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United States Government Accountability Office
Washington, DC 20548

July 29, 2008

Congressional Requesters

Subject: *Surface Transportation Programs: Proposals Highlight Key Issues and Challenges in Restructuring the Programs*

The nation's economic vitality and the quality of life of its citizens depend significantly on the availability, dependability, and security of its surface transportation network. Our nation has built a vast surface transportation system of roads, railways, ports, and transit systems that facilitate commerce and improve our quality of life. The flow of people and goods is enormous: The nation moved about 5 trillion ton miles of freight and 5 trillion passenger miles of people in 2004. In total, about 4 million miles of roads, 117,000 miles of rail, 600,000 bridges, 19,000 airports, 11,000 miles of transit lines, and 500 train stations make up the surface transportation network.

For the past several decades, demand has outpaced the capacity of the surface transportation system, and population growth, technological change, and the increased globalization of the economy will further strain the system. For example, according to the Transportation Research Board, an expected population growth of 100 million people could double the demand for passenger travel. Moreover, this population growth will be concentrated in certain regions and states, intensifying the demand for transportation in these areas. Likewise, freight traffic is projected to grow substantially, putting additional strain on ports, highways, and railroads. Furthermore, as we have recently reported, federal surface transportation programs are not effectively addressing key challenges, such as congestion, or ensuring that transportation dollars are well spent, because federal goals and roles are unclear, many programs lack links to needs or performance, and the programs often do not employ the best tools and approaches. As a result, we and others have called for a fundamental reexamination and refocusing of the nation's surface transportation policies—and we have recommended that Congress consider restructuring these programs so that they (1) have goals with direct links to an identified national interest and role, (2) make grantees more accountable through more performance-based links between funding and program outcomes, (3) use tools and approaches that emphasize the return on federal investment, and (4) address the current imbalance between federal surface transportation revenues and spending.¹ Although reexamining and reshaping surface transportation programs is a challenging endeavor, it provides an opportunity to address both current and emerging needs by

¹GAO, *Surface Transportation: Restructured Federal Approach Needed for More Focused, Performance-Based, and Sustainable Programs*, GAO-08-400 (Washington, D.C.: Mar. 6, 2008).

eliminating outdated or ineffective programs, more sharply defining the federal role in relation to state and local roles, and modernizing those programs and policies that remain relevant.

Through our prior analyses of and recommendations for existing programs, we identified a framework of principles that could be used to evaluate proposals for restructuring and funding federal surface transportation programs.² These principles include (1) defining the federal role based on identified areas of national interest and goals, (2) incorporating performance and accountability into funding decisions, (3) employing the best tools and approaches to improve results and return on investment, and (4) ensuring fiscal sustainability. We developed these principles based on prior analyses of existing surface transportation programs as well as a body of work that we have developed for Congress, including GAO's high-risk and performance and accountability reports.

Recognizing many of these challenges and the importance of the surface transportation system, Congress established the National Surface Transportation Policy and Revenue Study Commission (Policy Commission) and the National Surface Transportation Infrastructure Financing Commission (Financing Commission) to examine current and future needs of the system, recommend needed changes to surface transportation programs, and recommend alternative approaches to financing transportation infrastructure, among other things. The Policy Commission issued its report in January 2008, and the Financing Commission, which issued its interim report in February 2008, plans to issue its final report in November of this year. Various other transportation industry associations and research organizations have also issued, or plan to issue in the coming months, proposals for restructuring and funding surface transportation programs.

You asked that we assist Congress in evaluating the range of proposals and recommendations being put forward by various stakeholders. Accordingly, this report (1) identifies key themes emphasized in proposals by stakeholders, including associations and research organizations, for restructuring and funding surface transportation programs and (2) discusses the extent to which the Policy Commission's recommendations align with principles we have developed for evaluating proposals to restructure and fund surface transportation programs. To identify key themes emphasized in transportation stakeholders' proposals for restructuring and funding surface transportation programs, we interviewed a broad range of associations and research organizations about issues that should be addressed in a reform of the programs. We also asked these stakeholders about the extent to which they had developed proposals or other documents for restructuring and funding surface transportation programs. Given that many stakeholders have not yet developed formal restructuring proposals, we identified seven proposals for

²GAO-08-400.

inclusion in our review, four of which are final.³ We reviewed and analyzed these proposals and synthesized the information to draw out key themes. To determine the extent to which the Policy Commission's recommendations align with principles we have developed for evaluating proposals to restructure and fund surface transportation programs, we reviewed and synthesized the proposed recommendations, interviewed commissioners and commission staff to get a fuller understanding of the recommendations, developed criteria for applying our principles, and applied those criteria to the recommendations. We limited the application of our restructuring principles to our evaluation of the Policy Commission's proposal for restructuring and funding surface transportation programs because (1) the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) established this commission to provide a comprehensive review of existing programs, and (2) the number of final restructuring proposals that have been developed by other stakeholders is limited.

We briefed congressional staff on the results of our review (see enc. I for a copy of the briefing). This report formally conveys the information provided during the briefings. A more detailed description of our scope and methodology can also be found in enclosure I, and the criteria we used to evaluate the Policy Commission's proposal are listed in enclosure II. We conducted this performance audit from October 2007 through July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

As previously noted, we have identified a number of principles that could be used to evaluate proposals for restructuring and funding surface transportation programs to ensure that both current and emerging challenges are being addressed. The principles do not prescribe a specific approach to restructuring or funding and are not mutually exclusive, but they do provide key attributes that will help ensure that restructured surface transportation programs address the transportation challenges facing the nation. A description of the principles follows.

- **Define the federal role based on identified areas of national interest and goals.** Identifying areas of national interest is an important first step in any proposal to restructure and fund surface transportation programs. In identifying

³For the purposes of this analysis, a proposal could be a report, recommendation, policy position, white paper, or other publication by one of the organizations included in our work. We reviewed proposals from the following organizations: the (1) National Surface Transportation Policy and Revenue Study Commission (final), (2) National Surface Transportation Infrastructure Financing Commission, (3) American Association of State Highway and Transportation Officials (final), (4) American Road and Transportation Builders Association (final), (5) Bipartisan Policy Center's National Transportation Policy Project, (6) Brookings Institution's Blueprint for American Prosperity (final), and (7) Transportation for America Campaign.

areas of national interest, proposals should consider existing current and emerging challenges and how future trends could affect emerging areas of national importance—as well as how the national interest and federal role may vary by area. For example, experts have suggested that federal transportation policy should recognize emerging national and global imperatives, such as reducing the nation’s dependence on foreign fuel sources and minimizing the impact of the transportation system on the global climate. Once the various national interests in surface transportation have been identified, proposals should also clarify specific goals for federal involvement in surface transportation programs. Goals should be specific and outcome-based to ensure that resources are targeted to projects that further the national interest. After the various national interests and specific goals for federal involvement in surface transportation have been identified, the federal role in working toward each goal should be established. The federal role should be defined in relation to the roles of state and local governments, regional entities, and the private sector. Where the national interest is greatest, the federal government may play a more direct role in setting priorities and allocating resources as well as fund a higher share of program costs. Conversely, where the national interest is less evident—for example, where the economic benefits are more locally focused or there are varying regional preferences—state and local governments and others could be expected to assume more responsibility. For example, efforts to reduce transportation’s impact on greenhouse gas emissions may warrant a greater federal role than other initiatives, such as reducing urban congestion, since the impacts of greenhouse gas emissions are widely dispersed, whereas the impacts of urban congestion may be more localized.

- **Incorporate performance and accountability into funding decisions.** An increased focus on performance and accountability for results could help the federal government target resources to programs that best achieve intended outcomes and national transportation priorities. Tracking specific outcomes that are clearly linked to program goals could provide a strong foundation for holding grant recipients responsible for achieving federal objectives and measuring overall program performance. In particular, substituting specific performance measures for the current federal procedural requirements could help make programs more outcome-oriented. For example, if reducing congestion were an established federal goal, outcome measures for congestion, such as reduced travel time, could be incorporated into the programs to hold state and local governments responsible for meeting specific performance targets. Furthermore, directly linking the allocation of resources to program outcomes would increase the focus on performance and accountability for results. Incorporating incentives or penalty provisions into grants can further hold grantees and recipients accountable for achieving results.
- **Employ the best tools and approaches to improve results and return on investment.** The effectiveness of any overall federal program design can be increased by promoting and facilitating the use of the best tools and approaches to improve results and emphasize return on investment. Given the projected

growth in federal deficits, constrained state and local budgets, and looming Social Security and Medicare spending commitments, the resources available for discretionary programs will be more limited—making it imperative to maximize the national public benefits of any federal investment through a rigorous examination of the use of such funds.⁴ A number of specific tools and approaches can be used to improve results and return on investment including using economic analysis, such as cost-benefit analysis, in project selection; requiring grantees to conduct postproject evaluations; creating incentives to better utilize existing infrastructure; providing states and localities with greater flexibility to use certain tools, such as tolling and congestion pricing; and requiring maintenance-of-effort provisions in grants.⁵ Using these tools and approaches could help surface transportation programs more directly address national transportation priorities.

