

Rating and Evaluating New Starts *More Government Regulation is Not the Answer*

In a recent “Innovation Brief” titled “Rating and Evaluating ‘New Starts’”, C. Kenneth Orski offers his interpretation of a number of concerns raised by House Transportation Appropriations subcommittee members and others about the New Starts evaluation process, particularly as it relates to selection criteria and cost-effectiveness of the projects that local communities decide will best meet their transportation needs. In addition to overstating the problem, the described prescription – more federal government regulation – seems outdated at best and is completely inconsistent with the bipartisan philosophy of local control that serves as the foundation of our Nation’s transportation laws.

This particular Innovation Brief discusses five solutions to the “problem” of increased demand for New Starts. It should be noted that these solutions were not proposed by Mr. Orski, rather, they are his interpretation of the views and thoughts of House Transportation Appropriations subcommittee members. The five areas discussed include: (1) more federal control of the process; (2) a stronger focus on short-term costs; (3) a reduced focus on using land use as a criteria for selection; (4) demand that all projects serve to reduce congestion across a metropolitan area; and (5) developing better methods of estimating potential ridership.

This response seeks to demonstrate that these proposals are, in many cases, based on an incomplete understanding of the New Starts process. As such, if adopted they will create more problems than they purport to solve. ***In addition, we offer a sixth, preferred solution: to meet the demand from local communities for New Starts investments.*** One potential way to achieve this goal would be to even the playing field by requiring highway investments to undergo the same rigorous process for funding as New Starts. Such an approach would likely result in decreased funding available for highway projects and increased funding for transit.

The New Starts “Pipeline” is Really a Funnel

First, however, it is important to look at the underlying concern about the number of projects in the New Starts pipeline. In fact, the term “pipeline” is really a misnomer, as the process actually acts more as a funnel. Where critics of New Starts express concern about the “over 150 projects” in planning studies and preliminary stages, many fail to recognize the actual number of projects that end up receiving Full Funding Grant Agreements (FFGAs). Importantly, only about a ¼ (68) of the original 257 projects authorized under ISTEA and TEA-21 legislation have or could receive FFGAs. The already strong standards under the New Starts program for project justification and financial support means that ***approximately 21% of the projects in the Preliminary Engineering stage are automatically discontinued before moving further.*** The combination of these projects with those that are not subject to FTA approval, as well as those that are not likely to begin even the most preliminary of reviews means that only a small percentage of the many ideas for New Starts projects are ever approved for federal support, as the following table demonstrates:

FTA New Starts Projects Under ISTEAA and TEA 21 ¹	
Total New Starts Projects Authorized under ISTEAA and TEA-21	257
Total New Starts Projects Not Subject to FTA Evaluation and Rating	23
Total New Starts Projects Approved For Preliminary Engineering	86
Total Discontinued Preliminary Engineering New Starts Projects ²⁽²⁾	18
Total New Starts Projects Approved For Full Funding Grant Agreements	40
Total New Starts Projects in Development Process	28
Total New Starts Projects eligible for FFGA	68 out of 257 (Approx. 26%)

It defies both the actual history of the program and reason to suggest that all projects that someone, somewhere suggests may be appropriate for funding will be funded. Policymakers need to realize that a while a rating system is necessary, not all projects recommended for funding receive FFGAs.

Addressing Concerns of “Over Subscription” to the New Starts Process: Proposed “Solutions” are Worse Than the Problem

Although the problem of over subscription to New Starts has been somewhat overstated by its critics, it is true that communities across the country are relying upon this critical program to assist in alleviating their traffic problems. Importantly, New Starts are not “spur-of-the-moment” or community-based “me-tooism” approaches: rather, these projects are being pursued to add long-term capacity and provide a mix of transportation solutions for the community. The proposed solutions are typically the product of ten to fifteen years of local effort.

It is clear that appropriators will face a challenge in adequately meeting this demand, a demand that has increased in recent years even though the New Starts process can be cumbersome and frustrating for local communities. At the same time objective analysis by the General Accounting Office (GAO) and the Office of Management and

¹ Dorn, Jennifer L., Testimony Before the Committee on Appropriations, House of Representatives, April 28, 2004, p. 4

²Discontinued by the sponsor due to inability to meet FTA financial or project justification standards. Dorn, Jennifer L., Testimony Before the Committee on Appropriations, House of Representatives, April 28, 2004, p. 4.

Budget (OMB) has found the New Starts process to be highly commendable. When rated among 62 competitive grant programs throughout the Federal government, the New Starts program received the highest score possible for program management, and the highest score overall.³

That said, there are certainly areas in which the process can be improved. Unfortunately, the “cures” discussed in the “Rating New Starts” piece are worse than the disease.

