Federal requirements to be eligible to receive an apportionment of Federal highway trust funds. Section 141 also authorizes the Secretary to require States to file such information as is necessary to verify that their certifications are accurate. To determine whether States are adequately enforcing their size and weight limits, each must submit an updated plan for enforcing their size and weight limits to the FHWA at the beginning of each fiscal year. At the end of the fiscal year, they must submit their certifications and sufficient information to verify that the enforcement goals established in the plan have been met. Failure of a State to file a certification, adequately enforce its size and weight laws, and enforce weight laws on the Interstate System that are inconsistent with Federal requirements, could result in a specified reduction of its Federal highway fund apportionment for the next fiscal year. In addition, section 123 of the Surface Transportation Assistance Act of 1978 (Pub. L. 95–599, 92 Stat. 2689, 2701) requires each jurisdiction to inventory (1) its penalties for violation of its size and weight laws, and (2) the term and cost of its oversize and overweight permits.

Respondents: The State Highway Administrations in the 50 States, the District of Columbia, and Puerto Rico.

Estimated Total Annual Burden: 4,160 hours. This number has not changed from the last approved request.

Frequency: The reports must be submitted annually.

Authority: 23 U.S.C. 141; 44 U.S.C. 3506(c)(2)(A); 23 CFR 657; section 123, Pub. L. 95–599, 92 Stat. 2701; 49 CFR 1.48.

Issued on: December 12, 1996.

George S. Moore, Jr.,

Associate Administrator for Administration.

[FR Doc. 96–32252 Filed 12–18–96; 8:45 am]

BILLING CODE 4910–22–P

Federal Transit Administration

Section 5309 (Section 3(j)) FTA New Starts Criteria

AGENCY: Federal Transit Administration (FTA), DOT

ACTION: Notice.

SUMMARY: The Federal Transit Administration (FTA) is issuing this Notice describing the criteria it will use to evaluate candidate projects for discretionary New Starts funding under Title 49 United States Code (U.S.C.) Section 5309 (formerly Section 3 of the Federal Transit Act (FT Act)). These criteria replace those which have been in force since the May 18, 1984, Statement of Policy on Major Urban Mass Transportation Capital Investments. The new criteria, together with the FTA/Federal Highway Administration (FHWA) planning regulations (23 CFR Part 450), implement the requirements of Title 49 U.S.C. Section 5309(e) (formerly Section 3(i) of the FT Act), which was modified by the Intermodal Surface Transportation Efficiency Act of 1991. This section requires a project to be (''A) based on the results of an alternatives analysis and preliminary engineering, (B) justified based on a comprehensive review of its mobility improvements, environmental benefits, cost effectiveness, and operating efficiencies, and (C) supported by an acceptable degree of local financial commitment, including evidence of stable and dependable financial sources to construct, maintain, and operate the [project].'' This Notice sets forth the approach FTA will use to evaluate candidate projects in terms of their justification and local financial commitment. These criteria will be used to evaluate projects in order to make recommendations for funding these projects in the annual report to Congress required by 49 U.S.C. 5309(m)(3) (formerly Section 3(j) of the FT Act).

EFFECTIVE DATES: This Notice will be used to evaluate projects for discretionary new start funding recommendations for the 1999 Fiscal Year.

FOR FURTHER INFORMATION CONTACT: Richard Steinmann, Office of Policy Development, FTA, Washington, DC. 20590, (202) 366–4060.

SUPPLEMENTARY INFORMATION:

I. Background

Since the early 1970's, the Federal government has provided a large share of the Nation's capital investment in urban mass transportation, particularly for ''New Starts'' (major new fixed guideway transit systems or extensions to existing fixed guideway systems). By the mid-1970's, because of the magnitude of the New Start commitments being proposed, the Department found it useful to publish a statement of Federal policy to ensure that the available resources would be used in the most prudent and effective manner. The first such statement was issued in 1976. It introduced a process-oriented approach with the requirement that New Start projects be subjected to an analysis of alternatives, including a Transportation System Management alternative which used no-capital and low-capital measures to make the best use of the existing transportation system. The Statement also required projects to be ''cost-effective.''

This policy was supplemented in 1978 by a ''Policy on Rail Transit.'' This Statement reiterated the requirement for Alternatives Analysis, established requirements for local financial commitments to the project, established the concept of a contract providing for a multi-year commitment of Federal funds, with a maximum limit of Federal participation (the Full Funding Grant Agreement—FFGA), and required that local governments undertake supporting local land use actions. This was supplemented by a 1980 policy statement which linked the Alternatives Analysis requirement to the Environmental Impact Statement development process.

These principles were reiterated and refined in a May 19, 1984, Statement of Policy on Major Urban Mass Transportation Capital Investments. The major feature of this Policy Statement was introduction of an approach for making comparisons between competing projects. To do so, a rating system was established under which projects were evaluated in terms of a cost effectiveness index of forecast incremental cost per incremental rider for the build alternative, compared with the TSM alternative as the base. Further, index threshold values were established which projects had to pass in order to be considered for funding. In addition, the criteria to be used to judge local financial commitment were spelled out.

The principles of the 1984 policy statement were later incorporated into law with enactment by Congress of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA). This act added a new Section 5309(e) (formerly Section 3(i) of the Federal Transit Act), establishing in law a set of criteria which New Starts projects must meet in order to be eligible for Federal discretionary grants. Specifically, projects had to be ''cost-effective'' and ''supported by an adequate degree of local financial commitment.'' STURAA also added a new Section 5309(m)(3) (formerly Section 3(j)), requiring an annual report to Congress laying out the Department's recommendations for discretionary funding for New Starts for the subsequent fiscal year.

To implement the requirements set forth in STURAA, on April 25, 1989 FTA (then the Urban Mass Transportation Administration) issued a Notice of Proposed Rulemaking. The Proposed Rule would have codified the requirements of the 1984 Policy Statement and proposed making the ''Cost Per New Rider'' Index and

threshold values regulatory. However, in the FY 1990 and FY 1991 Appropriations Acts, Congress directed that this rulemaking not be advanced (See the Department of Transportation and Related Agencies Appropriations Act, 1990 (Pub. L. 101–164) and Department of Transportation and Related Agencies Appropriations Act, 1991 (Pub. L. 101–516)). On February 3, 1993, this rulemaking was withdrawn.

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) made substantial changes to the legislative basis for the criteria which the Department is to use with respect to candidate projects for Section 5309 (formerly Section 3) New Starts funds. Specifically, the original requirement in Section 5309(e)(2) (formerly Section 3(i)(1)) that a project be ''cost-effective'' was expanded by the requirement that the project be ''justified, based on a comprehensive review of its mobility improvements, environmental benefits, cost-effectiveness, and operating efficiencies.'' In addition, 49 U.S.C. 5301 *et seq.* now also includes certain ''considerations'' in Section 5309(e)(3) (formerly Section 3(i)(2)) and ''guidelines'' in Section 5309(3)(4) (formerly Section 3(i)(3)) to be taken into account in determining how well the project meets the criteria set forth in Section 5309(e)(2) (formerly Section 3(i)(1)).

In addition, ISTEA modified the requirements for metropolitan and statewide transportation planning. These changes were then reflected in the modifications to the joint Federal Highway Administration (FHWA)/FTA planning regulations made on October 28, 1993. The most significant change under these regulations in the context of New Starts funding is the requirement that all major transit and highway capacity expansions be subjected to a Major Investment Study (MIS) before a specific major investment project is included in local transportation plans or Transportation Improvement Programs. While not a direct product of statutory mandate, the MIS process reflects the general policy direction of ISTEA. This change integrates the requirement for an alternatives analysis of major transit investments contained in Section 5309(e) (formerly Section 3(i)) into the ongoing transportation planning process. In addition, it requires that Major Investment Studies be conducted on a multimodal basis.

Executive Order 12893, signed by President Clinton on January 26, 1994, describes the principles which Federal agencies are to apply in determining how to invest in all forms of infrastructure, including transportation. The Order requires a systematic analysis of the costs and benefits of proposed investments, and sets out the parameters for such analysis. The Order calls for efficient management of infrastructure, including a focus on the operation and maintenance of facilities, as well as the use of pricing to manage demand. Private sector participation in investment and management of infrastructure is encouraged. Federal agencies are also to encourage State and local governments to implement planning and management approaches which support these principles. The Executive Order calls for comparison of a comprehensive set of options and consideration of quantifiable and qualitative measures of benefits for all programs.

