



Highlights of [GAO-09-36](#), a report to congressional requesters

Why GAO Did This Study

As highway congestion continues to be a problem in many areas, states are looking to construct or expand highway projects. When a state department of transportation (DOT) receives federal funding for highway projects from the Federal Highway Administration (FHWA), the projects must comply with the National Environmental Policy Act (NEPA), the Davis-Bacon prevailing wage requirement, the Disadvantaged Business Enterprise (DBE) program, and the Buy America program. While complying with these requirements, states must use limited transportation dollars efficiently. As requested, GAO addressed (1) the types of benefits and costs associated with these requirements for federal-aid highway projects; (2) the influence of these federal requirements on states' decisions to use nonfederal or federal funds for highway projects; and (3) the challenges associated with the federal requirements and strategies used or proposed to address the challenges. To complete this work, GAO reviewed 30 studies, surveyed DOTs in all states and the District of Columbia, and interviewed transportation officials and other stakeholders.

What GAO Recommends

The Department of Transportation should re-evaluate the Buy America threshold and the DBE personal net worth ceiling, and modify them, if necessary. The Department of Transportation provided technical comments on the report, but took no position on the recommendation.

To view the full product, including the scope and methodology, click on [GAO-09-36](#). For more information, contact David J. Wise at (202) 512-2834 or wised@gao.gov.

FEDERAL-AID HIGHWAYS

Federal Requirements for Highways May Influence Funding Decisions and Create Challenges, but Benefits and Costs Are Not Tracked

What GAO Found

Several of the studies GAO reviewed describe the benefits of environmental requirements for highway projects, such as better protection for wetlands, but none attempted to quantify these benefits. Some studies quantified certain types of environmental costs, such as costs for administering NEPA. In general, however, quantitative information on environmental benefits and costs is limited because states do not generally track such information. Several studies attempted to quantify the benefits and costs of the Davis-Bacon prevailing wage requirement; however, these studies did not focus on transportation projects specifically. Furthermore, while the studies reviewed did not identify the benefits of the DBE program, transportation officials identified some benefits of the program, such as providing greater opportunities for DBE firms. One study we reviewed identified the benefits of the Buy America program, including protecting against unfair competition from foreign firms. The studies reviewed also identified, and in some cases quantified, the costs of the DBE and Buy America programs, including administrative costs and the use of higher priced iron and steel in projects.

Of the 51 state DOTs GAO surveyed, 39 reported that, in the past 10 years, federal requirements had influenced their decision to use nonfederal funds for highway projects that were eligible for federal aid. Thirty-three of these state DOTs reported that NEPA factored into their decision to use nonfederal funds, while the other three requirements GAO reviewed were a factor only in a few states. State officials said that they use nonfederal funds for certain projects to avoid project delays or costs associated with the federal requirements or because of other factors, such as requirements imposed by a state legislature. A state's funding decision may depend on whether the state has requirements similar to these federal requirements. The decision may also take into consideration the availability of nonfederal and federal funds. For example, officials from one state said that they have limited nonfederal funds available, and as a result, like other states GAO interviewed, rely on the federal funds to finance their highway projects.

According to transportation officials and contractors, administrative tasks associated with the federal requirements pose challenges. For example, analyzing impacts and demonstrating compliance with NEPA requires extensive paperwork and documentation. State officials also said that coordinating with multiple government agencies on environmental reviews is challenging, in part because these agencies may have competing interests. Furthermore, according to state DOTs, some provisions of the federal requirements may be outdated. For example, the \$2,500 regulatory cost threshold for compliance with the Buy America program for purchasing domestic steel and \$750,000 regulatory personal net worth ceiling of the DBE program have not been updated since 1983 and 1999, respectively. All of these challenges may cause delays and increase project costs. Some government agencies have implemented strategies to address these challenges and these strategies have had varied success in decreasing project costs and delays.