1. *Critics’ Proposed Solution: Assert more control over the alternatives analysis process.* Problem with this approach: Creating a “federally preferred alternative”, as opposed to the existing “locally preferred alternative” flies in the face of the framework of ISTEA and TEA 21

The bipartisan philosophy behind our Nation’s transportation laws (ISTEA and TEA-21) sought to give local communities more control over the types of transportation investments that make sense for their areas. This isn’t to say that communities now get a blank check from the Federal government: quite the contrary. While ISTEA gave communities more control over transportation investments, it also required more accountability in regards to technical capacity, air quality improvement, and corridor congestion improvements. Local alternatives are developed through a federally mandated regional, multimodal transportation planning process.

Currently, the FTA uses existing criteria to determine whether the ‘locally preferred alternative’ is worthy of moving on to the ‘preliminary engineering’ stage. Plain and simple, if the project doesn’t pass this litmus test, it doesn’t go any further. To suggest that the Federal government should build a staff and resources infrastructure to explore local transportation alternatives with an eye toward creating a “federally-approved alternative” raises at least three serious issues.

- First, it is clear that FTA does not currently have adequate staff to implement this idea. Ironically, the enormous amount of new staff that would be required of the FTA to analyze the myriad of options explored at the local level would be a very unwise use of taxpayer dollars. In fact, the entire reason behind have communities develop their own solutions was to ensure that the most effective long-term options for that individual community are developed. These are time-consuming, labor intensive, even historical decision processes that the Federal Government can not hope to replicate. This idea flies in the face of the framework of ISTEA and TEA-21 in regards to local decision-making.
- Second, by forcing the FTA to get involved with deciding the ‘locally preferred alternative’ or what might better be equated to as the ‘federally preferred local alternative,’ one removes the incentive on the part of local

³ Dorn, Jennifer L., Testimony Before the Committee on Appropriations, House of Representatives, April 28, 2004, p. 1

officials to come up with a meaningful, and well thought out transportation plan. After all, local communities are expected to provide an ever increasing amount of local dollars while their citizens will have to live with the investment long after the feds are involved with the project.

- Finally, it is clear that many critics have their own opinions as to which solutions are “preferred” (and which are not) regardless of a local communities’ needs and interests. In fact, this paper appears to suggest that one of the goals of the revised process should be “[t]o reduce the number of rail projects entering the New Starts funding pipeline...”

Why should rail projects be singled out as a non-preferred solution, especially at a time when communities across the country are reaping their benefits?

2. Critics Proposed Solution: Give more weight to cost-effectiveness in the rating process. Problem with this approach: Critics tend to define “cost-effectiveness” only in terms of short term dollars as opposed to looking at the long-term economic benefits of public transportation investments.

As stewards of taxpayer dollars, Congress and the FTA have a legitimate concern about the cost effectiveness of New Starts projects. At the same time, they have a responsibility to recognize the long-term benefits of public transportation investments. Already there is too much emphasis on the short term cost-effectiveness and not enough emphasis on the long-term positive impacts. In fact, it is ludicrous to suggest that it is always best to select the cheapest short-term alternative. Part of the role of the federal government is to act as a partner with local communities in helping to finance long-term projects that will improve quality of life for generations.

Even in looking at the short-term costs, however, it is clear that light-rail is cost-effective when analyzing the costs of adding peak-hour congestion relief. Consider that highways can carry approximately 2,500 persons per lane per hour on a highway, whereas transit can carry approximately 30,000 passengers, running 20 trains per hour, per direction. At the same time a billion dollars will buy fifty miles of new Light Rail line versus only a few miles of highway lanes. If the goal is to mitigate congestion during peak travel times (not all traffic at all times of the day or night), many communities are looking to New Starts projects precisely because they will help them meet those goals in the most cost-effective manner possible.

When one compares the short-term benefits with the less immediately tangible, but no less real long-term benefits, it is clear that the projects local communities are considering are truly cost-effective. From Salt Lake City to Dallas and from Washington, DC to Atlanta, transit, and rail-based transit in particular have had an unquestionably positive impact on growth and quality of life in our urban areas. Investments in public transportation yield tremendous long-term benefits, including reductions in congestion and travel time and increases in economic development in the community. Consider the following important benefits of transit investment –

benefits that might fall by the wayside if a strict “cost-effectiveness” criteria were established.