Each year FTA submits to Congress a report on the level and allocation of funding to be made available under the New Starts program, as required by Section 5309(m)(3) (formerly Section 3(j)). In an attempt to broaden the information provided in a manner that was consistent with the revised allocation criteria of ISTEA, the FY 1994, 1995 and 1996 reports included several indices for each proposed project, where they were available. Thus, rather than relying only on a single measure with a specific threshold, FTA has relied on a combination of a variety of factors to determine project merit, consistent with ISTEA:

- For cost-effectiveness, the ''cost per new transit trip'' measure;
- A rating of the level of mobility improvement afforded by the project, based on the projected total number of hours of travel time saved per day by the project, when compared with the baseline alternative [10,000 or more hours saved was rated ''high,'' fewer than 10,000 hours saved was rated ''medium,'' and projects anticipated to increase total travel time were rated ''low'']
- For environmental benefits, the U.S. Environmental Protection Agency classification of the city for ozone [''extreme,'' ''severe,'' ''serious,'' ''moderate,'' ''marginal,'' ''sub-marginal,'' ''transitional,'' and ''attainment''] and for carbon monoxide [''serious,'' ''moderate,'' ''not classified,'' and ''attainment''], as an indication of the severity of the region's air quality problem (these classifications do not indicate the extent to which the proposed project might impact local air quality but they are relevant to whether or not the project might be exempt under Section 5309(e)(6) from justifications that would otherwise be required); and
- For operating efficiencies, the estimated reduction in systemwide operating cost per passenger, [a 5 percent or higher reduction was rated ''high,'' a smaller reduction was rated ''medium,'' while an increase in per passenger costs was rated ''low'']

In addition, FTA has given significant weight in these reports to the readiness of projects to progress and the local financial commitment to the projects in determining which projects to recommend for funding.

FTA's evaluation of the local financial commitment to a proposed project focuses on the proposed local share of project costs, the strength of the proposed capital financing plan, and the stability and reliability of sources of operating deficit funding. Local share refers to the percentage of capital costs to be met with non-discretionary funding, and includes both the local match required by Federal law and any capital ''overmatch.'' Overmatch is accounted for in the rating process because it reduces the required Federal commitment, thus leveraging limited Federal funds, and because it indicates a strong local commitment to the project.

The evaluation of each project's proposed capital financing plan takes two principal forms. First, the plan is reviewed to determine the stability and reliability of each proposed source of local match. This includes a review of inter-governmental grants, tax sources, and debt obligations. Each revenue source is reviewed for availability within the project timetable. Second, the financing plan is evaluated to determine if adequate provisions have been made to cover unanticipated cost overruns. The strength of the capital finance plan is rated high, medium, or low.

The third component of the financial rating is an assessment of the ability of the local transit agency to fund operation of the system as planned once the guideway project is built. This rating focuses on the operating revenue base and its ability to expand to meet the incremental operating costs associated with a new fixed guideway investment and any other new services and facilities.

II. Policy Discussion Paper

In order to generate comment from the public on the best approach FTA could take to implement the changes required by ISTEA in the context of the Executive Order, on September 28, 1994, FTA issued a Policy Paper entitled ''Revised Measures for Assessing Major Investments: A Discussion Draft.'' The paper was circulated to a broad

audience, including State and local governments, transit agencies, Metropolitan Planning Organizations (MPOs), consultants, and other interested parties. Comments were requested on the paper and all aspects of the issue, due November 1, 1994, although FTA continued to accept comments received through December 15, 1994. The following summarizes the discussion paper.

The paper laid out FTA's objectives for developing new criteria and procedures for appraising candidate new start projects, responsive to the ISTEA mandate. In sum, FTA believed that its appraisal procedures should seek to be comprehensive, effective, efficient, objective, and comprehensible.

The paper noted that the key issue in deciding on an appraisal approach is balancing ''comprehensiveness'' and ''simplicity.''

Three approaches were described: (1) A full Social Cost Benefit Analysis (SCBA), where an attempt is made to identify all costs and benefits and reduce them to dollar terms; (2) scoring methods in which projects are rated against a set of criteria, scores for each are assigned, weights for each are established, and composite scores calculated; and (3) a multiple measure method in which projects are evaluated against several criteria, results are displayed, but no effort is made to develop a single composite score.

The paper indicated FTA's preference to use a strategy based on the concepts of SCBA, but which uses a multiple measure method to evaluate the costs and benefits identified. In this way, the merits of each candidate project can be weighed explicitly against the full range of criteria called out in ISTEA. In addition, both market and nonmarket benefits would be weighed equally. All of the four major elements mentioned in ISTEA—mobility improvements, cost-effectiveness, operating efficiencies, and environmental benefits—would be fully considered. In addition, the approach would take into account the ''considerations'' included in Section 5309(e)(3) (formerly Section 3(i)(2)), particularly land use policies and patterns.

Based on a detailed review of a wide range of candidate measures, the paper suggested use of the following measures as a means of assessing how well candidate New Starts projects are ''justified'':

1. For ''cost-effectiveness''—the total incremental cost per incremental transit passenger-trip (or possibly, per incremental passenger-mile in certain cases), where the projected streams of capital and net operating costs and passenger-trips have been (in the case of the costs) expressed in constant dollar terms, and (in all cases) both cost and ridership have been discounted at the social discount rate, compared to the Transportation System Management (TSM) alternative.

2. For ''mobility improvements''—(1) the projected aggregate value of travel time savings per year (forecast year) anticipated from the new investment compared to the TSM alternative. This aggregate includes the travel time impacts on people using competitive modes, along with those on the trips made by transit (both new and former transit riders). It is a net figure in the sense that travel time increases should be explicitly considered and used to offset the time savings of those people who experience savings. It would be expressed in absolute and regional percentage change terms. It would be valued using a set percentage of the average wage rate in the urbanized area. (2) the absolute number of zero-car households (or alternatively, the people resident in those households) located within ½ mile of boarding points for the proposed system increment, compared to the TSM alternative.

3. For ''operating efficiencies''—(1) the forecast change in operating cost per vehicle service-hour (or service-mile), for that part of the system that will be directly affected by the proposed new investment, expressed in absolute and regional percentage change terms, compared to the TSM alternative. (2) the forecast change in passengers per vehicle service-hour (or service-mile), calculated on the same basis, also expressed in absolute and regional percentage change terms, compared to the TSM alternative. (3) the forecast change in passenger miles per vehicle service-hour (or service-mile), calculated on the same basis, also expressed in absolute and regional percentage change terms, compared to the TSM alternative.

4. For ''environmental benefits''—(1) the value of the forecast change in criteria pollutant emissions and in greenhouse gas emissions, ascribable to the proposed new investment, discounted and levelized, expressed in absolute and regional percentage change terms, compared to the TSM alternative.

The value of the emissions would be calculated based on standardized assumptions about the unit value of each emission. (2) the forecast change in the consumption of fuels of different types, ascribable to the proposed new investment, discounted and levelized, expressed in absolute and regional percentage change terms, compared to the TSM alternative.

5.For ''transit supportive existing land use policies and future patterns''—the degree to which local land use policies are likely to foster transit supportive land use, measured in terms of the kinds of policies in place, and the commitment to these policies.

The paper indicated FTA's view that this set of indicators best addresses the most significant issues related to project justification identified in the revised language of Section 5309(e) (formerly Section 3(i)). The paper noted that FTA intended to continue using the present approach to assess local financial commitment issues (as required by Section 5309(e)(2)(C) (formerly Section 3(i)(1)(c)). In addition, the paper noted that the proposed set of indicators provides for an assessment which fully considers major benefits, including those which cannot easily be quantified or monetized. Moreover, while there were some obvious interrelationships among the indices, ''double-counting'' was minimized by keeping them relatively independent.

It is important to note that the paper proposed a different approach to measuring ''cost-effectiveness'' than the ''cost-per-new-rider'' measure (really incremental cost per new transit ride) previously used by FTA. That measure included not only cost and ridership projections, but also attempted to account for mobility effects by using monetized time savings as an offset to costs. Additionally, the threshold values specified for that measure implicitly made generous allowances for the inclusion of environmental and safety issues on a comparable basis. The proposed measure defined ''costs'' more narrowly, comprising only the monetary value of construction, operations, and maintenance. This is because the mobility and environmental considerations were addressed explicitly by other proposed measures.

The paper indicated that another major difference in the proposed new cost-effectiveness measure was that it included annualized, levelized costs and ridership differences calculated over the analysis period, rather than costs and ridership differences calculated based on a single forecast year. While past practice has included estimates of costs on a year-by-year basis over the analysis period, accurate assessment of the ridership impacts could require multiple ridership forecasts (for example, the year of opening, the forecast year, and the year at the end of the analysis period). The paper also acknowledged that it may be possible to synthesize forecasts of the year of opening and year at the end of the forecast period using forecast year

results and well known factors relating typical trends in ridership for new transit investments. The paper asked for views on how much additional effort would be required to calculate estimated ridership impacts for multiple forecast years. It also asked for views on how much accuracy would be gained by such multiple forecasts, compared with reliance on synthesized forecasts based on typical trends in ridership growth.

