Federal Transit Policy Update

Capital Investment Grant Final Policy Guidance

The Federal Transit Administration (FTA) released its Capital Investment Grant (CIG) Final Policy Guidance on December 17, 2024. It is scheduled to become effective on January 16, 2025. This is the culmination of years of work capturing a series of changes in the Bipartisan Infrastructure Law, interim policy guidance and reporting instructions dating back to the last final policy guidance issued in June 2016 after passage of the Fixing America's Surface Transportation (FAST) Act in December 2015.

The most recent FTA policy guidance issued prior to the CIG Final Policy was Initial Final Policy Guidance in January 2023. This update will feature changes to guidance pivoting from the January 2023 guidance. It will not address the myriad incremental changes over the last eight years, rather only changes from 2023 to the 2024 Final Policy Guidance.

Overview

The overarching structure of the CIG Project Justification and Local Financial Commitment ratings does not change. There are still six project justification ratings with equal weight of 16.67% and three financial commitment ratings with reasonableness of capital and operating cost estimates still with 50% weight and the other two financial criteria with 25% weight.

This review will focus on eligibility/process changes, rating criteria definitions for Land Use, Costeffectiveness, Mobility Improvements, breakpoint, and warrant changes and clarifying language around project administration for "bundles."

Eligibility / Process

FTA explicitly encourages project sponsors to incorporate climate resilient infrastructure into their project designs. The cost of these resilient components is federally eligible.

Equitable Transportation Community (ETC) Explorer

FTA also encourages project sponsors to use the USDOT ETC Explorer. This DOT generated tool is intended to assist project sponsors to better understand how their community or project area is experiencing disadvantage related to lack of transportation investments or opportunities.

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December 27, 2024

Equitable Transportation Community (ETC) Explorer

FTA has clarified how it will administer requests for Project Development (PD) extensions. In the past, FTA sought to differentiate between a request to extend PD or request to postpone entry into Engineering. This generated confusion for project sponsors. The new guidance only allows for a sponsor to request a PD extension for up to one year.

If the four PD statutory requirements are not fulfilled within the two years or approved extension timeframe, the project will be removed from the CIG pipeline. All expenses incurred after falling out of the pipeline until reapplication and readmittance to the CIG pipeline will not be eligible for federal funding participation once a CIG grant is awarded. Not included in the guidance but recently communicated to some project sponsors that FTA will not entertain a series of PD extension requests that would extend beyond a maximum of a one-year extension. This applies to New Starts and Core Capacity projects as there is no two-year PD limitation applicable to Small Starts projects.

Project Justification Rating Criteria Definitions

Land Use

Historically the land use criterion considered station area development, total employment and average population density within one-half mile radius of the station. These sub criteria are retained. The two other legacy land use sub criteria related to CBD parking cost and supply are eliminated as no longer a good indicator of project ridership potential post pandemic. In their stead, FTA has created three new sub criteria.

- Proportion of Legally Binding Affordability Restricted (LBAR) housing within ½-mile radius of stations to the proportion of LBAR housing in the county or counties through which the project travels: http://www.preservationdatabase.org
- Community risk based on 10 defined factors within a ½ mile station radius: https://www.census.gov/programs-surveys/community-resilience-estimates/data.html
- Essential services within a one-mile radius of stations: https://hifld-geoplatform.hub.arcgis.com/

2024 LAND USE BREAKPOINTS

Rating	Average Population Density (persons/ square mile) (No Change)	Employment Served by System (No Change)	Proportion of LBAR Housing in the Station Areas Compared to the Proportion in the Counties through which the Project Travels	Community Risk	Average Essential Services per Station Area
High	≥ 15,000	≥ 220,000	≥ 2.50	≥ 50%	> 7
Medium-High	9,600 – 14,999	140,000 – 219,999	2.25 – 2.49	40 – 49.9%	5 - 7
Medium	5,760 - 9,599	70,000 – 139,999	1.50 – 2.24	18 – 39.9%	3 - 4
Medium-Low	2,560 – 5,759	40,000 – 69,999	1.10 – 1.49	5 – 17.9%	1 - 2
Low	≤ 2,559	≤ 39,999	≤ 1.09	≤ 4.99%	< 1

Cost-Effectiveness

Historically, FTA has allowed the cost of "enrichments" to be excluded in full or in part from the New Starts cost-effectiveness calculation, e.g., pedestrian/bike access, functional landscaping, and 50% of the cost of purchase of "green" buses. FTA is adding eligibility for exclusion of the full cost of zero emission fueling stations.