- ***Investments in and by Local Businesses:*** Public expenditures in transit net a gain in sales of local businesses of 3 times that amount⁴. Average downtown vacancy rates for cities without rail were 12.8% in 2000, but only 8% for cities with rail transit.⁵ For example, in Atlanta, \$70 billion in apartments, offices and other developments have been built near rapid transit lines.⁶
- ***Health Care Savings:*** In reducing the number of cars on the roads, transit can serve to reduce the annual cost of health damage from motor vehicle pollution (between \$29 billion and \$530 billion), as well as to reduce the costs of asthma-related treatments (\$14.5 billion annually, including over \$3.2 billion per year to treat increasing rates of childhood asthma).
- ***Job Creation:*** Public Transportation investments create viable, long-term employment opportunities. In fact, for every \$1 billion invested in public transportation with federal funding, approximately 47,500 jobs are created. In Dallas, for example, DART’s recent investment of \$1 billion in new light rail lines will generate over \$2.3 billion in regional economic investment and will support over 27,500 long-term jobs.
- ***Economic Savings:*** For every \$10 million invested in public transportation, over \$15 million is saved in transportation costs to both highway and transit users⁷. These savings trickle down to all Americans, who save about \$1,500 and 200 gallons of gas per year.
- ***Congestion Reduction Savings:*** In 2001, public transportation has saved Americans over 1 billion hours of delay due to congestion resulting in almost \$21 billion in savings.⁸
- ***Ongoing Savings:*** When a new start project reaches capacity, a community can buy more rail cars or increase service frequency to address capacity needs. On the other hand, a road faces significant added costs of expanding right-of-way as well as construction costs to build that same capacity.

⁴ Cambridge Systematics, Inc. and Economic Development Research Group, *A Quantitative Analysis of Public Transportation’s Economic Impact*, October, 1999

⁵ CB Richard Ellis, United States Office Vacancy Index, 2nd Quarter Flash Report

⁶ Some Economic Benefits of Sustainable Transportation, SUSTRAN, May 1996.

⁷ Cambridge Systematics, Inc. and Economic Development Research Group, *A Quantitative Analysis of Public Transportation’s Economic Impact*, October, 1999

⁸ Texas Transportation Institute, 2003 Annual Urban Mobility Study, Exhibit A6

http://mobility.tamu.edu/ums/appendix_a/exhibit_a-6.pdf

Clearly, public transportation investments should not be judged solely on their short-term cost-effectiveness. Rather, local communities, through the process already established by the FTA, should develop alternatives that will benefit the community not just for two or three years, but for the long term. Once the long-term benefits are adequately considered, it is clear that these options are truly the most cost-effective.

3. *Critics Proposed Solution: Reduce the prominence of land use as a selection criterion. Problem with this approach: Land use, and the transit oriented development that inevitably surrounds new transit stations, is perhaps one of the most important long-term benefits that transit can bring to a community.*

The Federal Transit Administration is astute in recognizing the impacts that land use can have on transit ridership. Utilizing land use as a criteria not only provides insight into the rate of return on a transit investment but also provides FTA with an indicator of how committed a community is to addressing its economic development and employment growth goals.

- A study conducted by Dr. John Holtzclaw looked at two suburban communities outside of San Francisco, Walnut Creek and Danville-San Ramon. Both were low density bedroom communities prior to the opening of BART in the 1970s. Since the opening of two BART stations in Walnut Creek, it has developed twice the density of Danville-San Ramon and has 4 times the local jobs. While BART cannot take all the credit, there is statistically significant data showing rail transit's ability to maximize location efficiencies and reduce automobile dependence when supportive land use policies are implemented.⁹
- Civic leaders in Arlington, Virginia used the introduction of Metrorail in the 1970s as a catalyst for the redevelopment of its commercial spine by concentrating density and mixed use developments around five rail stations. The results have been astounding. The Rosslyn-Ballston corridor produces 32.8% of Arlington County's real estate tax revenue from 7.6% of it's land area, allowing Arlington to have the lowest property tax of any major jurisdiction in Northern Virginia.¹⁰

Regardless of glossy examples, the crux of the argument here is the concerns of critics that existing and future land use projections could be used to advance a low cost effective project. This simply is not allowed in the current FTA New Starts selection process. As Administrator Dorn pointed out, "a high land use rating will never trump a low cost-effectiveness rating." The fact that a land use criteria exists only provides FTA more opportunity to rigorously scrutinize a project, and to remove it would merely provide a disincentive for communities to concentrate growth around transit stations. Furthermore,

⁹ Holtzclaw, John, "Using Residential Patterns and Transit to Decrease Auto Dependence and Costs", Natural Resource Defense Council, 1994, p.6.

¹⁰ Dittmar, Hank, Presentation given at the Transit Initiatives and Communities Conference, December, 2003.

the FTA is currently addressing these concerns by working to refine and quantify the land use criteria with the Urban Land Institute and others.