The paper noted that FTA was considering a change in the approach for valuing travel time savings from past practice. In the past, FTA specified the use of $4.80 per hour of travel time savings for work trips and $2.40 per hour of travel time savings for non-work trip, for use in calculating the offset to costs. This value was based on a factor of 40 percent of the national average wage rate for work travel, and one-half this amount for non-work travel. The paper cited recent analysis of the valuation of time in other programs of the Department of Transportation and elsewhere in government that suggested that this value is inconsistent with these other practices. For example, analysis of models used by the Federal Highway Administration indicates use of a much higher factor of wage rates for travel time savings. Accordingly, FTA is participating with other elements of the Department to develop consistent approaches for valuing travel time savings. The paper stated that, in the interim, FTA expected to use a factor of 80 percent of the local wage rate for calculating the value of travel time savings.

The paper noted also that, in the past, FTA did not attempt to value the environmental benefits of transit investments. The benefits of emission reductions can take a variety of forms, such as improved visibility, crop yields, and public health. The Environmental Protection Agency (EPA) is currently developing, pursuant to Section 812 of the Clean Air Act, standard monetary values of such benefits. The paper stated that the results of this analysis were expected to be available in 1995, and may be used to evaluate the environmental benefits of transit.

Absent standard values of the benefits from emission reductions, the paper noted that ''avoided cost'' is an inferior, but potentially useful approach. The avoided cost approach, which generally is only applicable to nonattainment and maintenance areas, uses standard unit costs of pursuing alternative means of achieving emission reductions as a proxy for the benefits of such emission reductions. Some EPA analyses have, in the past, used the avoided cost approach.

Pending further analysis by EPA and additional work by FTA with other agencies within and outside the Department of Transportation, the paper stated that FTA intended to use values based on avoided cost as an interim proxy for the benefits of emission reductions in the relevant nonattainment/maintenance areas.

The paper noted that the standard unit values proposed were based on nationwide averages and, therefore, did not reflect the fact that the cost of achieving emission reductions by alternative means varies depending on project location. The paper stated that if the environmental impacts of a proposed transit project are significant, additional analysis to develop an avoided cost relevant to that specific nonattainment/maintenance area would be appropriate.

The paper indicated that the set of measures recommended was selected to be mindful of the need for multimodal project appraisal measures. While the measures included in FTA's revised New Starts Criteria will be used primarily by FTA to make informed decisions about project ratings in the annual Report on Funding Levels and Allocations of Funds, required by 49 U.S.C. 5309(m)(3) (formerly Section 3(j) of the FT Act), an effort had been made to make some of the measures applicable at the local level when multimodal studies are conducted.

The paper indicated that an examination of nine prototypical Alternatives Analysis/Draft Environmental Impact Studies (AA/DEIS) suggested that the new indices should be calculable in the major investment study phase of planning without significant extra work on the part of local project sponsors.

The paper indicated FTA's intention to apply the proposed measures to projects which have not yet completed the Alternatives Analysis process. Projects which were in Preliminary Engineering would not have been required to undergo the additional analysis. These projects would have been evaluated based on existing data.

The paper stated that the criteria proposed were intended to be interim measures. As noted earlier, SCBA forms a useful tool for analyzing the worthiness of public investments. However, the key to successful SCBA is the proper accounting for and monetizing of the full range of the benefits of a proposed investment. The paper stated that it is FTA's belief that while it is possible to quantify and monetize many of the benefits of transit investments, as evidenced by the approach proposed, ascribing a monetary value to many of the benefits is particularly difficult.

This is particularly true in the absence of Government-wide standard values for some of the benefits which may be ascribed to transit projects. In addition, there was an absence of general agreement on even the valuation of certain other benefits, such as those related to the land use effects of transit investments.

This lack of Government-wide standard values or generally agreed valuation was given as the key reason why FTA would be unable to use SCBA as the sole recommended approach at this time. In the paper, FTA indicated its intention to conduct research into the valuation and monetization of the benefits of transit investments in order to develop an accepted approach. As this research proceeds, FTA intends to apply it to the quantified benefits of the investments being considered, in order to move closer to a complete SCBA approach. This research should permit FTA to begin to construct partial indices of costs and benefits as part of its evaluation of project worthiness. With time, more complete indices can be constructed, ultimately resulting in a full-fledged SCBA approach.

In addition to requesting comments on the specifics of the criteria proposed, FTA also asked that the following questions be specifically addressed in replies:

1. Are there other ways FTA could manage the ''New Starts'' program and still comply with statute (e.g. , industry standards and measurements which FTA accepts and utilizes for the Section 3(j) Report)?

2. What are the key issues in monetizing transit's benefits? What information is now available? What are the most fruitful areas for research?

3. What approaches are available for valuing travel time savings? How should the value of travel time savings be set? Is a value based on average wage rates appropriate? Is 80 percent appropriate? Is it appropriate to use different values by trip purpose? By mode? By type of time saved (e.g. wait time versus in-vehicle time)?

4. What approaches are available for valuing emission reductions? How should the values of unit emission reductions be set? Are the values suggested by EPA based on cost-avoidance appropriate?

5. Is the overall appraisal strategy (i.e., use of the multiple measure method) appropriate? Can the use of this strategy be made workable without explicitly specifying how FTA will trade off between the criteria? Should FTA, instead, specify that it will explicitly

weight one or more of the criteria more heavily? If so, which one(s), why and how?

6. Are the particular measures proposed for each of the ISTEA justification criteria appropriate? Do the proposed measures adequately represent the criteria called out in Section 5309(e) (formerly Section 3(i))? Are the proposed measures workable? Can data be developed for the measures as part of the normal process of evaluating major investments? Are the measures likely to be able to distinguish between projects of varying merit?

7. How can FTA assure the quality of the data submitted in support of proposed projects in terms of the measures proposed when Major Investment Analyses are to be conducted as part of the Metropolitan Planning Process, as called for in the Final Rule on planning, issued October 28, 1993? How can FTA assure consistency among cities in terms of modeling input assumptions (e.g., gasoline prices, inflation rates, or modeling methods)? Must it?

8. Is this approach sufficiently quantifiable to allow for the Secretarial findings and determinations for funding required by the Federal Transit Act, and for FTA ranking among candidate projects?

9. How much additional effort is involved in calculating the proposed annualized, levelized cost-effectiveness index using multiple forecasts of ridership impacts? How many different year forecasts are needed to accurately portray the stream of ridership impact benefits? Which years are most appropriate to forecast (year of opening, forecast year, last year of analysis period, other years)? How much additional accuracy is gained compared to synthesizing the stream of ridership impacts using a single forecast year and known trends in ridership growth for new investments?

III. Summary of Comments on Discussion Paper

At the close of the comment period, a total of 31 responses had been received. Comments were received from 13 transit operators, nine Metropolitan Planning Organizations (MPO's), three State DOT's, two Councils of Government, one county government, one city government, one university, and one major organization representing the interests of the transit industry (on behalf of 13 transit operators, two MPO's, 12 consultants, and two local governments).

Four central issues emerged from these comments. First, there was considerable confusion regarding the relationship between the proposed policy revisions and the Major Investment Study (MIS) process required under the joint FTA/FHWA planning regulations. Specifically, 16 responses (including the transit industry group's) spoke to this issue, either directly or by noting that the criteria should apply to both FTA and FHWA projects.

The MIS process requires an evaluation of alternatives using criteria such as cost effectiveness; mobility improvements; social, economic, and environmental effects; safety; operating efficiencies; land use and economic development; financing; and energy consumption. The information generated through this process will be used as the primary source of information for the purposes of 49 U.S.C. 5309(e) (formerly Section 3(i) of the FT Act).

This Notice clarifies the intent of the revised FTA criteria, making it clear that the intermodal decisionmaking process is carried out on the local level as part of the MIS and affirming that FTA will use the criteria only for purposes of allocating discretionary New Starts funds. Accordingly, the name has been changed from ''Major Investments Criteria'' to ''Section 5309 (Section 3) FTA New Starts Criteria'' to reflect the true role of the policy in evaluating projects for the purposes of recommending discretionary Federal funding allocations. It also notes that the criteria are interim until a fully-defined multimodal cost-benefit method is developed. Finally, it reiterates that local MIS decisions are based on local criteria and policies, and that the FTA criteria are to be used for Federal funding recommendations in the annual Report on Funding Levels and Allocations of Funds.

However, this Notice does not (and cannot) address immediate concerns that highway projects are not required to undergo similar evaluation at the Federal level. There is a fundamental difference between FTA and FHWA capital investment programs. The FTA New Starts program is discretionary in nature, and requires a determination by the Secretary of Transportation that a project meets the statutory justification criteria. The measures described in this notice will be used to determine whether those criteria have been met, and to make comparisons among projects for funding purposes. FHWA funds highway projects through a formula program; once the planning process has identified a highway project as the best alternative, it is funded out of the formula funds apportioned to that State. There is no requirement for a separate determination of project justification at the Federal level.