- **Ensure fiscal sustainability.** Transportation funding sources, and the Highway Trust Fund in particular, face an imbalance of revenues and expenditures—raising concerns about both the Highway Trust Fund’s short-term sustainability and the long-term sustainability of the current funding approach. Furthermore, the sustainability of transportation funding sources should be seen in the context of the broader, governmentwide problem of fiscal imbalance. The federal role in transportation funding must be reexamined to ensure that it is sustainable in this new fiscal reality. The long-term pressures on the Highway Trust Fund and the governmentwide fiscal condition highlight the need for more efficient, redesigned programs based on the principles we have identified. Sustainable surface transportation programs will require targeted investment, with adequate return on investment, from not only the federal government but also state and local governments and the private sector. Moreover, mechanisms to better manage existing capacity and improve the performance of existing facilities can be used to facilitate efficient investment decisions and ensure the sustainability of surface transportation programs.

Results in Brief

Stakeholders we interviewed agree that the current federal approach to surface transportation is not working and called for reform and a new direction to effectively address a wide range of challenges facing the nation’s surface transportation network. Although the stakeholders we interviewed have different policy agendas and represent different constituencies, some of their key issues for restructuring and funding surface transportation programs overlapped. In reviewing the seven restructuring proposals, we identified the following common themes:

⁴GAO, *Freight Transportation: National Policy and Strategies Can Help Improve Freight Mobility*. [GAO-08-287](#) (Washington, D.C.: Jan. 7, 2008).

⁵Maintenance-of-effort provisions require that states or local grantees maintain their own level of funding in order to receive federal funds.

- *defining a federal role in freight and goods movement* given the regional benefits provided by freight corridors and the importance of interstate commerce;
- *linking transportation policy and funding to the environment and energy sectors* given transportation's contribution to greenhouse gas emissions and concerns about energy security;
- *promoting better management of existing assets* through more efficient use of existing infrastructure or asset management strategies;⁶
- *incorporating performance and accountability into transportation programs* to ensure projects that receive funding result in commensurate public benefits; and
- *using multiple funding sources* to ensure the long-term sustainability of the programs.

In its report, the Policy Commission discusses concepts that generally align with principles we have developed for evaluating proposals to restructure and fund surface transportation programs, but certain inconsistencies between the Policy Commission's recommendations and these principles highlight the challenges and complexity of developing effective mechanisms to achieve desired results. For example, the Policy Commission identifies areas of national interest and recommends generally reorganizing the federal role around those interests. However, the Policy Commission does not identify measurable goals for most of its proposed programs. Furthermore, the Policy Commission recommends an 80/20 federal-state cost-sharing arrangement for most of the proposed programs—that is, the federal government would fund 80 percent of the project costs and the grantee (e.g., state government) would fund 20 percent—raising questions about the extent to which the federal role would vary based on the identified areas of national interest and goals. The Policy Commission also emphasizes the need for performance-based surface transportation programs and the development of national performance standards. However, it does not provide specific detail on performance outcomes for most of the recommended programs or clearly discuss the link between the distribution of funds and performance in meeting national goals. The Policy Commission also recognizes the importance of cost-benefit analysis, data collection, and other tools for targeting resources to projects that provide the greatest net benefits, but does not discuss how projects would be prioritized given current funding constraints or fully consider other tools that could improve efficiency and system performance, such as congestion mitigation techniques or the use of technology. Finally, the Policy Commission recognizes that there is no silver bullet funding solution for the nation's surface transportation programs and identifies a variety of approaches for funding the programs in the short and long terms.

⁶Asset management strategies involve the systematic process of maintaining, upgrading, and operating transportation assets cost-effectively by applying engineering principles, sound business and economic practices, and a framework for planning and decision making.

However, the federal government's fiscal position and the ability of states to fund their share of any proposed investment increases raise questions about the long-term sustainability of some of the Policy Commission's funding recommendations.

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Transportation (DOT) for review and comment. On July 22, 2008, DOT provided comments on the draft report via e-mail. DOT generally agreed with the report's findings and provided some technical clarifications and comments, which we incorporated as appropriate. In particular, DOT commented that GAO's reexamination principles are closely interrelated. For example, DOT noted that the principle of using the best tools to improve results and return on investment, such as cost-benefit analysis, is closely linked to the principle of ensuring performance and accountability. We agree that the principles are interrelated. We added clarifying language to the report to acknowledge this interrelationship. DOT also noted that there was greater support for the use of cost-benefit analysis and pricing strategies among the proposals than was conveyed by the draft report. The draft report recognized the proposals' emphasis on such tools as cost-benefit analysis and pricing as a means to better manage existing assets. However, we added language to clarify the broad-based support for these tools among the proposals.

We are sending copies of this report to interested Members of Congress and the Secretary of Transportation. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this correspondence, please contact JayEtta Z. Hecker at (202) 512-2834. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this correspondence. Key contributors are listed on the scope and methodology page of enclosure I.



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List of Requesters

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The Honorable Charles B. Rangel
Chairman
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The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
House of Representatives

The Honorable Peter A. DeFazio
Chairman
Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Earl Blumenauer
House of Representatives



SURFACE TRANSPORTATION PROGRAMS

Proposals Highlight Key Issues and Challenges in Restructuring the Programs

Why GAO Did This Study

Recognizing the challenges facing the nation's transportation system and the importance of the system to the nation, Congress established two commissions to address the challenges facing the federal surface transportation program—the National Surface Transportation Policy and Revenue Study Commission (Policy Commission) and the National Surface Transportation Infrastructure Financing Commission (Financing Commission). In addition, various transportation stakeholders have issued, or plan to issue in the coming months, proposals for restructuring and funding surface transportation programs.

We were asked to assist Congress in evaluating the range of proposals and recommendations being put forward by various stakeholders. Accordingly, this report (1) identifies key themes emphasized in proposals by stakeholders, including associations and research organizations, for restructuring and funding surface transportation programs and (2) discusses the extent to which the Policy Commission's recommendations align with principles we have developed for evaluating proposals to restructure and fund surface transportation programs.

We selected and analyzed seven restructuring and funding proposals, including the Policy Commission's proposal, and interviewed representatives from associations and research organizations, among other things.

Stakeholders we interviewed agree that current surface transportation programs should be reformed and a new direction is needed to address challenges facing the surface transportation network. In addition, stakeholders emphasized a number of different issues they see as important to restructuring and funding surface transportation programs. In reviewing the seven restructuring proposals, we identified the following themes:

- *defining a federal role in freight and goods movement* given the regional benefits provided by freight corridors and the importance of interstate commerce;
- *linking transportation policy and funding to the environment and energy sectors* given transportation's contribution to greenhouse gas emissions and concerns about energy security;
- *promoting better management of existing assets* through efficient use or life-cycle management strategies;
- *incorporating performance and accountability into transportation programs* to ensure projects that receive funding result in commensurate public benefits; and
- *using multiple funding sources* to ensure the long-term sustainability of the programs.

In its report, the Policy Commission discusses concepts that generally align with principles we have developed for evaluating proposals to restructure and fund surface transportation programs, but certain inconsistencies between the Policy Commission's recommendations and these principles highlight the challenges and complexity of developing effective mechanisms to achieve desired results. For example, the Policy Commission identifies areas of national interest and recommends generally reorganizing the federal role around those interests. However, the Policy Commission does not identify measurable goals for most of its proposed programs. Furthermore, the Policy Commission recommends an 80/20 federal-state cost sharing arrangement for most of the proposed programs—that is, the federal government would fund 80 percent of the project costs and the grantee (e.g., state government) would fund 20 percent—raising questions about the extent to which the federal role would vary based on the identified areas of national interest and goals.