4. ***Critics Proposed Solution: Projects should be focused on region-wide congestion relief. Problem with this approach: The idea that individual projects, whether light rail, BRT or other modes of transit, should serve to reduce congestion across an entire region at all times of the day or night is untenable.***

Whether one is looking at New Starts projects or new interchange no one transportation project of any ilk will offer a panacea for regional congestion relief. No one would suggest that the current I-495 Interchange (a.k.a. the Mixing Bowl) project in Springfield, VA should be built only if it also relieves congestion on I-95 in Maryland north of the Beltway. The purpose of the interchange is to relieve congestion at the merging of two major highways. The purpose of most transit projects is to provide significant congestion relief for *specific* corridors during peak rush-hour commutes.

It has been said by some that New Starts projects should not be built because they only carry 2% or less of a metropolitan area's population. Policymakers need to look a bit closer at how these critics arrive at their number. First, the 2% number represents the entire metropolitan region, not the corridor that the project is meant to relieve. Second, the 2% number represents ridership figures for 24 hours a day, 7 days a week. Since congestion is only a concern for planners during peak rush hour commutes, this number inaccurately reflects ridership during these times. Communities like Portland have addressed this problem by looking at corridor specific ridership. In 1999, Portland's transit provider, Tri-Met, conducted an evaluation of ridership for Portland's Westside corridor, which is served by the Westside MAX light rail line. Transit's rush hour mode share for the Westside corridor increased from 11 percent in 1993 to 16 percent in 1999. Additionally, passenger counts showed a 63% increase over 1993 levels and a 27% increase over 1997 levels.¹¹

5. ***Critics Proposed Solution: Develop better methods of estimating ridership on rail systems. Problem with this approach: In some cases, the real agenda here may be to develop methods that show a reduced demand for riders. FTA has already devoted a tremendous amount of time and scrutiny to ensuring that localities have the most current and accurate techniques available.***

Critics of the New Starts program routinely use outdated reports to convince policymakers that ridership forecasts are exaggerated, and therefore should not be built. This is unfortunate because changes in ridership projections can be accounted for.

¹¹ Trimet, 1999 www.trimet.org/inside/publications/pdf/westsidecorridorstudy.pdf

Ridership projections made early in the planning process, during Preliminary Engineering, are supposed to help aid in refining the local alternative, addressing environmental issues, and developing a project that is worthy of both FTA and local support. Many projects have actually reduced project costs, which incidentally also affects ridership, in order to have a project that satisfies the cost-effectiveness criteria. It is those ridership projections made at the time the project is finalized and construction begins, that are held with rigorous scrutiny by the FTA, as they should be. FTA's process is so rigorous, it has actually produced under-projections:

- In Dallas, DART's LRT ridership (now about 40,000 a day) was 10% higher than forecast.¹²
- In St. Louis, ridership on the MetroLink light rail system exceeded its initial forecast of 12,000 by carrying 20,000 riders a day in its first year – exceeding forecasts by 67%.¹³
- Denver's new Southwest LRT extension to Littleton, Colorado, opened in the summer of 2000, is now carrying up to 14,000 people on weekdays – 67% above original projections.¹⁴

Furthermore, the FTA holds communities to an even higher standard with the introduction of new forecasting technologies. In fact, one of FTA's criteria is that a community must have the technical capabilities of implementing a project, including the provision of accurate ridership forecasts. As FTA Administrator Dorn pointed out in the April 28 Appropriations hearing, "five projects were not rated this year because local forecasting model issues could not be resolved..."

The Preferred Solution: Invest Adequately in the New Starts Process

Clearly, communities across the country strongly support the New Starts program. The projects brought to fruition through this process have reduced congestion, increased economic development, reduced air pollution and improved quality of life from Portland to Dallas, from Atlanta to Washington, DC and everywhere in between. Policymakers, too, understand the strong interest in these funds, as demonstrated by their overwhelming interest in bring New Starts funds back to their districts.

Congress should look to the authorization and appropriations process to identify the means to provide adequate funding for a wildly popular program that has been hugely successful in returning gas tax revenues back to local communities. In addition, Congress should consider whether it makes sense to level the playing field: if it is so important to ensure that local communities are selecting the most cost-effective, land use appropriate, regional congestion relieving transportation options, why not subject all transportation options including roads and highways to this rigorous process? In targeting New Starts, and specifically light rail projects, it is clear that public transportation's critics are seeking to use federal policy to promote some solutions over others. The bipartisan spirit of our Nation's transportation laws rejected this approach in past years, and should continue to do so in the future.

¹² DART, 2000 (borrowed from www.lightrailnow.org)

¹³ Bi-State Development Agency, 2000 (borrowed from www.lightrailnow.org)

¹⁴ Denver RTD (borrowed from www.lightrailnow.org)