It is important to note, however, that the same local evaluation process should apply to both highway and transit alternatives being considered in an MIS. It is only after the MIS process has resulted in the selection of a project at the local level, and funding is sought from FHWA or FTA, that the programmatic differences in Federal capital investment programs become an issue.

The second central issue involved the use of the Transportation System Management (TSM) alternative as the base for evaluating the benefits of the proposed New Start project. The transit industry group commented that the distinction between the TSM and no-build (or ''do-nothing'') alternatives was becoming blurred as regions implement Congestion Management Systems under the planning regulations. Seven other comments raised the same issue.

The argument in favor of the TSM basis has been that it provides a level playing field for evaluation of projects on a nationwide basis. Use of the no-build scenario as the baseline, the argument goes, would introduce a bias against cities with an already-significant commitment to transit; the incremental benefits of a new start would appear smaller than for cities with less existing transit.

The transit industry group argued that requiring a separate TSM alternative is no longer realistic, given requirements for regions to develop Congestion Management Systems (CMS) under the joint planning regulations. These cities will be required to take some steps to improve congestion, whether or not a new transit system is built. In essence, the argument goes, the no-build alternative becomes the TSM alternative. However, CMS strategies are only candidates for inclusion in long-range plans, and do not necessarily fit the definition of a no-build alternative which includes *existing and committed* projects and policies. The TSM alternative allows the comparison of more costly new start projects against lower-cost alternatives in order to determine the extent to which travel benefits may be generated at less cost; to focus on doing more with less.

FTA is not persuaded that the transportation strategies developed in response to CMS requirements completely eliminate the need for studying system management-related alternatives to a new start. However, the argument has merit. In response to these comments, the final policy statement calls for evaluation of the new start alternative against both the TSM

alternative and the no-build case. This will provide a better assessment of the relative benefits of each than would a comparison between build and TSM scenarios, and TSM and no-build.

The third issue concerned the proposed use of multiple forecast years for evaluating costs and benefits, to account for the fact that the benefits from transit accrue over time. The comments almost universally indicated that the effort involved in calculating benefits for multiple forecast years would far outweigh the small gains in accuracy. This point was made by 12 of the commenting entities, though two supported the proposal.

The discussion draft proposed the use of three forecast years: system opening, forecast year, and the end of the forecast period (years 7, 15, and 30). The intent was to increase the accuracy of ridership impact assessments, which accrue over time. However, the consensus of the comments received on this issue was that the additional cost and effort involved in using multiple forecast years far outweighed any gains in accuracy over single-year forecasts.

In response to these comments, the final policy statement adopts a single forecast year methodology, using year 20 of the analysis period. Opening year forecasts performed by project planners would be used for financial analysis and to verify the likelihood of ridership forecasts. This is consistent with current industry practice under existing FTA evaluation methodology, and does not increase the local planning burden. It is also consistent with requirements for a 20-year planning horizon for the transportation plans required by the joint FTA/FHWA planning regulations.

The final central issue involved the need to ensure the accuracy of the data and modeling inputs (such as gasoline prices and inflation rates) used for project evaluation. Fifteen comments were received to the specific question posed for this issue; the responses indicated a need to consider local conditions and policies in project evaluations, but also were strongly in favor of applying consistent standards to all projects. However, opinion was divided as to whether national standards or local policies and criteria should take precedence. The transit industry group suggested a peer review process to set consistent standards for project evaluation.

In order to balance the need for consistent national standards with the industry desire for input into standard modeling assumptions, the final policy statement calls for FTA to develop and issue advisory guidance to be provided through training, documented case studies, and preparation of manuals of best practice. Industry peer groups will review specific projects to determine the degree of consistency of modeling inputs and their relative success. This meets both the need for consistent national standards and the desire of the transit industry to have input into the standard modeling assumptions. It also retains FTA involvement in assuring data quality while avoiding the impression of mandated Federal standards.

These central themes emerged from comments to the nine questions posed in the discussion draft. These questions and a summary of the responses are outlined below:

Question 1: ''New Starts'' Program Management

The discussion draft solicited comments as to whether there might be other ways FTA could manage the ''New Starts'' program and still comply with statute.

Comments: The responses to this question generally indicated that the proposed policy represents an improvement over the existing process. The transit industry group commented that, under a narrow interpretation, the statute does not require comparisons among projects. They would prefer that FTA rely on MIS results to justify a project, and simply report this information in the annual Report on Funding Levels and Allocations of Funds. Other responses noted an apparent disconnect between the major investment policy and the MIS process required under the FTA/FHWA planning regulations.

Question 2: Monetizing Transit Benefits

Comments were solicited concerning the key issues in monetizing transit's benefits; specifically, what information is now available, and what are the most fruitful areas for research.

Comments: The most frequent response was that local needs and priorities vary to the extent that monetizing benefits may not be relevant for national comparisons. Other benefits, such as reduced wait times, fewer transfers, and better reliability are not so easily monetized.

Suggested areas for research included the exploration of ''shadow pricing'' to account for factors such as the ability to forgo a second car or the benefit to the region of having a ''backup'' transportation mode; the marginal cost of transportation alternatives; and quantification of the ''cost avoidance'' benefits of transit, such as social and economic costs and long-term energy and environmental benefits.

Question 3: Value of Travel Time Savings

Comments were solicited regarding available approaches for valuing travel time savings; methods for setting the value of travel time savings; use of values based on average wage rates; and use of different values by trip purpose, mode, and time saved.

Comments: Nearly a third of the responses to this question addressed the need to account for regional variations in prevailing wage rates; otherwise, this measure would be biased in favor of larger areas with higher costs of living.

Comments from the transit industry group indicated that its members could not reach consensus as to whether local or national wage rates were more appropriate. As an alternative, it suggested that time is a limited resource that should be conserved, and the measure should be expressed as a percentage of time saved due to a major investment. Opinion was split as to whether different values by mode or trip purpose were appropriate.

Question 4: Value of Emissions Reductions

The discussion draft solicited comments on available approaches for valuing emission reductions, setting values for emissions reductions, and the use of EPA cost-avoidance values.

Comments: There was general agreement among those who responded to this question that the cost-avoidance method is acceptable, though some cautioned that this approach undervalues the true cost of emissions. One transit operator in a western state suggested that market values be permitted in areas where programs exist for buying/selling emissions credits.

There was some concern that the use of a single national standard would not reflect regional air quality situations. Others cited the need for a measure that was meaningful to the average citizen, such as ''pollution per mile.''

Question 5: Use of Multiple Measures

Comments were solicited on the appropriateness of the overall strategy (i.e., use of the multiple measure method). Specifically, input was sought on whether this strategy can be made workable without explicitly specifying how FTA will trade off between the criteria, or whether FTA should, instead, specify that it will explicitly weigh one or more of the criteria more heavily.

Comments: The respondents generally agreed that the multiple measure method proposed is appropriate. Opinion was split as to how (or

whether) the criteria should be weighted. Some favored no weighting, others asked that FTA specify which criteria would be more heavily weighted, and others said that the weights should be determined locally. The transit industry group supported an unweighted system as being more consistent with an emphasis on local goals and values.

There was also general agreement among the commenters that the criteria should be multimodal; i.e., developed jointly by FTA and FHWA and apply to both highway and transit projects. Many asked how this process related to the MIS.

Question 6: Proposed Justification Measures

Comments were sought on the appropriateness of the proposed measures for each of the ISTEA justification measures, whether the proposed measures adequately represent the criteria called out in Section 5309(e) (formerly Section 3(i)), whether they are workable, whether data can be developed for the measures as part of the normal process of evaluating major investments, and whether the measures are likely to be able to show a distinction between projects of varying merit.

Comment: The use of zero-car households as a basis for evaluating mobility improvements generated substantial comment. Most comments indicated that this measure did not adequately capture the basic mobility function of transit. Suggested alternatives included automobiles per capita, the number of low-income households within ½-mile of boarding points, and a measure accounting for relative time savings from areas of high transit dependence to critical destinations.

Opinion was scattered regarding measures for operating efficiencies. Among the comments that specifically addressed the measures proposed, there was some consensus that passenger-based measures were preferable to vehicle-based measures.

Most comments on the criteria for transit-supportive land use concerned the difficulties involved in determining what to measure. Problems cited included the difficulty of obtaining regional land-use commitments before a project has been approved, the subjectivity of this measure, and the difficulty in making comparisons from region to region.

Question 7: Quality and Consistency of Data

The discussion draft specifically requested comment on how FTA can assure the quality of the data submitted in support of proposed projects in terms of the measures proposed, and how to assure consistency among cities in terms of modeling input assumptions.

