, project capital costs exceed \$250 million or the program contribution exceeds \$75 million; for Small Starts, capital costs are less than \$250 million and the program contribution is less than \$75 million. The pre-construction development process for these projects includes various steps between the time when a project sponsor identifies the project to be funded and the formal award of FTA construction funds. During this process, the scope, capital cost, and ridership estimates can change.

The Moving Ahead for Progress in the 21st Century Act mandated that GAO biennially review these types of projects. This report describes (1) the length of the development process across these projects and the factors affecting the length, (2) capital cost-estimate changes throughout this process, and the factors contributing to the changes, and (3) how project sponsors forecast ridership, including support that FTA provides. GAO analyzed pertinent laws, regulations, agency guidance, and FTA data for the 32 New, Small, and Very Small Starts projects initiated and funded from 2005 to 2013, prior to recent changes in program processes. GAO interviewed FTA staff and project sponsors. DOT reviewed a draft of this report and provided technical comments, which were incorporated as appropriate.

View [GAO-14-472](#). For more information, contact David J. Wise at (202) 512-2834 or [wised@gao.gov](mailto:wised@gao.gov).

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## PUBLIC TRANSIT

### Length of Development Process, Cost Estimates, and Ridership Forecasts for Capital-Investment Grant Projects

#### What GAO Found

For the 32 New Starts, Small Starts, and Very Small Starts projects funded from 2005 to 2013 that GAO reviewed, the length of the development process varied substantially, from as little as 2 to as long as 14 years, based on GAO's analysis of data from the Federal Transit Administration (FTA) and project-sponsors. GAO found that the development process took 3 to 14 years to complete for New Starts projects, 3 to 12 years for Small Starts projects, and 2 to 11 years for Very Small Starts projects. The length of the process is generally driven by factors that are often unique to each project, including (1) the extent of local-planning activities prior to formal approval for funding, (2) the extent and availability of local and financial support, and (3) the extent of FTA oversight activities. For example, sponsors of 17 of the 32 projects GAO reviewed stated that activities to secure local funding contributed to the length of the development process. FTA has taken some steps to streamline this process. For example, in January 2012, FTA eliminated the requirement for the development of a hypothetical alternative that served as a basis of comparison to evaluate a proposed project.

GAO found that capital cost estimates for New Starts, Small Starts, and Very Small Starts projects during the development process generally did not change substantially prior to the award of federal funding. For 23 of the 32 projects GAO reviewed, the final cost estimated prior to receiving federal funding was within 10 percent of the original cost estimates. The remaining 9 projects varied by as much as 41 percent lower and 55 percent higher than the estimates used at the end of the development process. Several project sponsors told us that, when changes did occur, it was a result of changing market conditions and FTA's recommending that sponsors increase project costs to cover unforeseen events, among other factors. For example, officials at the Valley Transportation Authority, located in Santa Clara, California, stated that FTA recommended that it increase the project's cost by \$100 million to cover unforeseen events.

New and Small Starts project sponsors whom GAO interviewed generally forecast ridership using regional travel models prepared by metropolitan-planning organizations (MPO). Specifically, 8 out of the 9 New Starts project sponsors and 3 out of 4 Small Starts project sponsors GAO spoke with use these travel models. For example, for a Portland, Oregon, streetcar project, the project sponsor used travel forecasts prepared by the Portland MPO. The other New Starts and Small Starts project sponsors use actual transit-ridership data from surveys of regional transit riders; and a statewide travel model, respectively. On the other hand, FTA procedures permit sponsors of Very Small Starts projects to essentially demonstrate, through a detailed counting of riders of existing public transportation in the project's corridor, that the proposed project will service at least 3,000 transit riders on an average weekday. FTA has taken a number of actions to support the development of ridership forecasts. These include, among other actions, providing funding to state agencies and MPOs to help them collect travel data and develop forecasting procedures and providing technical support, such as reviews of final forecasts. GAO interviewed 13 New Starts and Small Starts project sponsors and most said that FTA's technical assistance, which includes reviewing the ridership forecasts, was generally helpful.