Briefing Structure

Background	pages 10-11
Common Themes	pages 12-17
Policy Commission Proposal	pages 18-22
Scope and Methodology	pages 23-24
Enclosure II: Evaluation Criteria	page 25
List of Restructuring Proposals Reviewed	page 26
Related GAO Products	pages 27-28

Background

What GAO Has Said

We have called for a fundamental reexamination of the nation's surface transportation programs. Through our prior analyses of existing programs we identified a number of principles that could help drive an assessment of proposals for restructuring and funding surface transportation programs. The principles do not prescribe a specific approach to restructuring or funding and are not mutually exclusive, but they do identify key attributes that will help ensure that restructured surface transportation programs address current and emerging challenges. These principles include

- defining the federal role based on identified areas of national interest and goals,
- incorporating performance and accountability for results into funding decisions,
- employing the best tools and approaches to improve results and return on investment, and
- ensuring fiscal sustainability.

What GAO Has Recommended

Congress should consider reexamining and refocusing surface transportation programs so that they (1) have goals with direct links to an identified federal interest and role, (2) make grantees more accountable through more performance-based links between funding and program outcomes, (3) use tools and approaches that emphasize the return on the federal investment, and (4) address the current imbalance between federal surface transportation revenues and spending.⁷

GAO Restructuring Principles



Define the federal role based on identified areas of national interest and goals

Identifying areas of national interest is an important first step in any proposal to restructure and fund surface transportation programs. In identifying areas of national interest, proposals should consider how future trends, such as increases in passenger and freight travel that have led to growing congestion, could have an impact on emerging areas of national importance, such as minimizing the impact of the transportation system on global climate change. Proposals should also consider how the national interest and federal role may vary by area and in relation to other levels of government and the private sector and whether the national interest is greater in certain areas of national priority. Once the various national interests in surface transportation have been identified, proposals should also clarify specific goals for federal involvement for each area of national interest identified and how they relate to the roles of other stakeholders. Goals should be *specific and outcome-based* to ensure that resources are targeted to projects that further the national interest.



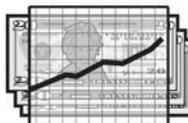
Incorporate performance and accountability into funding decisions

An increased focus on performance and accountability for results could help all levels of government *target resources to programs that best achieve intended outcomes and national transportation priorities*. Tracking specific outcomes that are clearly linked to program goals could provide a strong foundation for holding grant recipients responsible for achieving federal objectives and measuring overall program performance. In addition, accountability mechanisms, such as specific performance targets; incentive or penalty provisions in transportation grants; and competitive selection processes, where appropriate, can be used to create clear links between performance and funding and further hold grantees and recipients accountable for achieving results.



Employ the best tools and approaches to improve results and return on investment

The effectiveness of any overall federal program design can be increased by promoting and facilitating the use of best tools and approaches to *improve results and return on investment*. A number of specific tools and approaches can be used to improve results and return on investment including using economic analysis, such as benefit-cost analysis, in project selection; requiring grantees to conduct post-project evaluations; creating incentives to better utilize existing infrastructure; providing state and localities greater flexibility to use certain tools, such as tolling and congestion pricing; and requiring maintenance of effort provisions in grants.



Ensure fiscal sustainability

Transportation funding, and the Highway Trust Fund in particular, faces an imbalance of revenues and expenditures and other threats to its long term sustainability. Furthermore, the sustainability of transportation funding should also be seen in the context of the broader, governmentwide problem of fiscal imbalance. A sustainable surface transportation program will *require targeted investment, with adequate return on investment*, from not only the federal government, but also from state and local governments, and the private sector.

Source: GAO.

⁷GAO-08-400.

Background

SAFETEA-LU Commissions

Congress established two commissions to address the challenges facing the federal surface transportation program—the Policy Commission and the Financing Commission.

The mission of the Policy Commission was, among other things, to examine the condition and future needs of the nation's surface transportation system and short- and long-term alternatives to replace or supplement the fuel tax as the principal revenue source to support the Highway Trust Fund.

The Financing Commission was charged with analyzing future highway and transit needs and the funding of the Highway Trust Fund and recommending alternative approaches to funding and financing transportation infrastructure. Its mission is to analyze and make recommendations concerning the federal role in funding surface transportation infrastructure.

Proposals to Restructure and Fund Surface Transportation Programs

Stakeholder Proposals

In January 2008, the Policy Commission released a report with numerous recommendations intended to place the Highway Trust Fund on a sustainable path and to reform the current structure of the nation's surface transportation programs. The Policy Commission's recommendations include significantly increasing the level of investment by all levels of government in surface transportation, consolidating and reorganizing the current programs, speeding project delivery, and making the current programs more performance- and outcome-based. For example, the Policy Commission

- recommends 10 new surface transportation programs to replace existing programs;
- identifies several strategies, such as shortening the environmental review process, to reduce overall project delivery times for major transportation projects; and
- discusses the importance of developing national performance standards for each of its recommended programs.

In its interim report, issued in February 2008, the Financing Commission outlines the scope of the funding problem facing the surface transportation system and the criteria it plans to use to evaluate various funding sources and financing techniques. In addition, the Financing Commission offers some preliminary observations on the surface transportation system. Specifically, the Financing Commission plans to address

- potential actions to help deal with near- and moderate-term funding problems;
- initial changes or supplements to the current approach—including pilot programs—that may be necessary to lay a successful foundation for addressing the nation's infrastructure investment challenges; and
- potential long-term changes or supplements that may be needed to fully implement a responsive and viable funding approach to support the future surface transportation system.

The Financing Commission will make specific funding recommendations in its final report, which it plans to issue in November 2008.

In addition, various transportation associations and research organizations have issued, or plan to issue in the coming months, proposals for restructuring and funding surface transportation programs. See page 26 of this correspondence for a list of the restructuring proposals we reviewed.

Briefing for Congressional Staff**Common Themes****Stakeholders Agree on Need for Reform and Emphasize Common Themes in Proposals for Restructuring and Funding Surface Transportation Programs****What GAO Has Said**

We have previously reported that the current federal approach to addressing the nation's surface transportation problems is not working well.⁸ Even though expenditures for transportation have greatly increased in real terms, the investment has not resulted in a commensurate improvement in the performance of nation's surface transportation system, as congestion continues to grow and looming problems from anticipated growth in travel demand are not being adequately addressed.

Reform Is Needed

Stakeholders we interviewed agree that reform of the nation's surface transportation system is needed. For example, the Financing Commission's interim report states that the nation's surface transportation system is in physical and financial crisis because the current approach to funding infrastructure development and maintenance is no longer able to address the serious challenges the nation faces today. The Policy Commission's report describes the surface transportation system as at a crossroads and states that the future of the nation's well-being, vitality, and global economic leadership is at stake. Similarly, the American Association of State Highway and Transportation Officials (AASHTO) proposal states that the nation stands at a fork in the road for developing a new vision for transforming the transportation system. Furthermore, the American Road and Transportation Builders Association (ARTBA) proposal calls for a new mission and direction for the nation's transportation network and cautions that it will not be an easy task, noting that it will require political will and leadership from the federal government, working in partnership with state governments and other relevant stakeholders. The goal of the Bipartisan Policy Center's National Transportation Policy Project is to encourage and support the development of a new national transportation policy direction that reflects the nation's values and economic vision of the future, while the Transportation for America Campaign (T4America) calls for major changes to our federal transportation and infrastructure investment program to ensure that the future is more equitable, economically viable, and environmentally sound. Finally, the Brookings Institution proposal calls for a new federal transportation program that keeps pace with today's economic, social, and environmental landscape and helps the nation to prosper.

Common Themes for Restructuring and Funding Surface Transportation Programs

We identified five common themes from our review of seven proposals to restructure and fund the nation's surface transportation programs.⁹

1. Define the federal role in freight and goods movement
2. Link transportation policy and funding to the environment and energy sectors
3. Promote better management of existing assets
4. Incorporate performance and accountability
5. Use multiple funding sources

⁹For the purposes of this analysis, a proposal could be a report, recommendation, policy position, white paper, or other publication by one of the organizations included in our work. We reviewed proposals from the following organizations: the (1) National Surface Transportation Policy and Revenue Study Commission (Policy Commission), (2) National Surface Transportation Infrastructure Financing Commission (Financing Commission), (3) American Association of State Highway and Transportation Officials (AASHTO), (4) American Road and Transportation Builders Association (ARTBA), (5) Bipartisan Policy Center's National Transportation Policy Project, (6) Brookings Institution's Blueprint for American Prosperity, and (7) Transportation for America Campaign (T4America).

