PUBLIC TRANSIT

Funding for New Starts and Small Starts Projects, October 2004 through June 2012

Why GAO Did This Study

FTA, through the Capital Investment Grant program, which includes the New Starts and Small Starts programs, provides funds to transit project sponsors to build new or expanded fixed-guideway transit systems. Small Starts also includes projects known as Very Small Starts projects. These three categories—New, Small, and Very Small projects—vary by total project cost and amount of the Capital Investment Grant program contribution to the cost. For New Starts, total estimated project costs exceed $250 million; for Small Starts, they are less than $250 million. And for Very Small Starts they are less than $50 million. For New Starts the federal contribution is at least $75 million, for Small Starts it is less than $75 million.

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users directed GAO to annually review FTA’s New Starts program. This report discusses the extent to which project sponsors use non-New Starts funding to help construct New Starts, Small Starts and Very Small Starts projects. GAO reviewed financial information for all of the 25 New Starts and 32 Small and Very Small Starts projects FTA identified as receiving construction funding from October 1, 2004, through June 2012. GAO interviewed FTA officials regarding program data and officials from 8 project sponsors to get their views on funding sources. GAO also reviewed relevant federal laws and other documentation. DOT officials reviewed a draft of this report and provided technical comments, which GAO incorporated as appropriate.

What GAO Found

Local funding exceeded total federal funding contributions for the 25 New Starts projects, accounting for $16.3 billion, or almost half, of $33.8 billion of total project funding (see figure below) from October 2004 through June 2012. This outcome reflects the Federal Transit Administration’s (FTA) policy to encourage project sponsors to seek less than 60 percent of the project’s costs from New Start funds—less than the allowable 80-percent New Starts-share maximum. Local agencies used a wide variety of sources, but most commonly used sales taxes for their contributions to the projects; sales taxes were used for 13 of the 25 projects. Federal funds from all sources for New Starts projects totaled about $15.2 billion. The New Starts program alone provided about $14 billion, or 92 percent of the federal funds during this period. Federal-aid highway funding that was “flexed,” or transferred, to transit was the second largest source of federal funds, providing about $720 million. Finally, States provided about $2.3 billion, or about 7 percent of total funding, to 13 of the 25 projects. States obtained most of this funding from bonds or other debt mechanisms.

Conversely, total federal funding was the largest source of funding for the 32 Small and Very Small Starts projects, constituting about $1.4 billion, or two-thirds of $2.1 billion in project funding (see figure below). Most federal funds, about $1.1 billion of the $1.4 billion, came from the Small Starts and Very Small Starts programs. Flexed federal highway funds again were the second largest federal funding source and provided about $195 million. Local agencies provided about $513 million or about 24 percent of total project funding. Local sales taxes, the primary source of local funding, were used on about half of the projects and provided 55 percent of local funding. States again provided the smallest share, about $188 million or almost 9 percent of total funding, and 17 of the 32 projects received state funding. States obtained most of the funding from bonds and other forms of debt.

![Funding Shares Diagram](image-url)