SURFACE TRANSPORTATION

Many Factors Affect Investment Decisions

What GAO Found

Federal requirements specify the overall approach that states and regional organizations should use in planning transportation infrastructure projects, but generally do not specify what analytical tools planners should use to evaluate projects. These key requirements include developing strategic goals and objectives; considering a wide range of environmental and economic factors; preparing long- and short-range plans; and ensuring an inclusive process that involves many stakeholders.

The Office of Management and Budget, the Department of Transportation (DOT), and GAO have identified benefit-cost analysis as a tool to help decision-makers identify projects with the greatest net benefits. The systematic process of benefit-cost analysis helps decision-makers organize information about, and determine trade-offs between, alternatives. Researchers also acknowledged challenges in applying benefit-cost analysis, including quantifying some benefits and costs, defining the scope of the project, and ensuring the precision of estimates used in the analysis. Ongoing research by DOT and others is aimed at improving and expanding state and regional decision-makers’ application of benefit-cost analysis.

Many of the transportation planners we interviewed said that factors other than the analyses developed during the planning process often influenced final investment decisions. For example, state and regional decision-makers must consider the structure of federal funding sources. Since federal funding often is tied to a single transportation mode, it may be difficult to finance projects that do not have dedicated funding, such as railroad improvement projects. In addition, decision-makers must ensure that wide-ranging public participation is reflected in their deliberations and that their choices take into account numerous views. In some cases, voter support through referenda is required before a project may proceed or financing can be secured. The physical constraints of an area may also affect investment choices. Difficulties in expanding capacity and limits on existing infrastructure may direct investments to preserving and maintaining existing facilities or improving operations. Finally, multistate transportation corridors present special challenges in coordinating investment decisions.

Key Factors Affecting Transportation Planning Decisions

- Federal requirements and financing structure
- Benefit-cost analysis and other analytical tools
- Transportation investment plans and decisions
- Political considerations
- Infrastructure constraints

Source: GAO analysis.