FTA has substantially adjusted New Starts cost-effectiveness breakpoints to account both for post-covid transit ridership trends as reported to FTA's National Transit Database and cost inflation that has occurred since the breakpoints were first established in 2015.

FTA also commits in the new policy guidance to update the cost-effectiveness breakpoints annually to account for inflation using the Gross Domestic Product Deflator recommended in OMB Circular A-94.

HISTORIC NEW STARTS COST-EFFECTIVENESS BREAKPOINTS

Rating	Range
High	< $4.00
Medium-High	Between $4.00 and $5.99
Medium	Between $6.00 and $9.99
Medium-Low	Between $10.00 and $14.99
Low	≥ $15.00

2024 NEW STARTS COST-EFFECTIVENESS BREAKPOINTS (FOR USE IN 2025)

Rating	Cost per Trip Range
High	< $8.00
Medium-High	Between $8.00 and $9.99
Medium	Between $10.00 and $19.99
Medium-Low	Between $20.00 and $34.99
Low	≥ $35.00

HISTORIC SMALL STARTS AND CORE CAPACITY COST-EFFECTIVENESS

Rating	Range
High	≤ $1.00
Medium-High	Between $1.01 and $1.99
Medium	Between $2.00 and $3.99
Medium-Low	Between $4.00 and $5.00
Low	> $5.00

2024 SMALL STARTS AND CORE CAPACITY COST-EFFECTIVENESS BREAKPOINTS

Rating	Annualized Federal Share Per Trip
High	< $1.00
Medium-High	Between $1.00 and $1.99
Medium	Between $2.00 and $4.99
Medium-Low	Between $5.00 and $5.99
Low	≥ $6.00

Mobility Improvements

FTA has increased the weight of trips made by transit dependents from 2 to 5. This supports goals identified in the USDOT Equity Action Plan, Justice 40 Initiative (Executive Orders 14008 and 14096). Transit dependent persons are defined as those households having no cars or trips made by households in bottom quintile income bracket as defined locally.

HISTORIC MOBILITY IMPROVEMENT BREAKPOINTS FOR NEW STARTS, SMALL STARTS AND CORE CAPACITY BREAKPOINTS

Rating	Mobility Improvements: Estimated Annual Trips (Trips by Non-Transit Dependent Person plus Trips byTransit Dependent Persons multiplied by 2)
High	≥ 30 Million
Medium-High	15 Million – 29.9 Million
Medium	5 Million – 14.9 Million
Medium-Low	2.5 Million – 4.9 Million
Low	< 2.5 Million

2024 MOBILITY IMPROVEMENT BREAKPOINTS FOR NEW STARTS, SMALL STARTS AND CORE CAPACITY

Rating	Mobility Improvements: Estimated Annual Trips (Trips by Non-Transit Dependent Persons plus Trips by Transit Dependent Persons multiplied by 5)
High	≥ 30 Million
Medium-High	12 Million – 29.9 Million
Medium	3 Million – 11.9 Million
Medium-Low	2 Million – 2.9 Million
Low	< 2 Million

Environmental Benefits

FTA has quantified numerous changes in benefit and monetization factors for all transportation modes for changes in Vehicles Miles Travelled (VMT) in the current year, 10-year horizon and 20-year horizon for:

- Air Quality
- Energy Use
- Greenhouse Gas Emissions
- Safety Factors

Specific tables in the Final Guidance quantify the benefits.

Economic Development

This criterion remains primarily qualitative based on FTA's assessment of the extent to which a proposed project will likely induce additional transit-supportive development in the future based on a qualitative examination of the existing local plans and policies to support economic development proximate to the project. FTA has generated an Economic Development breakpoint chart for the first time below for the supportive zoning in station areas.