⁸GAO-08-400.

Common Themes

What GAO Has Said

We have previously reported that the widening gap between the volume of goods and available system capacity is increasing transportation congestion and further volume growth is expected (see table 1). Constrained freight mobility has adverse economic costs for consumers, shippers, and carriers. Public planners face several challenges when advancing freight improvement projects. These challenges include competition from nonfreight projects for public funds and gaining community support in the planning process, lack of coordination among various government entities and private sector stakeholders, and limited or restricted availability of public funds for freight transportation.¹⁰ Decision makers will be challenged to ensure federal funding for freight projects, including likely growing requests for funding in the future, is consistent with competition in the marketplace, reflects national public priorities, and offers benefits that warrant the commitment of federal funds.

What GAO Has Recommended

To address these challenges, we recommended that DOT work with Congress and freight stakeholders to develop a comprehensive national strategy to more clearly define the federal government's involvement in freight transportation projects.¹¹ This strategy should include defining federal and nonfederal stakeholder roles and using new and existing federal funding sources and mechanisms to support a targeted, cost-effective, and sustainable federal role and maximize the public benefits from federally funded freight transportation investments.

¹⁰GAO-08-287.

¹¹GAO-08-287.

Federal Role in Freight and Goods Movement

Theme

The majority of the proposals we reviewed identify a need for investment and a clear federal role in freight and goods movement.

Suggestions

Proposals we reviewed identified a need to invest in regional freight corridors and link them to economic competitiveness. ARTBA describes the nation as in the early stages of a freight bottleneck crisis given that more than 200 freight bottlenecks are costing the trucking industry \$8 billion in economic losses annually and 243 million hours of delay and lost productivity each year. In its report, the Policy Commission states that economic forecasts indicate that by 2020, freight volumes will be 70 percent greater than they were in 1998.

Proposals we reviewed also generally agree that there is a federal role in facilitating freight movement. Specifically, ARTBA suggests that there is a federal role in freight transportation to facilitate interstate commerce. AASHTO also calls for an increased federal role for freight transportation infrastructure, suggesting that although the United States still has the most fully developed transportation system compared to its major competitors, it is losing ground and will need to improve its system to remain competitive in the global economy. Several of the proposals recommended the development of plans or the creation of a separate program to invest in and facilitate freight transportation. For example, the Brookings Institution proposal states that increases in trade are taxing the nation's current network of airports, seaports, rails, and roads and recommends the creation of a meaningful intermodal freight agenda. Furthermore, the Policy Commission recommends the introduction of a federal freight fee to establish a national program to help strategically expand capacity for freight transportation. The Policy Commission notes that a freight fee, such as a per container charge, could help fund projects, such as port facilities or strategic national rail bridges, to remedy choke points and increase throughput. In considering such funding mechanisms, however, the Financing Commission notes the importance of considering how the mechanisms affect the competition between modes.

Table 1: Shipment Volumes by Mode in 2002 and 2035 Projections (Millions of Tons)

	2002	2035	Percent Increase
Truck	11,539	22,814	98
Rail	1,879	3,525	88
Water	701	1,041	49
Intermodal ^a	1,292	2,598	101

Source: GAO analysis of the Federal Highway Administration's *Freight Facts and Figures 2006* data.

^aIntermodal includes shipments by the U.S. Postal Service, couriers, and all intermodal combinations except air and truck.

Common Themes

What GAO Has Said

We have reported on the link between surface transportation policy and the environment and energy sectors. In our report on the Corporate Average Fuel Economy (CAFE) program, we concluded that CAFE standards could help the nation meet fuel-saving goals if such standards were increased.¹² However, meeting the nation's goals to reduce oil consumption over time will require more than CAFE alone, and we noted that other tools, such as a carbon tax, could be used to complement and strengthen CAFE's fuel-saving effects or potentially serve as alternatives to CAFE.

In a forum on transportation policy we held in September 2007, participants stated that the nation's transportation policy should recognize emerging conditions, such as the need to reduce fuel dependence and minimize the impact of the transportation system on the global climate.¹³ Furthermore, all participants agreed that the federal government should have a role in minimizing adverse environmental impacts of the transportation system.

¹²GAO, *Vehicle Economy Standards: Reforming Fuel Economy Standards Could Help Reduce Oil Consumption by Cars and Light Trucks, and Other Options Could Complement These Standards*, GAO-07-921 (Washington, D.C.: Aug. 2, 2007).

¹³GAO, *Highlights of a Forum: Transforming Transportation Policy for the 21st Century*, GAO-07-1210SP (Washington, D.C.: Sept. 19, 2007).

Link Transportation Policy and Funding to Environment and Energy Sectors

Theme

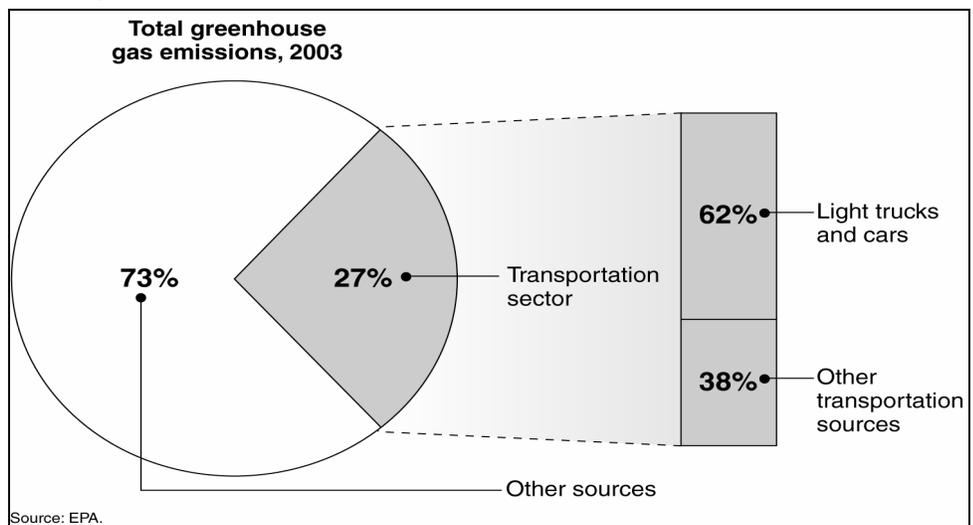
The majority of the proposals we reviewed stress the importance of linking transportation policy and funding to the environment and energy sectors.

Suggestions

Proposals we reviewed agree that meeting the nation's surface transportation needs will require solutions that go beyond transportation improvements because of the impact transportation has on the environment, the global climate, and energy consumption. In particular, according to the Environmental Protection Agency (EPA), transportation accounts for almost a third of the greenhouse gas emissions contributing to climate change (see fig. 1). Furthermore, the United States is the single largest consumer of oil and produces only half of its energy needs. Consequently, proposals suggest linking environmental and energy goals to transportation policy and funding mechanisms. The Bipartisan Policy Center's report suggests that transportation policy can use multiple tools, such as fuel taxes, congestion pricing, or charges for vehicle miles traveled (VMT), to promote non-petroleum, low-carbon fuels and encourage lower oil consumption. In addition to using transit as part of congestion relief strategies, the Policy Commission also notes that transit can be used to help support policies to reduce transportation energy consumption, greenhouse gas emissions, and air pollution. The Financing Commission's interim report also suggests that impacts on the environment and energy sectors should be considered when policymakers evaluate funding mechanisms. According to the Financing Commission, potential evaluation criteria to assess funding mechanisms, such as tolling or taxes, include

- the extent to which the funding mechanism improves the way the system takes into account beneficial and harmful side effects, including pollution, and
- the extent to which the mechanism affects other markets or policies, such as energy independence.

Figure 1: Sources of Greenhouse Gas Emissions in the Transportation Sector, 2003



Common Themes

What GAO Has Said

We have previously reported that the demand on our nation’s road infrastructure is expected to continue increasing for the foreseeable future.¹⁴ This continued demand comes at a time when many of the nation’s major roadways are at capacity during peak hours—creating increasing levels of congestion throughout the nation. Given the magnitude of today’s fiscal, environmental, and land use concerns, we cannot build our way out of congestion.

We have also reported that an asset management program can lead to faster, more reliable passenger and freight travel. An asset management program involves systematically maintaining, upgrading, and operating transportation assets cost-effectively by applying engineering principles, sound business and economic practices, and a framework for planning and decision making.