Comments: Responses to this question generally supported the need to ensure quality and consistency of data through fair and consistent inputs. The transit industry group spoke to the need to ensure consistency with respect to basic modeling inputs, and recommended a peer review within the industry to accomplish this.

Other suggested methods included relying on FTA-established standards and guidelines and relying on the results of the MIS process.

Question 8: Quantifiability of Approach

Comments were solicited concerning whether this approach is sufficiently quantifiable to allow for the Secretarial findings and determinations for funding required by the Federal Transit Act, and for FTA ranking among candidate projects.

Comments: There was general support for the multiple-measure approach, tempered with concern of a return to the use of a single number for comparison purposes. The transit industry group expressed support for greater use of qualitative methods and a descriptive ranking of projects.

Two responses commented that the overall approach favors extensions to existing systems over new systems.

Question 9: Additional Effort for Multiple Ridership Forecasts

The discussion draft solicited comments regarding the additional effort involved in calculating the proposed annualized, levelized cost-effectiveness index using multiple forecasts of ridership impacts, and how much additional accuracy is gained.

Comments: Almost all of the responses to this question indicated that the additional effort required for multiple forecast years far outweighs any gains in forecast accuracy, and that such an effort was tremendously burdensome when compared to requirements for highway projects.

FTA also received substantial comment on the specific measures proposed for the individual project justification criteria that were incorporated into the multiple measure method. Specifically, projects would be evaluated according to the following five criteria: cost effectiveness, mobility improvements, operating efficiencies, environmental benefits, and transit-supportive land use policies. These criteria are specified in 49 U.S.C. 5309(e) (formerly Section 3(i) of the FT Act). The transit industry group recommended a sixth evaluation criterion for ''system development and performance,'' which would measure the historical and projected level of commitment a region must have in order to have a successful high-capacity transit project.

Criteria: Cost Effectiveness

The proposed measure for cost effectiveness was the total incremental cost per incremental passenger-trip (or -mile), where the projected streams of capital and net operating costs and passenger trips have been expressed in constant dollar terms and both cost and ridership have been discounted at the social discount rate. This was a departure from the current ''cost per new rider'' method, which assigns costs and benefits to passengers assumed to have been diverted from private vehicles.

Comments: Most of the comments received objected to a measure based on costs per ''new rider,'' contending that it is confusing to the public and decisionmakers, and that it does not account for the many intangible benefits of transit. Some (including the transit industry group) supported a modified Social Cost Benefit Analysis (SCBA), even though the discussion draft outlined several pitfalls with applying this type of analysis to transit projects.

The transit industry group proposed that, if a ''modified'' SCBA approach could not be used, a ''descriptive'' approach would be the next best alternative. FTA would classify each project, based on a comprehensive review of the other measures, as ''Cost-Effective,'' ''Marginal,'' or ''Not Cost-Effective.''

Response: After much consideration, FTA has retained the use of a single ''cost-per-incremental-rider'' index. While not a perfect measure, it has the advantage of retaining the only ''hard'' number in the evaluation process. It is also more easily understood than abstract ratings of ''high,'' ''medium,'' or ''low.'' Further, dropping the index would appear to be a step back from a true cost-benefit analysis, when FTA is in fact moving toward a more complete assessment.

The new cost-per-incremental-rider measure has been revised from the traditional index, which subtracted the value of travel time savings from annualized incremental costs. The index will now be calculated using only the

projected change in annual transit ridership and total (Federal and local) capital investment and operating cost. Because travel time savings are now reported separately in assessing mobility improvements, this measure will focus exclusively on incremental ridership. The aggregate change in systemwide annual ridership will also be reported.

Criteria: Mobility Improvements

The proposed measures for mobility improvements included (1) the projected aggregate value of time savings per year (forecast year) anticipated from the new investment, compared to the TSM alternative, valued as a percentage of the average wage rate in an urbanized area; and (2) the absolute number of zero-car households (or residents of those households) located within ½-mile of boarding points for the proposed system increment.

Comments: Most of the comments received on this measure addressed the need to account for regional variations in prevailing wage rates; otherwise, commenters said, this measure would be biased in favor of larger areas with higher costs of living.

The transit industry group indicated that its members could not reach consensus as to whether local or national wage rates were more appropriate. As an alternative, it suggested that time is a limited resource that should be conserved, and the measure should be expressed as a percentage of time saved due to a major investment.

Nearly all comments objected to the use of zero-car households as a basis for measuring basic mobility. The transit industry group suggested that low-income households be used instead of zero-car households, and recommended an additional measure of mobility including the number of jobs within 30–45 minutes transit travel time and the number of low-income households within 30–45 minutes travel time of jobs. This group's comments also suggested that travel time savings should be ''net'' across all modes (highway and transit) and exclude those who shift to transit and incur longer travel times by choice (arguing that for these people, other intangible benefits outweigh the extra travel time). Including projected changes in highway travel times associated with the proposed transit project, the comment suggested, would account for the overall effect on mobility in the corridor.

Response: FTA recognizes the need to consider that people who switch to transit can incur longer travel times but are gaining other benefits (such as reduced travel under congested conditions, improved ride quality, reduced overall commuting costs, etc.). Therefore, any such travel time increase should not be counted against overall travel time improvements for new riders. FTA has therefore adopted a consumer surplus approach in the final policy statement, which will account for the aggregate value of travel time savings and other travel benefits for new riders. Travel time savings and other travel benefits for existing transit riders and remaining highway users would be included in the overall measure. Values would be expressed in terms of the dollar value of the projected travel benefits for the project study area. The value of travel time would be set at 80 percent of the average wage rate in the urbanized area. This approach provides a better picture of overall mobility improvements associated with a proposed major investment.

FTA is also persuaded that the use of zero-car households as a measure for basic mobility is much more problematic than using low-income households. Therefore, the final policy statement uses the absolute number of low-income households located within ½-mile of boarding points associated with the proposed system. This measure is not limited to stations that are part of the proposed project, and includes boarding points that will feed into the new system.

Criteria: Operating Efficiencies

The discussion draft proposed that the measure for operating efficiencies be based on (1) the forecast change in operating cost per vehicle service-hour (or -mile) for the part of the system affected by the new investment, expressed in absolute and regional percentage terms, (2) the forecast change in passengers per vehicle service-hour (or -mile), and (3) the forecast change in passenger-miles per vehicle service-hour (or -mile).

Comments: The transit industry group suggested that the measures for operating cost and passengers per vehicle service-hour or -mile would be more meaningful if a common base were used when comparing projects. They recommended a ''bus equivalent'' capacity measure based on the standard 40-foot transit bus, which is similar to the passenger-car equivalent measure used for highway performance in the Highway Capacity Manual issued by the Transportation Research Board. Standard industry capacity measures such as place-miles or seat-miles are not easily understood by the public, and the use of revenue vehicle-miles without accounting for the vast differences in capacity of the various transit modes is misleading. Use of the bus equivalent provides for a more accurate view of efficiency, considering the larger capacity of rail cars, and makes rail alternatives look (correctly) better than if unweighted vehicle miles are used.

The industry group's comments also suggested that the measure for the forecast change in passenger-miles per vehicle service-hour (or -mile) be dropped. This measure would be helpful in true multimodal comparisons, such as comparing fixed-guideway transit projects to High-Occupancy Vehicle projects and/or highway improvements, but would tend to be equal for alternatives of similar length and therefore of limited use.

Response: While FTA agrees that the bus-equivalent capacity measure will perhaps be more easily understood by the public than seat-miles or place-miles, especially when comparing among bus and rail modes, such measures may actually be more confusing to local and Federal decisionmakers accustomed to traditional measures of capacity. In addition, a ''bus-equivalent vehicle-mile'' measure would impart an additional analysis and reporting requirement on project sponsors. In order to avoid adding burdensome additional requirements to the local project development process, FTA has adopted for this measure the forecast change in operating cost per passenger-mile, for that part of the system that will be directly affected by the proposed new investment, expressed in terms of absolute dollar value. This will focus attention on the overall change in costs to produce a unit of service for the customer. Further, it avoids the problems inherent in making comparisons across modes which use vehicles with substantially different capacities.

Criteria: Environmental Benefits

Comments: The most frequent comments on the measures for environmental benefits addressed the issue of placing a value on emissions reductions. The transit industry group and a transit operator in a western state both supported the use of market-based values where they are documented and available, at local option. Otherwise, standard national values should be used.

Response: FTA recognizes the importance of avoiding the ''one-size-fits-all'' approach to program management. However, the use of ''national standards'' lends a degree of simplicity to the evaluation process,

reducing the reporting and data-collection burden on project sponsors. Use of consistent standards also permits greater comparability of projects among cities, which is consistent with the purpose of these criteria and the statute from which they are derived. Therefore, this measure will be based on standardized national assumptions about the unit value of each emission.