SUPPORTIVE ZONING IN STATION AREAS BREAKPOINTS

Rating	Residential Dwelling Units per acre (maximum)	Central Business District (CBD) Floor Area Ration (maximum)	Other Floor Area Ratio (maximum)	CBD spaces per 1,000 square feet (minimum)	Other spaces per 1,000 square feet (minimum)
High	≥ 25.0	≥ 10.0	≥ 2.50	≤ 1.00	≤ 1.50
Medium-High	15.0 – 24.9	8.0 – 9.9	1.75 – 2.49	1.01 – 1.75	1.51 – 2.25
Medium	10.0 – 14.9	6.0 – 7.9	1.00 – 1.74	1.76 – 2.50	2.26 – 3.00
Medium-Low	5.0 – 9.9	4.0 – 5.9	0.50 – 0.99	2.51 – 3.25	3.01 – 3.75
Low	≤ 4.9	≤ 3.9	≤ 0.49	≥ 3.26	≥ 3.76

New Starts and Small Starts Project Justification Warrants

Warrants are pre-qualification automatic rating that allow a proposed project to automatically receive a satisfactory rating on a given criterion based on the project's characteristics or the characteristics of the project corridor. If a project satisfies both factors less than a cost threshold and greater than daily transit riders threshold, a project may opt to request FTA approval of a warrant. Cost thresholds have been increased by 20% and ridership thresholds have been decreased by 30% from historic thresholds. Warrants apply to Cost-Effectiveness, Mobility Improvements and Congestion Relief.

NEW STARTS AND SMALL STARTS PROJECT JUSTIFICATION WARRANT

< $60 million and 2,100 Transit Riders
$60 million – $120 million and 4,200 Transit Riders
$120 million – $210 million and 6,300 Transit Riders
$210 million – $300 million and 8,400 Transit Riders
$300 million – $600 million and 10,500 Transit Riders
> $600 million not eligible for warrants

Local Financial Commitment Criteria

Reasonableness of Capital and Operating Cost Estimates (New Starts, Small Starts, Core Capacity)

FTA has adjusted downward the level of capital and operating budget expected to cover a shortfall in either budget to earn a High, Medium-High, or Medium rating for this criterion. No change for Medium-Low or Low rating.

APPROVED PERCENT BUDGET AVAILABILITY TO COVER A CAPITAL OR OPERATING SHORTFALL

Rating	Historic Capital	2024 Capital	Historic Operating	2024 Operating
High	50%	30%	50%	30%
Medium-High	25%	20%	25%	20%
Medium	15%	12%	12%	12%
Medium-Low	10%	10%	8%	8%
Low	< 10%	< 10%	Insufficient	Insufficient

Bundles

FTA first introduced the concept of multiple projects moving together through the CIG pipeline many years ago originally known as the Program of Interrelated Projects. FTA has invited industry comment multiple times on this concept. There never has been a bundled CIG construction grant issued under this concept. FTA has retained the framework of immediate bundles where multiple projects are ready to be rated and seek a construction grant concurrently and future bundles where one project is deemed ready to proceed to the grant while other project(s) are expected to be ready within five years. With issuance of the Final Policy Guidance, FTA has incorporated much more detail how they intends to administer an eligible bundle of projects.

Key points FTA stresses in the Final Policy Guidance:

- Every project in a bundle must be rated independently per the project justification and local financial commitment criteria as required by statute.
- Each individual project in a bundle must have its Locally Preferred Alternative adopted in the fiscally constrained long-range regional transportation plan.
- When adding a future project to a bundle, sponsor needs to provide documentation of commitment of funding to complete Project Development.
- If a sponsor seeks FTA approval for Project Development extension which is approved but subsequently expires or is not approved, the specific project is withdrawn from the CIG pipeline and removed from the bundle. Sponsor if desired will need to reapply to FTA for the specific project dropped out of CIG and the bundle to regain CIG status.
- Project sponsor may seek to amend a bundle at any time, either removing a project or adding a project to the bundle. Sponsor has the right to remove a project from the bundle but retain its status in the CIG pipeline.
- FTA is willing to conduct a simplified financial evaluation of a bundle if total bundle capital cost is less than $400 million AND the operating and maintenance cost of the bundle does not exceed 10% of the sponsor's annual systemwide operating budget.

Next Steps

This FTA Final CIG Policy Guidance is slated to be formally adopted into policy on January 16, 2025. A new administration will be sworn into office four short days later. Between January 2017 – January 2021, the administration simply did not seek to materially change the CIG Policy Guidance issued in 2016. Then the administration instituted "soft" policy never subject to the rulemaking process that stated FTA would not provide federal share greater than 40% for New Starts projects. However, past practice is not always a good predictor for future practice.

It is not known how the incoming administration may choose to manage the CIG program over the next four years. HDR will monitor and provide updates on any changes to this Final CIG Policy Guidance as it is implemented.

HDR's Advisory Services professionals stand ready to assist transit agencies seeking to navigate their federal funding options.

If you need any assistance or have questions, please contact:
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