Furthermore, we have identified two types of congestion mitigation techniques that can encourage more efficient use of existing infrastructure. One *enhances capacity* through better operations and use of technology, such as timing signals to improve traffic flow. The other *influences behavior* about when and where to drive, through such specific means as charging drivers tolls to use roads during peak hours to more fully convey the economic, social, and environmental costs of driving at peak periods. Figure 2 illustrates examples of both types of techniques.

¹⁴GAO, *Surface Transportation: Strategies Are Available for Making Existing Road Infrastructure Perform Better*, GAO-07-920 (Washington, D.C.: July 26, 2007).

Better Management of Existing Assets

Theme

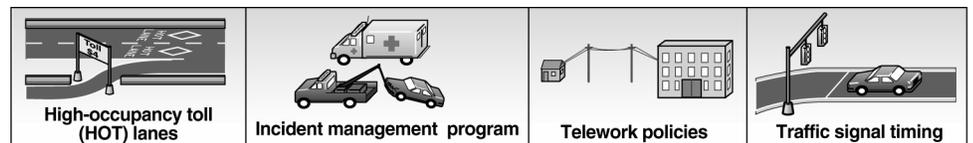
The majority of the proposals we reviewed maintain that better management of existing assets would benefit the nation’s surface transportation programs.

Suggestions

Proposals we reviewed highlight the importance of maintenance and asset management of existing transportation infrastructure. For example, the Policy Commission’s report proposes a national asset management program to keep the nation’s infrastructure in a state of good repair. Similarly, the Financing Commission’s interim report states that the nation needs more intelligent investment complemented by better operations and that investment decision making should be based on life-cycle cost-benefit analysis and other measures of performance outcomes. AASHTO cites using asset management to preserve, restore, enhance, and extend the life of the existing system as one of its goals for supporting economic growth.

Proposals we reviewed also highlight strategies to use existing capacity more efficiently through better incentives for optimal system operation. According to the Brookings Institution, research suggests that managing and increasing the performance of the nation’s existing infrastructure would stimulate economic growth more than building new infrastructure. Furthermore, AASHTO’s proposal suggests the use of advanced intelligent transportation systems (ITS) technologies and better system management techniques to reduce congestion, improve throughput, and increase system reliability. The Brookings Institution proposal supports a national commitment to make maximum use of existing road capacity by encouraging market responses, such as road pricing. For example, according to the Brookings Institution proposal, greater use of market mechanisms and pricing strategies can effectively address congestion on major roads and highways during peak times and manage the enormous demand for scarce capacity. All of the proposals we reviewed also cite pricing as a possible mechanism to reduce congestion. Other congestion mitigation techniques, such as improved incident management and telework policies, have also been recommended by stakeholders. For example, according to AASHTO, telecommuting is one technique that could reduce demand for road capacity by limiting VMT growth.

Figure 2: Examples of Various Congestion Mitigation Techniques



Source: GAO.

Common Themes

What GAO Has Said

We have previously reported there are significant opportunities to incorporate performance and accountability mechanisms into federal programs.¹⁵ Tracking specific outcomes that are clearly linked to program goals could provide a strong foundation for holding grant recipients responsible for achieving federal objectives and measuring overall program performance. In particular, substituting specific performance measures for the federal procedural requirements could help to shift federal involvement from the current process-oriented approach to a more outcome-oriented approach.

The federal government is also not equipped to implement a performance-based approach to transportation funding in many areas because it lacks a comprehensive oversight approach, including goals and measures that guide its activities.¹⁶ In addition, data on key performance and outcome indicators—ideally covering all projects and parts of the national transportation network, as well as all modes—is often absent or flawed. For example, DOT does not have a central source of data on congestion—the available data are stovepiped by mode—and some congestion information for freight rail is inaccessible because it is proprietary and controlled by railroad companies. Better oversight and data on outcomes would be needed in order to ensure efficient use of funds and to consider performance in funding decisions.

¹⁵GAO-08-400.

¹⁶GAO, *Federal-Aid Highways: FHWA Needs a Comprehensive Approach to Improving Project Oversight*, GAO-05-173 (Washington, D.C.: Jan. 31, 2005).

Incorporate Performance and Accountability

Theme

The majority of the proposals we reviewed recommended using performance and accountability measures in the nation's surface transportation programs.

Suggestions

Proposals we reviewed generally highlight the need to incorporate performance-based funding into surface transportation programs. In its proposal, T4America offers possible performance measures for funding transportation investments, such as reductions in carbon emission, energy use, and fatalities and injuries; system condition and life-cycle costs; decreased household transportation expenditures; or improved access to jobs. The Bipartisan Policy Center's report describes steps needed for performance-based funding:

- Create detailed metrics that effectively measure performance.
- Prioritize performance metrics based on research. Once metrics have been developed, it will be important to prioritize them based on the goals for national transportation policy.
- Develop mechanisms for linking federal funding to performance indicators.

The Bipartisan Policy Center's report also recognizes the challenges associated with designing performance-based surface transportation programs. For example, congestion and safety are often referred to as key performance indicators for the surface transportation network, but it could be challenging for policymakers to determine how to effectively measure congestion and safety outcomes and how they are relatively weighted against and related to other possible goals, such as reduced carbon emissions, energy security, or economic growth. Furthermore, how performance metrics are linked to funding is crucial, according to the Bipartisan Policy Center's report. For example, policymakers would need to determine whether allocating funding for states with high levels of congestion would encourage congestion. On the other hand, funding for states with little or no congestion may be difficult to justify. Policymakers are unlikely to support new performance indicators unless they understand how these indicators will be used and how they will affect future funding decisions.

Proposals also highlight the need for more comprehensive data to support performance and accountability programs. The Brookings Institution proposal stresses that in order to commit to a performance-based transportation program, a major overhaul is needed in how the federal government collects, assembles, and provides data and information. Additionally, the Brookings Institution proposal advocates more transparent transportation data to better inform decision making at the state and metropolitan levels and to restore credibility with the public. Furthermore, the Policy Commission's report recommends the establishment of a national research, development, and technology program given the fundamental importance of good performance data and modeling to all aspects of surface transportation programs. An important goal for research would be to improve the nation's ability to measure project performance, including research into improved traffic, safety, environmental, and energy modeling.

Common Themes

What GAO Has Said

We have previously reported that there is a need to address transportation funding challenges in the short and long term and no single mechanism will solve the existing and future funding crisis facing the nation's transportation system (see fig. 3).¹⁷ Participants in our 2007 forum on transportation policy generally agreed that it will take a variety of funding mechanisms to address projected transportation funding shortfalls. They said that the size and nature of the funding problems facing the transportation system simply cannot be solved by one mechanism.

Participants said that the federal government needs to use its leverage with state and local transportation agencies to support the implementation of pricing initiatives, which some localities and regions currently are studying or are interested in adopting. In general, participants agreed that whatever funding mechanisms are chosen, investments should be designed to align fees and taxes with use and benefits and be better linked to the performance of all aspects of the transportation system. Participants suggested a variety of funding mechanisms, including

- taxes,
- congestion pricing,
- tolling,
- public-private partnerships, and
- other user fees.

Use Multiple Funding Sources

Theme

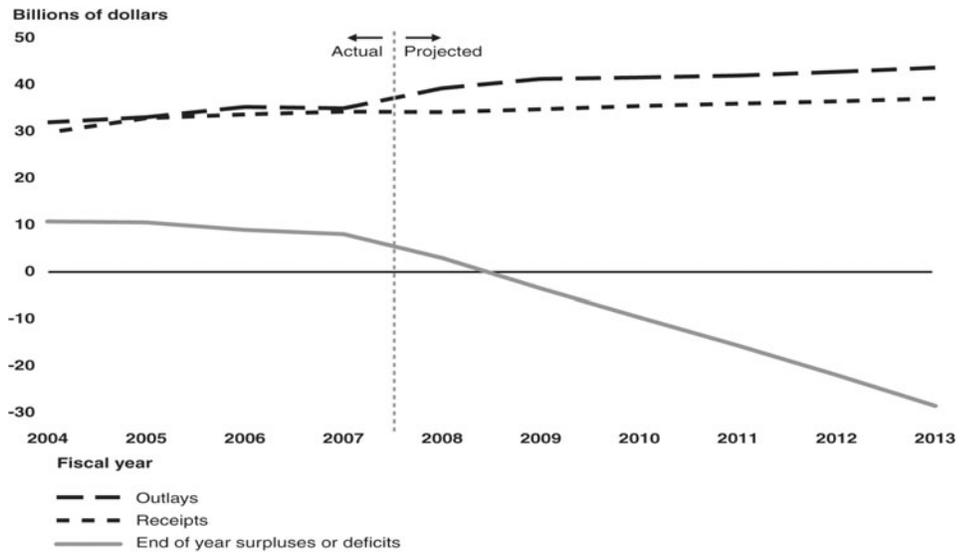
The majority of the proposals we reviewed highlighted a need for multiple funding sources to ensure the long-term sustainability of the nation's surface transportation system.

