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Highlights

Highlights of [GAO-08-763T](#), a testimony before the Committee on the Budget and the Committee on Transportation and Infrastructure, U.S. House of Representatives

Why GAO Did This Study

Physical infrastructure is critical to the nation's economy and affects the daily life of virtually all Americans—from facilitating the movement of goods and people within and beyond U.S. borders to providing clean drinking water. However, this infrastructure—including aviation, highway, transit, rail, water, and dam infrastructure—is under strain. Estimates to repair, replace, or upgrade aging infrastructure as well as expand capacity to meet increased demand top hundreds of billions of dollars. Calls for increased investment in infrastructure come at a time when traditional funding for infrastructure projects is increasingly strained, and the federal government's fiscal outlook is worse than many may understand.

This testimony discusses (1) challenges associated with the nation's surface transportation, aviation, water, and dam infrastructure, and the principles GAO has identified to help guide efforts to address these challenges and (2) existing and proposed options to fund investments in the nation's infrastructure. This statement is primarily based on a body of work GAO has completed for the Congress over the last several years. To supplement this existing work, GAO also interviewed Department of Transportation officials to obtain up-to-date information on the status of the Highway Trust Fund and various funding and financing options and reviewed published literature to obtain information on dam infrastructure issues.

To view the full product, including the scope and methodology, click on [GAO-08-763T](#). For more information, contact Patricia Dalton at (202) 512-2834 or daltonp@gao.gov.

PHYSICAL INFRASTRUCTURE

Challenges and Investment Options for the Nation's Infrastructure

What GAO Found

The nation faces a host of serious infrastructure challenges. Demand has outpaced the capacity of our nation's surface transportation and aviation systems, resulting in decreased performance and reliability. In addition, water utilities are facing pressure to upgrade the nation's aging and deteriorating water infrastructure to improve security, serve growing demands, and meet new regulatory requirements. Given these types of challenges and the federal government's fiscal outlook, it is clear that the federal government cannot continue with business as usual. Rather, a fundamental reexamination of government programs, policies, and activities is needed. Through prior analyses of existing programs, GAO identified a number of principles that could guide a reexamination of federal infrastructure programs. These principles include

- creating well-defined goals based on identified areas of national interest,
- establishing and clearly defining the federal role in achieving each goal,
- incorporating performance and accountability into funding decisions,
- employing the best tools and approaches to emphasize return on investment, and
- ensuring fiscal sustainability.

Various options are available to fund infrastructure investments. These options include altering existing or introducing new funding approaches and employing various financing mechanisms, such as bonds and loans. For example, a variety of taxes and user fees, such as tolling, can be used to help fund infrastructure projects. In addition, some have suggested including an infrastructure component in a future economic stimulus bill, which could provide a one-time infusion of funds for infrastructure projects. Each of these options has different merits and challenges, and choosing among them will likely involve trade-offs among different policy goals. Furthermore, the suitability of the various options depends on the level of federal involvement or control that policymakers desire. However, as GAO has reported, when infrastructure investment decisions are made based on sound evaluations, these options can lead to an appropriate blend of public and private funds to match public and private costs and benefits. To help policymakers make explicit decisions about how much overall federal spending should be devoted to investment, GAO has previously proposed establishing an investment component within the unified budget.



Source: Corbis.

Source: U.S. Army Corps of Engineers.