Criteria: Transit-Supportive Land Use

Comments: Most of the comments on the criteria for evaluating transit-supportive land use policies concerned the difficulties involved in determining what to measure. Problems cited included the difficulty of obtaining regional land-use commitments before a project has been approved, the subjectivity of this measure, and the difficulty in making comparisons from region to region.

The transit industry group suggested the use of a descriptive rating of projects according to factors such as existing land use, containment of sprawl, transit-supportive corridor policies, supportive zoning regulations near transit stations, tools to implement land use policies, and performance of those policies. Alternatively, a ''multiple criteria ordinal ranking'' approach could be used, where the project would be given a rating of ''high,'' ''medium,'' or ''low'' according to the same factors.

Response: The final policy statement implements a combined rating for important land use factors consisting of both ''high,'' ''medium,'' and ''low'' ratings and corresponding descriptive indicators. Projects will be rated according to existing land use, containment of sprawl, transit-supportive corridor policies, supportive zoning regulations near transit stations, tools to implement land use policies, and the performance of land use policies. The one-word rating acts as a summary for the evaluation of each respective factor, while the description acts as the definition of that rating. Ratings for transit supportive land use will be developed in the same manner as that currently used by FTA to assess financial capacity, and expressed in a single rating based on the ratings for each factor.

In addition to these five criteria, the transit industry group suggested a sixth that would measure the historical and projected level of commitment a region must exhibit in order to have a successful high-capacity transit project (i.e., a new start). This criterion would address a number of factors which would otherwise be overlooked by the other measures. These would include (1) local efforts to adopt and enforce transit-supportive parking policies, (2) efforts to coordinate highway and transit project development (for example, withdrawing a highway improvement project in favor of the proposed transit investment), and (3) an ''implementation capability'' measure to judge the likelihood that forecast costs will be accurate. This last factor would focus on the ability of a region to successfully implement a major transit investment, based on its record of experience with such projects. Descriptive ratings were recommended for each of these factors; alternatively, a ''multiple criteria ordinal ranking'' approach could be used, where the project would be given a rating of ''high,'' ''medium,'' or ''low'' according to the same factors.

FTA recognizes that there are often additional factors which may contribute to the overall success of the project. Thus, in response to this recommendation, FTA has adopted a sixth project justification criterion for ''other relevant factors.'' This criterion will evaluate the degree to which the institutions (local transportation planning, programming and parking policies, etc.) assumed in the forecasts are in place, the capability of project sponsors to manage a project of the planned scope, and such other factors as may be relevant to the successful implementation of the project and/or local and national priorities. This provides an added assessment of the likelihood of a successful transit investment, measured against regional considerations. The measure combines both the ''high,'' ''medium,'' and ''low'' ratings with the descriptive ratings, as appropriate, in order to provide both a ''summary'' rating for each factor and its definition.

This comment also recommended that factors for successful implementation of transit-supportive land use plans be included in this measure. However, this would largely duplicate the information collected under the evaluation criteria for ''Transit Supportive Land Use Policies.'' While it may be possible to combine these two criteria, the use of a separate measure for land use is more consistent with statute.

IV. Explanation of Policy

Statement of Federal Transit Administration Policy—Criteria for Discretionary New Starts Funding

Section 5309(e)(2)–(7) of Title 49, United States Code (U.S.C.) (formerly Section 3(i) of the Federal Transit Act [FT Act]), requires the Secretary to make certain findings before new transit fixed guideway and extension projects are eligible for assistance under 49 U.S.C. Section 5309 (formerly Section 3). Specifically, a project must be ''(1) based on the results of an alternatives analysis and preliminary engineering, (2) justified based on a comprehensive review of its mobility improvements, environmental benefits, cost effectiveness, and operating efficiencies, and (3) supported by an acceptable degree of local financial commitment, including evidence of stable and dependable funding sources to construct, maintain, and operate the system or extension.''

In addition, Section 5309(m)(3) (formerly Section 3(j)) requires the Secretary annually prepare a report to Congress outlining ''a proposal of the allocation of the funds to be made available to finance grants and loans for construction of new fixed guideway systems and extensions to fixed guideway systems among applicants for such assistance.'' This annual Report on Funding Levels and Allocations of Funds (the ''Section 3(j) Report'') is submitted annually as a collateral document to the President's budget.

This Statement of Federal Transit Administration (FTA) Policy describes the criteria FTA will use to make the statutory determination required under Section 5309(e)(2)–(7) (formerly Section 3(i)) and to determine the recommendations included in the annual report to Congress required by Section 5309(m)(3) (formerly Section 3(j)). These criteria apply only to projects seeking Federal discretionary funds for new transit fixed guideway and extension projects (''new starts'') under Section 5309 (formerly Section 3).

Title III of ISTEA exempted a number of specific projects from the New Starts criteria described in Section 5309(e)(2)–(7) (formerly Section 3(i)). Additionally, Section 5309(e)(6)(A) (formerly Section 3(i)(5)(A)) exempts projects if: (1) they are located in an extreme or severe nonattainment area and are a transportation control measure (as defined by the Clean Air Act) required to carry out an approved State Implementation Plan; or (2) the total amount of funding to be provided under Section 5309 (formerly Section 3) is less than $25,000,000, or less than one-third of the total cost of the project or program of projects as defined by the Secretary. However, FTA may still rate such projects for informational purposes only, to the extent relevant information is available.

I. Planning and Project Development Procedures

New start projects, like all transportation investments in

metropolitan areas, must emerge from the transportation planning process in order to be eligible for Federal funding. In addition, Section 5309(e)(2) specifies that discretionary grants or loans for new starts may only be approved if a proposed project is based on the results of alternatives analysis and preliminary engineering, and that certain project justification and financial criteria have been met. This section outlines the procedural requirements for planning and project development that apply to new starts. Figure 1 depicts the FTA new start planning and development process.

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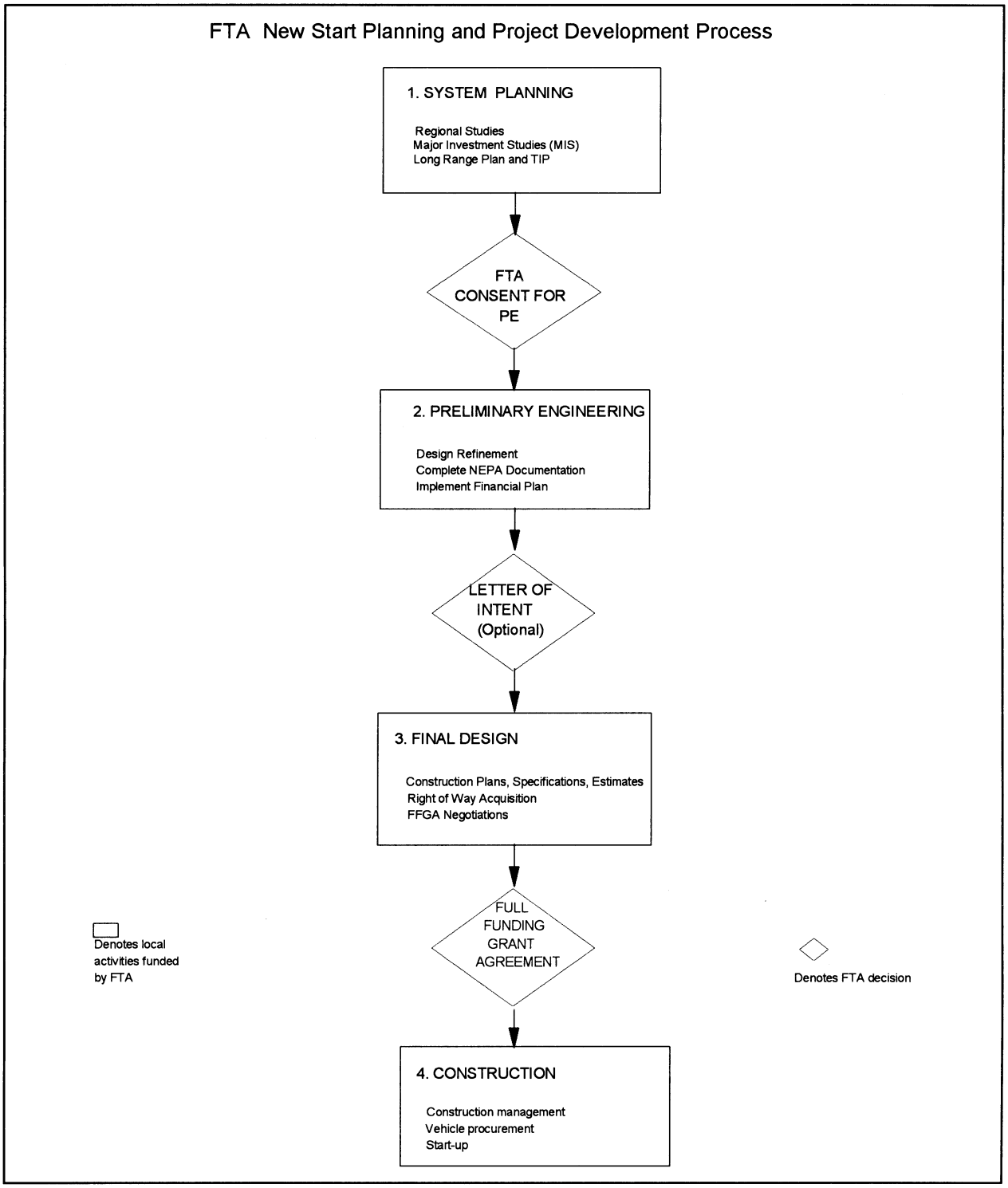