Suggestions

Proposals we reviewed acknowledged that more than one source of funding will be needed to support surface transportation programs. For example, in its report, the Policy Commission noted that during its research, many stakeholders recognized that all levels of government would need to employ a variety of funding mechanisms to meet the nation's large future investment requirements.

Proposals also highlighted the benefits of employing user pay and pricing mechanisms for surface transportation programs to help ensure long-term sustainability. For example, the Financing Commission's interim report suggests more direct user charges be explored for surface transportation, and the Policy Commission designed its recommendations to be user-funded. Finally, proposals highlight the importance of state and local governments having the flexibility and tools necessary to generate funding for surface transportation projects. For example, ARTBA's proposal suggests that new tolling authority for state governments can be a key means of addressing the nation's roadway capacity challenges and estimates that toll funding has the potential to address up to 10 percent of the nation's roadway funding needs.

Figure 3: Actual and Projected Highway Account Receipts, Outlays, and Surpluses or Deficits, 2004 through 2013



Source: CBO.

¹⁷GAO-07-1210SP.

Policy Commission Review

What GAO Has Said

Given the proliferation of federal surface transportation programs over time, which has resulted in an amalgam of policy interests that may not accurately reflect current national priorities and concerns, we and others have cited the need to clearly define national interests, goals, and a federal role for surface transportation.¹⁸ For instance, in our previous work, we have called for a national strategy to define the national interest and federal role in freight transportation, as well as roles for other nonfederal stakeholders, and to determine which new or existing federal funding sources are needed to support the federal share.¹⁹ Participants in our 2007 forum on transportation policy identified enhancing the mobility of people and goods, maintaining global competitiveness, improving transportation safety, minimizing adverse environmental impacts of the transportation system, and facilitating transportation security as the most important transportation policy goals.²⁰

We and others have also previously identified the importance of breaking down modal stovepipes. Forum participants noted that the current federal structure, with its modal administrations and stovepiped programs and funding, frequently inhibits consideration of a range of transportation options at both the regional and the national levels.²¹

¹⁸GAO-08-400.

¹⁹GAO-08-287.

²⁰GAO-07-1210SP.

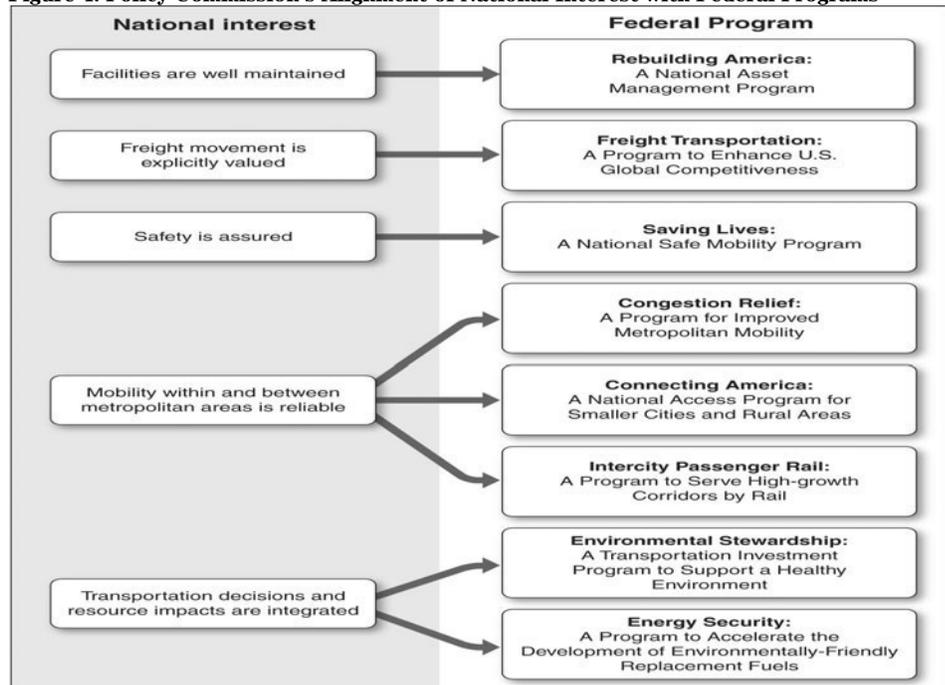
²¹GAO, *Surface Transportation: Preliminary Observations on Efforts to Restructure Current Program*, GAO-08-478T (Washington, D.C.: Feb. 6, 2008).

Policy Commission's Recommendations Identify National Interest and Federal Role

In its report, the Policy Commission identifies areas of national interest and recommends restructuring DOT to consolidate over 100 existing programs into 10 core federal programs and eliminate modal stovepipes. The proposed new federal programs define the federal role and generally align with identified areas of national interest (see fig. 4). Specifically:

- Some national interests and federal programs align directly. For example, a national asset management program aligns with the identified national interest in ensuring that facilities are well maintained.
- Other national interests align with several proposed federal programs. For example, the identified national interest in ensuring reliable mobility is addressed by the Congestion Relief, Connecting America, and Intercity Passenger Rail programs.
- Other identified national interests such as appropriately pricing systems and rational regulatory policy are more general in nature and refer to national policies that would be addressed by several programs. For instance, appropriately pricing systems could apply to freight transportation or mobility programs.

Figure 4: Policy Commission's Alignment of National Interest with Federal Programs



Source: GAO analysis of Policy Commission's report.

Note: Not all of the Policy Commission's proposed areas of national interest and federal programs are listed in the figure. The Policy Commission points out that while the federal programs represent distinct areas of national interest, individual projects may contribute to achieving goals in multiple areas, and thus the programs cannot be considered completely independent. The Policy Commission believes that coordination among the planning activities required for each of the programs will be essential.

Briefing for Congressional Staff**Policy Commission Review****What GAO Has Said**

We have previously reported that in light of the federal government's fiscal outlook, we cannot accept all federal government programs as "givens," but must rethink existing programs, policies, and activities by reviewing their results relative to the national interest and by testing their continued relevance and relative priority.²² Where the national interest is greatest, the federal government may play a more direct role in setting priorities and allocating resources, as well as fund a higher share of program costs. Conversely, where the federal interest is less evident—for example, where the economic benefits are more locally focused or there are varying regional preferences—state and local governments could be expected to assume more responsibility. With the national interest in surface transportation clearly defined, policymakers can clarify the goals for federal involvement.

²²GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: February 2005).

Questions Remain about the Impacts of Some Policy Commission Recommendations on the National Interest, Goals, and Federal Role**Policy Commission's Recommendations on Funding Shares Do Not Reflect National Benefits**

The Policy Commission recommends an 80/20 cost-sharing arrangement for transportation projects under most programs—that is, the federal government would fund 80 percent of the project costs and the grantee (e.g., state government) would fund 20 percent. In addition, the Policy Commission recommends that the federal government pay 40 percent of overall national infrastructure capital costs. These proposed cost-sharing arrangements suggest that the recommended level and share of federal funding reflects the benefits the nation receives from investment in the project—that is, the national interest. However, the report offers no evidence that this is the case. Rather, the proposed cost-sharing arrangements appear to reflect the historical funding levels of many surface transportation programs without considering whether this level of funding reflects the national interest or should vary by program or project or whether state and local governments could assume more responsibility. For example, the Policy Commission recommends that the federal government pay for 80 percent of the proposed intercity passenger rail system, primarily for capital costs. However, we have found that the nation's intercity passenger rail system does not effectively target federal funds to areas that provide the greatest public benefits, such as transportation congestion relief, raising questions as to whether a blanket 80 percent federal share is justified. Moreover, such a cost-sharing arrangement could raise the potential for states to substitute federal funds for their own, given that, as we have previously reported, state-supported routes have accounted for much of the growth in passenger rail in recent years, as states continue to increase spending for operations and capital improvements in order to accommodate regional growth.²³

Policy Commission's Recommendations Do Not Reflect a Complete Reexamination of Federal Goals and Roles

Although the Policy Commission recommends consolidating existing programs, it is unclear to what extent the Policy Commission considered cutting or devolving the authority for existing programs. For example, functions that other entities may perform better than the federal government could be turned back to the states and other levels of government. Moreover, once the national interest is defined, clear goals for federal involvement can help focus policy and optimize results. While the Policy Commission defines some goals based on areas of national interest, apart from goals for safety and mobility, the identified goals are not specific, measurable, or outcome-based. For example, the Policy Commission recommends that DOT establish national safety standards, beginning with the goal to cut surface transportation fatalities in half from current levels by 2025, but does not define similar goals for any of its other recommended programs. Without specific, outcome-based goals, it is difficult to ensure that resources will be targeted to projects that further the national interest.

²³GAO, *Intercity Passenger Rail: National Policy and Strategies Needed to Maximize Public Benefits from Federal Expenditures*, GAO-07-15 (Washington, D.C.: Nov. 13, 2006).

Policy Commission Review

What GAO Has Said

Our previous work has shown that an increased focus on performance and accountability for results could help the federal government target resources to programs that best achieve intended outcomes and national transportation priorities. Furthermore, we have previously reported that shifting from process-oriented structures such as mode-based grant programs to performance-based programs could improve project selection by removing barriers to funding intermodal projects and giving grantees greater flexibility to select projects based on the project's ability to achieve results.²⁴ Directly linking outcome-based goals to programs based on clearly defined national interests would also help to clarify federal surface transportation policy and create a foundation for a transparent and results-based relationship between the federal government and other transportation stakeholders.

²⁴GAO-08-400.

Briefing for Congressional Staff

Policy Commission Emphasizes Performance and Accountability for Results, but Some Details Are Not Fully in Line with Performance and Accountability Principles

Policy Commission Emphasizes Performance and Accountability for Results

The Policy Commission emphasizes the need for performance-based surface transportation programs and recommends the development of national performance standards for the different federal programs with input from relevant stakeholders. State and local performance standards would form the basis for state and metropolitan-area plans, which would be consolidated into a national strategic plan for federal investment. Furthermore:

- The development of national plans to accomplish key program goals would require states and metropolitan areas to include performance measures in their own transportation plans. According to the Policy Commission, developing performance standards that are applicable to all states and local governments will be challenging, but worth the effort.
- State and local projects could receive funding only if they are listed in the plans and are shown to be cost-beneficial.
- The Policy Commission emphasizes the need for quality research and development data in evaluating the effectiveness of projects.
- The Policy Commission discusses a mechanism that would provide financial incentives and penalties based on performance.

Some Details of the Policy Commission's Recommendations Are Not Fully in Line with the Policy Commission's Emphasis on Performance and Accountability

The Policy Commission's recommendations do not generally link federal funding to performance using specific performance measures. For example:

- The Policy Commission recommends that projects be funded on a cost-to-complete basis, in which costs are updated as more information becomes available and work is performed. A cost-to-complete system could make a performance-based system more difficult to implement because, according to the Congressional Budget Office, this type of funding approach can create an incentive for states to increase needs or costs to capture more federal funding.
- For most of the Policy Commission's proposed federal programs there is a lack of specific, detailed goals or performance measures. Without specific, measurable, or outcome-based performance measures linked to clearly defined goals, it will be difficult to measure progress toward achieving national goals.

While the Policy Commission proposes to break down existing modal stovepipes, the recommendations are not consistently mode-neutral. For example, the Policy Commission recommends developing a program for intercity passenger rail, while its other proposed programs are not specific to a particular mode. Focusing on particular modes could inhibit a performance-based consideration of a range of options.

Briefing for Congressional Staff**Policy Commission Review****What GAO Has Said**

Evidence suggests that increased federal highway grants influence states and localities to substitute federal funds for funds they otherwise would have spent on highways. We have previously estimated that states substituted roughly half of the increases in federal highway grants from 1983 to 2000 for state and local highway funding, and that the rate of substitution increased as federal funding was increased during the 1990s. Therefore, while state and local highway spending increased over time, it did not increase as much as it would have had states not withdrawn some of their own highway funds.²⁶

We and others, including those organizations whose proposals we reviewed, have identified a range of leading practices and best tools; however, their suitability varies depending on the level of federal involvement or control that policymakers desire for a given area of policy. These tools include cost-benefit analysis, congestion pricing, maintenance-of-effort requirements, and data collection. In competitive discretionary grant programs, the application of specific tools and approaches could be considered in evaluating proposals, just as the use of incentives or penalties could be considered in noncompetitive or formula-based grant programs.²⁷

²⁶GAO, *Federal-Aid Highways: Trends, Effect on State Spending, and Options for Future Program Design*, GAO-04-802 (Washington, D.C.: Aug. 31, 2004).

²⁷GAO-08-400.

The Policy Commission Recommends the Use of Some Best Tools, but Others Could Help Improve Results and Return on Investment**The Policy Commission's Report Suggests the Use of Some Best Tools**

Specifically, the Policy Commission

- supports the use of cost-benefit analysis to identify projects for funding;
- discusses the importance of data collection for identifying emerging trends so that future decision makers can adapt to changing conditions; and
- recommends building maintenance-of-effort requirements into grants to mitigate the tendency to substitute federal funds for state and local resources.

Although the Policy Commission Discusses the Use of Some Best Tools, Broader Strategies May Be Useful in Improving Results and Return on Investment

- The overall level of funding needed could be reduced by varying the federal match to reflect program benefits. Moreover, aligning funding with performance goals could improve the cost-effectiveness of programs and projects. Such changes could encourage state and local governments to increase their use of such tools as congestion pricing or technology to spread out demand. We have reported that the use of congestion mitigation techniques, including incident response vehicles that quickly restore traffic flow and ITS technology, such as timed traffic signals, can improve efficiency and system performance.
- The Policy Commission suggests making projects with a positive cost-benefit ratio eligible for federal funding, but given current fiscal constraints, it is unlikely that all such projects could receive funding. Clear criteria could be developed for prioritizing projects, thereby allowing limited federal funds to be targeted toward projects that best achieve identified goals, rather than any project that is considered cost-beneficial. We have also reported that the relationship of investments to national goals should be considered along with calculations of benefit and cost.
- A competitive project selection process could be appropriate for ensuring that discretionary grant programs are aligned with national interests and transportation goals. We have previously reported that a competitive selection process with clearly defined selection criteria could help hold grant recipients accountable for results.²⁷ For example, DOT's competitive selection process for the New Starts transit program requires projects to meet a set of established criteria in order to receive federal funding.
- A requirement for grantees to conduct postproject evaluations would be useful in identifying leading practices and understanding project performance, especially because the available information indicates that the costs of highway and transit projects are often higher than originally anticipated.

²⁷GAO-08-400.

Policy Commission Review

What GAO Has Said

We have previously reported that the effectiveness of any overall federal program design can be increased by incorporating strategies to ensure fiscal sustainability.²⁹ Importantly, given the projected growth in federal deficits, constrained state and local budgets, and looming Social Security and Medicare spending commitments, the resources available for discretionary programs will be more limited—making it imperative to maximize the effectiveness of federal investment by rigorously examining the use of such funds. Furthermore, revenues to support the Highway Trust Fund—the major source of federal highway and transit funding—continue to erode, raising questions about whether fuel taxes are a sustainable source of transportation funding.³⁰ In addition, funding sources, including taxes and user fees, should be equitably assigned and reflect the different costs imposed by different users of the transportation system.

Our previous work has also shown that federal, state, and local governments will begin to face growing fiscal challenges—that is, absent policy changes, these governments will face an increasing gap between receipts and expenditures in the coming years. Since most state and local governments are required to balance or nearly balance their operating budgets in most years, the declining fiscal conditions foreshadow the extent to which these governments will need to make substantial policy changes to avoid these potential growing fiscal challenges.³¹

²⁹GAO-08-478T.

³⁰The fuel tax is the principal revenue source to support the Highway Trust Fund.

³¹GAO, *State and Local Governments: Growing Fiscal Challenges Will Emerge during the Next 10 Years*, GAO-08-317 (Washington, D.C.: Jan. 22, 2008).