FIGURE 1

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Planning: Sections 1024, 1025 and 3012 of ISTEA implemented a continuing, cooperative, and comprehensive transportation planning process which is to be conducted in each metropolitan area in the United States. This planning process leads to the adoption, by the designated metropolitan planning organization, of a metropolitan transportation plan (''plan'') and a transportation improvement program (TIP). The plan and TIP provide for the development and operation of an integrated transportation system that facilitates the efficient movement of people and goods. Projects proposed for FTA assistance must be consistent with the adopted plan and TIP. FTA and FHWA regulations on the metropolitan transportation planning process are found in 23 CFR Part 450.

The planning process includes the development of a financial strategy for the construction and operation of planned facilities and services. The cost of the plan is constrained to the revenues reasonably expected to be available.

The metropolitan planning regulations provide for a Major Investment Study (MIS) where the planning process identifies transportation problems that lend themselves to a high cost, high impact solution. An MIS is a corridor level analysis which evaluates all reasonable alternatives for addressing a transportation problem. (Each major corridor is considered separately to determine the facilities and services that will best meet its projected requirements.) The MIS develops information on the benefits, costs, and impacts of alternative strategies, leading to the selection of a locally preferred alternative or strategy. The selected strategy is then included in the metropolitan transportation plan and transportation improvement program. It is expected that most new start proposals will result from an MIS. All projects proposed for Section 5309 funding assistance must emerge from the metropolitan planning process, including an MIS where applicable (an MIS is only required in cases where Federal funds are potentially involved in the financing of the selected alternative).

The FTA/FHWA planning regulations found in 23 CFR Part 450 merged the alternatives analysis requirement into the metropolitan planning process. Thus, the completion of an MIS in accordance with 23 CFR Part 450 satisfies the statutory requirement for an alternatives analysis.

The alternatives analysis requirement does not apply to certain new start projects that, by statute, are exempted from the new start criteria. Under 49 U.S.C. Section 5309(e)(6)(A), projects are exempt from these requirements if: (a) The project is located within an extreme or severe nonattainment area and is a transportation control measure, as defined by the Clean Air Act, that is required to carry out an approved State Implementation Plan; (b) the amount of Section 5309 assistance being sought for the project is less than $25 million; (c) the amount of Section 5309 assistance being sought is less than ⅓ of the total cost of the project; or (d) the amount of Section 5309 assistance being sought is less than ⅓ of the total cost of a program of projects as determined by the Secretary.

An MIS may be appropriate even though an alternatives analysis is not required by statute. Since FTA intends that an MIS be performed before local decisions are reached on the strategy for solving a corridor's transportation problems, it is likely that most exempt projects would emerge as a preferred solution only after an MIS is completed. In addition, the cost estimates and funding arrangements that are needed to determine if a project is exempt may not be available until an MIS has been completed. Even where it is clear that a new start alternative is exempt from the alternatives analysis requirement, an MIS may be an appropriate means to evaluate that alternative in the context of other strategies being considered for the corridor.

Situations may also arise where the MIS requirements do not apply but an alternatives analysis is still required by statute. This could occur, for example, where the total cost of the project is not significant in regional planning terms but the Section 5309 share exceeds $25 million and ⅔ of the project cost. In such cases, FTA will work with the local participating agencies to determine the appropriate scope for an alternatives analysis.

Federal financial support for the planning process is derived from a number of sources, including the FTA Planning and Research Program under 49 U.S.C. Section 5314, and planning programs administered by the Federal Highway Administration. FTA Urbanized Area Formula funds under Section 5307 and flexible funds under the Surface Transportation (STP) Program and the Congestion Mitigation and Air Quality (CMAQ) Program may also be used to support planning. Given the significant demands placed on the Section 5309 new start program, FTA does not support the use of new start funds for planning.

Preliminary Engineering: The preliminary engineering stage of project development follows the completion of the planning process, as evidenced by the adoption of a locally preferred alternative in the metropolitan area's adopted transportation plan and TIP. Under 49 U.S.C. 5309(e)(5), a proposed new start project may advance from alternatives analysis into preliminary engineering only if the Secretary makes certain findings with regard to the completion of alternatives analysis, project justification, and the degree of local financial commitment. The Secretarial finding is not required for exempt projects as defined above.

When the sponsoring agency for a new start project desires to initiate the preliminary engineering phase of project development, it should submit a request to the FTA regional office identifying the project. The request should provide information on the planning process that led to the selection of the project, including the inclusion of the project in the metropolitan transportation plan and TIP. The request should also address the project justification and local financial commitment criteria outlined below. (This information would normally be developed as part of the MIS process that led to the selection of the project.) Where the sponsoring agency believes that a proposed project is exempt from the new start criteria, the agency need not provide project justification and financial commitment information, but would request FTA concurrence that the project is exempt from the criteria. FTA approval to initiate preliminary engineering is not a commitment to fund final design or construction.

During the preliminary engineering phase, local project sponsors refine the design of the proposal, taking into consideration all reasonable design alternatives. The PE process results in estimates of project costs and impacts in which there is a high degree of confidence. In addition, environmental requirements are completed (for new starts, this will normally entail the completion of an environmental impact statement), project management concepts are finalized, and any required funding sources are put in place. Information on project justification and the degree of local financial commitment will be continually updated as appropriate.

Localities are encouraged to incorporate into their preliminary engineering activities, and to implement, a program of supportive policies and actions designed to

enhance the benefits of the project and its financial feasibility. Such policies and actions might include:

- Zoning policies and development incentives to stimulate high density and mixed use development around transit stations.
- Land use plans that support or reinforce the development impact and shaping influence of the transit system.
- Coordinated bus and/or paratransit feeder services.
- Pricing, regulatory, or traffic control measures aimed at managing peak period auto use and increasing the speed of transit vehicles (e.g., higher parking fees and tolls, traffic metering, priority treatment and signal preemption for transit).
- Financing mechanisms which make use of taxes and/or fees paid by developers and property owners benefiting from the transit system.

Preliminary engineering is typically financed with Section 5307 funds, local revenues, and flexible funds under the Surface Transportation (STP) Program and the Congestion Mitigation and Air Quality (CMAQ) Program. Given the significant demands placed on the Section 5309 new start program, FTA does not support the use of new start funds for preliminary engineering except in the case of unusually large and costly projects.

Final Design: This is the last phase of project development and includes right-of-way acquisition, utility relocation, and the preparation of final construction plans (including construction management plans), detailed specifications, construction cost estimates, and bid documents. The final design stage cannot be initiated until environmental requirements have been satisfied, as evidenced by a Record of Decision (ROD) or a Finding of No Significant Impact (FONSI). Final design is typically financed with Section 5309 new start funds.

FTA Ratings and Funding Commitments: Each year, FTA will rate the projects which are performing or have completed the preliminary engineering phase. Pursuant to 49 U.S.C. Section 5309(m)(3), FTA will then recommend an allocation of new start funds among projects for the succeeding fiscal year. The rating will be assigned based on the project justification and financial commitment criteria contained in this statement. Funding commitments will be given ultimately to those projects which are most highly rated and which are ready to utilize the funds consistent with available program authorization.

During preliminary engineering or final design, FTA may issue a Letter of Intent to signal its intention to participate in the cost of a new start project. The Letter of Intent is a formal pledge but is not a Federal obligation or administrative commitment.

When FTA has decided to participate in a project with new start funds, FTA and the grantee will negotiate, during final design, a full funding grant agreement (FFGA). The FFGA will specify a fixed ceiling on the Federal contribution. The grantee will be required to complete construction of the project, as defined, to the point of initiation of revenue operations, and to absorb any additional costs incurred, except under certain specified extraordinary circumstances. The FFGA will include a mutually agreeable schedule for anticipating Federal contributions during the final design and construction period. Specific annual contributions under the FFGA will be subject to the availability of budget authority and the ability of the grantee to use the funds effectively.

The total amount of Federal obligations under full funding grant agreements and potential obligations under Letters of Intent will not exceed the amount authorized for Section 5309 new starts. FTA may also make ''contingent commitments,'' which are contingent upon future congressional authorizations, beyond the amount authorized for section 5309 new starts.