Briefing for Congressional Staff

The Policy Commission Recognizes the Need for New Funding Mechanisms, but Sustainability Depends on Careful Consideration of Key Issues

Policy Commission Recommends a Variety of Funding Mechanisms--Most Based On the User Pay Principle--For Surface Transportation Programs

The Policy Commission recognizes that there is no silver bullet funding solution, and that it will like take a variety of approaches to ensure sustainability in both the short and long terms. For example, the Policy Commission discusses several strengths and limitations of the fuel tax and recognizes the need to plan for a future transition away from relying primarily on the fuel tax. The Policy Commission also discusses the possibility of a VMT tax or other solutions to replace the fuel tax as a primary revenue source for the future. Furthermore, most of the proposed funding mechanisms reflect the principle that users should pay for the infrastructure they use. In addition, the Policy Commission recommends that the federal government lift certain restrictions on tolling and recommends that public-private partnerships play an increased role in funding surface transportation. Finally, the Policy Commission recognizes that before federal financial support for surface transportation is increased, the nation's surface transportation programs need to be fundamentally reformed and that levels of taxes and fees need to be periodically adjusted based on the levels necessary to achieve national goals.

Policy Commission's Funding Recommendations Raise Issues to Consider

- It is not clear whether the Policy Commission's funding recommendations are sustainable given the federal government's fiscal position and long-term pressures on the Highway Trust Fund. The federal role in transportation funding must be reexamined to ensure that it is sustainable in this new fiscal reality. Using the principles we have discussed, including employing tools and approaches that emphasize return on investment, could help surface transportation programs become more fiscally sustainable and more directly address national transportation priorities.
- Competing priorities for federal, state and local governments, such as increasing demand for education and health care spending, strain the ability of these entities to invest more in infrastructure and to raise additional revenue through new or increased taxes or fees. Moreover, recommended spending levels by all levels of government raise questions about the ability of federal, state, and local governments to raise revenues to meet their expected share of investment.
- Some funding mechanisms—such as congestion pricing and tolling—can signal to drivers the cost of using the system at congested times. However, the Policy Commission recommends restrictions on the use of pricing, including limiting allowable toll increases. Such restrictions must be carefully crafted to avoid undermining the potential benefits that can be achieved.

Scope and Methodology

GAO Contact

If you or your staff have any questions about this report, please contact JayEtta Z. Hecker at (202) 512-2834.

Staff Acknowledgements

In addition to the individual named above, individuals making key contributions to this report were Nikki Clowers, Assistant Director; Elizabeth Argeris; Barbara Lancaster; Matthew LaTour; and Nancy Lueke.

Key Themes for Restructuring and Funding Surface Transportation Programs

To identify key themes raised by stakeholders for restructuring and funding surface transportation programs, we interviewed officials from a range of associations and research organizations representing various constituencies about issues to be addressed in the next surface transportation reauthorization (see the following list). We also reviewed and analyzed available literature, such as papers and restructuring proposals in various stages of development prepared by these stakeholders. Through these interviews and analyses, we determined that many groups had not yet developed formal restructuring proposals, and did not plan to develop proposals until later this year, limiting the number of proposals we could evaluate. As a result, we included seven restructuring proposals in our review, four of which were considered final, including the National Surface Transportation Policy and Revenue Study Commission's (Policy Commission) proposal.³¹ We synthesized the key issues in these proposals and considered those that were identified by a majority (4 out of 7) of stakeholders as themes for restructuring surface transportation programs. Collectively these proposals represent diverse viewpoints and constituencies with respect to surface transportation programs.

Stakeholders Contacted

Associations

- American Association of State Highway and Transportation Officials
- American Road and Transportation Builders Association
- American Trucking Association
- American Public Transportation Association
- Association of American Railroads
- Association of Metropolitan Planning Organizations
- National Conference of State Legislatures
- National Governors Association
- National League of Cities
- Transportation for America Campaign
- U.S. Chamber of Commerce

Research Organizations and Commissions

- Bipartisan Policy Center
- Brookings Institution
- National Surface Transportation Infrastructure Financing Commission
- National Surface Transportation Policy and Revenue Study Commission
- Reason Foundation

³¹Other proposals and documents selected for inclusion in our review were from the American Association of State Highway and Transportation Officials (final), American Road and Transportation Builders Association (final), Brookings Institution (final), Bipartisan Policy Center, National Surface Transportation Infrastructure Financing Commission, and Transportation for America Campaign.

Scope and Methodology

Scope

We applied our restructuring principles only to the Policy Commission's proposal for restructuring and funding surface transportation programs because (1) the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) established this commission to provide a comprehensive review of existing programs and (2) a limited number of final restructuring proposals have been developed by other stakeholders. In addition, because these stakeholder groups represent various constituencies, they are not likely to provide a comprehensive proposal for restructuring surface transportation programs.

Policy Commission's Proposal for Restructuring and Funding Surface Transportation Programs

To determine the extent to which the Policy Commission's proposal aligns with principles we have developed for evaluating proposals to restructure and fund surface transportation programs,³² we synthesized the Policy Commission's recommendations and interviewed Policy Commissioners, including a dissenting Commissioner,³³ and commission staff to develop a further understanding of the report's recommendations. We also developed a set of criteria for applying each of the principles using prior GAO work and GAO recommendations on reexamining the base of the federal government, including surface transportation programs. Specifically, for each principle we developed a list of questions and subquestions and evaluated each by applying a "yes," "no," or "partial" rating. We then summed up the ratings for each of the questions to develop an overall rating for each principle. Two analysts independently applied the criteria to the Policy Commission's recommendations and a third analyst resolved any differences in the results. The full list of criteria developed for each of the principles appears in enclosure II. Finally, we supplemented our analysis with interviews of the various transportation stakeholders previously identified in order to gain an understanding of issues raised with respect to the Policy Commission's recommendations for restructuring and funding surface transportation programs.

We conducted this performance audit from October 2007 through July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³²We developed these principles from prior analyses of existing surface transportation programs as well as a body of work that we have developed for Congress, including GAO's high-risk and performance and accountability reports.

³³Three of the 12 commissioners assigned to the Policy Commission provided supplemental minority, or dissenting, viewpoints to the report's overall recommendations.

Enclosure II: Evaluation Criteria

The following criteria were used to evaluate the Policy Commission's proposal to restructure surface transportation programs.³⁴

National Interest and Federal Role

Does the proposal identify well-defined goals based on identified areas of national interest?

1. Are areas of national interest clearly defined?
2. Are national goals identified and defined in relation to identified areas of national interest? Are the goals specific, measurable, and outcome-based?
3. Are funding strategies compatible with identified national interests and goals, or are they contradictory?

Does the proposal clearly define the federal role in achieving each goal?

1. Is the federal role clearly defined?
2. Is the federal role directly linked to defined areas of national interest and goals where there are national benefits?
3. Is the federal role clearly defined in relation to the role of state, regional, and local governments?
4. Is the federal role clearly defined in relation to the role of the private sector?
5. Is the federal role clearly defined in relation to other sectors and national policies, specifically environmental, security, and energy policies?

Performance and Accountability

Does the proposal recommend strategies to incorporate performance and accountability into funding decisions?

1. Are national performance measures discussed and identified?
2. Are options for distributing federal funds linked to performance in achieving national goals (i.e., are stakeholders held accountable for achieving results)?
3. Are options for collecting reliable data to monitor and evaluate performance identified?

Best Tools and Approaches

Does the proposal recommend strategies to maximize return on investment through the use of best tools and approaches?

1. Are there strategies to ensure resources are targeted to yield the greatest benefits (on a national level) in relation to the investment?
2. Are tools for evaluating performance identified?
3. Does the proposal provide, suggest, or propose the use of the best possible funding options available?
4. Are global cross-cutting issues, such as intermodal and interregional solutions, identified?

Fiscal Sustainability

Do the recommendations ensure fiscal sustainability?

1. Does the proposal reexamine current and future spending on surface transportation programs?
2. Are the recommendations affordable and financially stable over the short term?
3. Are the recommendations affordable and financially stable over the long term?
4. Does the proposal consider future trends that could affect recommended funding strategies or the long-term financial sustainability of surface transportation programs?

³⁴This enclosure does not include any of the subquestions we used to evaluate the Policy Commission's proposal.

List of Stakeholder Restructuring Proposals Reviewed

American Association of State Highway and Transportation Officials. *A New Vision for the 21st Century*. July 2007

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