II. Criteria for Grants and Loans for Fixed Guideway Systems

In order to approve a grant or loan under Section 5309 (formerly Section 3), the Secretary of Transportation must find that the proposed project is justified as described in Section 5309 (e)(2)(B) (formerly Section 3(i)(1)(B)), and supported by an acceptable degree of local financial commitment, as described in Section 5309(e)(2)(C) (formerly Section 3(i)(1)(C)).

a. Project Justification Criteria

To make the statutory approval required for a project to enter preliminary engineering, as required by Section 5309(e)(2)–(7) (formerly Section 3(i)), FTA will evaluate information developed in Major Investment Studies. The method used to make this determination will be a Multiple Measure approach in which the merits of candidate projects will be evaluated against a set of measures. These measures will also be used to determine which projects to recommend for funding in the report required by Section 5309(m)(3) (formerly Section 3(j)). The ratings for each measure will be updated throughout the preliminary engineering and final design processes, as costs, benefits and impacts are more precisely defined. As a candidate project proceeds through the stages of the development process, a greater degree of certainty is expected with respect to these measures. The measures are as follows:

1. For ''mobility improvements''—(1) The projected value of aggregate travel time savings per year (forecast year [1]) anticipated from the new investment, compared to both the no-build and TSM alternatives [2]. This aggregate includes the travel time savings of people using competitive modes, along with those on the trips made by transit (both new and existing transit riders). It is a net figure in the sense that travel time increases should be explicitly considered and used to offset the time savings of those people who experience savings. Travel time savings for those switching from highways to transit will be calculated using a consumer surplus approach, taking one-half of the total travel time savings for existing riders. The net figure will be expressed in terms of the dollar value of the projected travel time savings for the study area. Total travel time savings will be valued at 80 percent of the average wage rate in the urbanized area. (2) The absolute number of low income households (households below the poverty level) located within ½ mile of boarding points associated with the proposed system increment.

2. For ''environmental benefits''—(1) the value per year (forecast year) of the forecast change in criteria pollutant emissions and in greenhouse gas emissions, ascribable to the proposed new investment, calculated according to standardized national assumptions about the unit value of each emission; (2) the forecast net change per year (forecast year) in the regional consumption of energy, ascribable to the proposed new investment, expressed in British Thermal Units (BTU); and (3) current Environmental Protection Agency designations for the region's

[1] For the purposes of this analysis, the forecast year will be year 20 of the analysis period. An opening year forecast will be used for financial analysis and as a check on initial ridership projections.

[2] In all cases, the no-build case will be based on committed elements of the region's transportation plan, except for the proposed fixed guideway or extension. As areas are required to develop Congestion Management Systems, and give priority to the strategies included in the CMS in developing long range transportation plans and programs, it is expected that the base case will include substantial system management elements designed to reduce congestion by improving the operation of the transportation system. The TSM alternative is the no-build case plus low-cost transportation improvements such as traffic engineering, transit operational changes, and modest capital improvements that improve transportation performance.

compliance with National Ambient Air Quality Standards. The new start alternative will be compared to both the no-build and TSM alternatives.

3. For ''operating efficiencies''—the forecast change in operating cost per passenger-mile (forecast year), for that part of the system that will be directly affected by the proposed new investment, expressed in terms of absolute dollar value. The new start will be compared to both the TSM and no-build alternatives.

4.For ''cost-effectiveness''—the incremental change in total capital and operating cost per incremental passenger, based on the forecast change in annual transit ridership (forecast year) and the annualized total (Federal and local) capital investment and operating cost, compared to the no-build and TSM alternatives.

5. For ''transit supportive existing land use policies and future patterns''—the degree to which local land use policies are likely to foster transit supportive land use, measured in terms of the kinds of policies in place, and the commitment to these policies. A combined rating consisting of both ''high,'' ''medium,'' and ''low'' ratings and corresponding descriptive indicators will be used to assess each of the following six factors: (1) existing land use; (2) containment of sprawl; (3) transit-supportive corridor policies; (4) supportive zoning regulations near transit stations; (5) tools to implement land use policies; and (6) the performance of land use policies. The ratings for each factor will then be combined into a single ordinal rating for transit supportive land use.

6. For ''other factors''—(1) the degree to which the institutions (local transportation planning, programming and parking policies, etc.) are in place as assumed in the forecasts, (2) project management capability, and (3) additional factors relevant to local and national priorities and relevant to the success of the project. Ratings will be expressed as appropriate in ordinal ratings and descriptive statements.

b. Local Financial Commitment

The local financial commitment to a proposed project will continue to be evaluated according to the following measures:

1. The proposed local share of project costs, defined as the percentage of capital costs to be met using funds from sources other than Section 5309, including both the local match required by Federal law and any additional capital funding (''overmatch''). Consideration will be given to the use of (1) innovative financing techniques, as described in the May 9, 1995 Federal Register notice on *FTA's Innovative Financing Initiative;* and (2) ''flexible funds'' as provided under the Congestion Mitigation and Air Quality Improvement Program (CMAQ) and the Surface Transportation Program (STP) under ISTEA.

2. The strength of the proposed capital financing plan, according to (1) the stability and reliability of each proposed source of local match, including inter-governmental grants, tax sources, and debt obligations, with an emphasis on availability within the project timetable; (2) whether adequate provisions have been made to cover unanticipated cost overruns. The strength of the capital finance plan will be rated high, medium, or low.

3. The ability of the local transit agency to fund operation of the system as planned once the guideway project is built, according to (1) an evaluation of the operating revenue base and (2) its ability to expand to meet the incremental operating costs associated with a new fixed guideway investment and any other new services and facilities. Ratings of high, medium, and low will be used to describe stability and reliability of operating revenue.

Issue Date: December 16, 1996.

Gordon J. Linton,

Administrator.

[FR Doc. 96–32199 Filed 12–18–96; 8:45 am]

BILLING CODE 4910–57–P

Surface Transportation Board

[STB Finance Docket No. 33304]

Track Tech, Inc.—Acquisition and Operation Exemption—Burlington Northern Railroad Company

Track Tech, Inc. (TTI) has filed a verified notice of exemption under 49 CFR 1150.31: (1) to acquire and operate approximately 65.01 miles of rail line owned by the Burlington Northern Railroad Company as follows: between milepost 25.15 at Denrock, IL, and milepost 28.35 at Lyndon, IL; between milepost 96.30 at Bladen, NE,[1] and milepost 119.34 at Hildrath, NE; between milepost 98.00 at Hamar, ND, and milepost 103.92 at Warwick, ND; between milepost 4.00 at Tatman Junction (near Minot), ND, and milepost 16.70 at Tatman Air Force Base, ND;[2] between milepost 761.80 at Amarillo, TX, and milepost 775.70 at Bushland, TX; and between milepost 351.15 and milepost 357.40 at Lubbock, TX. The proposed transaction was to be consummated not sooner than November 27, 1996, the effective date of the exemption.

If the notice contains false or misleading information, the exemption is void *ab initio.* Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 33304, must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Branch, 1201 Constitution Avenue, N.W., Washington, DC 20423 and served on: T. Scott Bannister, 1300 Des Moines Building, 405 6th Avenue, Des Moines, Iowa 50309

Decided: December 12, 1996.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams,

Secretary.

[FR Doc. 96–32232 Filed 12–18–96; 8:45 am]

BILLING CODE 4915–00–P

[1] TTI has confirmed that the milepost at Bladen, NE, is milepost 96.30 (rather than milepost 95.82).

[2] TTI has confirmed that the milepost at Tatman Air Force Base, ND, is milepost 16.70 (rather than 12.70).

[STB Docket No. AB–88 (Sub-No. 8X)]

Bessemer and Lake Erie Railroad Company—Abandonment Exemption—in Armstrong and Butler Counties, PA

Bessemer and Lake Erie Railroad Company (B&LE) has filed a notice of exemption under 49 CFR 1152 Subpart F—*Exempt Abandonments* to abandon 3.13 miles of its line of railroad, known as the Western Allegheny Branch, extending from Station 2294+53 eastward to the end of the track at Station 2460+01, in Armstrong and Butler Counties, PA.

B&LE has certified that: (1) No local traffic has moved over the line for at least 2 years; (2) there is no overhead traffic on the line; (3) no formal complaint filed by a user of rail service on the line (or by a state or local government entity acting on behalf of such user) regarding cessation of service over the line either is pending with the Surface Transportation Board (Board) or with any U.S. District Court or has been decided in favor of complainant within the 2-year period; and (4) the requirements at 49 CFR 1105.7 (environmental reports), 49 CFR 1105.8 (historic reports), 49 CFR 1105.11 (transmittal letter), 49 CFR 1105.12 (newspaper publication), and 49 CFR 1152.50(d)(1) (notice to governmental agencies) have been met.