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GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-253984

August 10, 1993

149876

The Honorable Pete Domenici
United States Senate

Dear Senator Domenici:

The purpose of this letter is to provide you with information that you requested on funding alternatives for highway demonstration projects authorized under the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. Specifically, you asked us to analyze (1) the effect on states' funding levels of redistributing ISTEA demonstration project funding as federal-aid highway program apportionments and (2) the effect on states' rates of obligation of bringing ISTEA demonstration projects under the annual obligation limitation.

You requested these two analyses as a follow-up to our March 31, 1993, testimony entitled Surface Transportation: Funding Limitations and Barriers to Cross-Modal Decision Making (GAO/T-RCED-93-25). That testimony presented a number of concerns regarding the costs of authorizing a large number of demonstration, or special, highway projects and the limited payoff that is associated with this type of highway investment.[1] As our testimony noted, demonstration projects tend to have a slow rate of obligation. For example, in 1991, only 36 percent of funding authorized for demonstration projects 4 years earlier had been obligated.

Our first analysis considered the impact on individual states' total funding levels of redistributing ISTEA demonstration project funding. This analysis assumed the hypothetical scenario that ISTEA had not included demonstration projects. We performed the analysis by

[1]Demonstration, or special, projects fall into several distinct categories but are generally specific construction projects identified by name in legislation. Projects can range in scope from paving a gravel road to building a multilane highway.

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previously restricted to use for demonstration projects would become available for any federal-aid highway program that states selected. It should be noted that the opportunity to obligate funds flexibly from year to year would in no way relieve states of the requirement to eventually set aside federal-aid highway funds for authorized demonstration projects. The reason is that budget authority remains attached to the projects for which it was authorized.

The flexibility inherent in the alternative scenario under the second analysis would come at a cost to some states. Seventeen states would receive less total funding available for obligation in a given year. The reason is that these states have a relatively large amount of demonstration project funding, and under this scenario, they would face a new cap on their obligations for these projects. The remaining 33 states plus the District of Columbia and Puerto Rico would benefit from a limitation on obligations for demonstration projects, since more obligational authority could be used for core federal-aid highway programs. It should be noted that any increases and decreases in states' obligational authority would not have a lasting effect on any state's funding, since ultimately, no state would gain or lose any authorized funds to which it was entitled.

Both analyses related to the demonstration projects authorized in sections 1061, 1103, 1104, 1105, 1106, 1107, and 1108 of ISTEA. Over the 6-year authorization period (fiscal years 1992 through 1997), these sections of ISTEA authorized a total of $6.229 billion for 539 projects. We focused our analyses on project authorizations for fiscal year 1993, which total $1.179 billion; this permitted us to use actual state-by-state data and thus did not require us to rely on estimated future state-funding levels. Officials from the Federal Highway Administration (FHWA) told us that the results identified for fiscal year 1993 could be expected to serve as a good indicator of basic patterns that would be reflected throughout the ISTEA authorization period. We performed our work in June and July 1993 in accordance with generally accepted government auditing standards.

ANALYSIS 1: REDISTRIBUTION OF ISTEA'S DEMONSTRATION PROJECT FUNDS

On the basis of financial information provided by FHWA, we analyzed the state-by-state impact on funding for fiscal year 1993 under the assumption that funds reserved for demonstration projects in the same year ($1.179 billion) were instead redistributed on the basis of each state's percent share of apportioned federal-aid highway program funds. Under this scenario, 31 states plus the District of Columbia and Puerto Rico would have received more authorized funding. The average dollar gain would have been $12 million; $70 million would have represented the high end of the range (Massachusetts), and $1 million would have represented the low end (Vermont). Nineteen states would have received less authorized funding. For this group of states, the average loss would have been $21 million; $115 million would have represented the greatest loss (Pennsylvania), and $102,000 would have represented the lowest loss (Rhode Island). Table 1 indicates which states' funding would have increased and decreased, and enclosure I details the supporting calculations and the method of analysis.

Table 1: Summary of Effects on Fiscal Year 1993 State Funding Under Redistribution of Demonstration Project Allocations as Apportioned Funds

State-funding increases	State-funding decreases
Alaska	Alabama
Arizona	Arkansas
California	Illinois
Colorado	Iowa
Connecticut	Kansas
Delaware	Maine
District of Columbia	Minnesota
Florida	Mississippi
Georgia	Missouri
Hawaii	Nevada
Idaho	New Hampshire
Indiana	New Jersey
Kentucky	North Dakota
Louisiana	Oklahoma
Maryland	Pennsylvania
Massachusetts	Rhode Island
Michigan	Virginia
Montana	Washington
Nebraska	West Virginia
New Mexico	
New York	
North Carolina	
Ohio	
Oregon	
Puerto Rico	
South Carolina	
South Dakota	
Tennessee	
Texas	
Utah	
Vermont	
Wisconsin	
Wyoming	
Total: 33 (incl. DC and PR)	Total: 19
Average gain: $12 million	Average loss: $21 million
Range of gains: $1 million to $70 million	Range of losses: $102,000 to $115 million

ANALYSIS 2: OBLIGATION LIMITATION IMPOSED ON DEMONSTRATION PROJECTS' FUNDING

If demonstration projects were brought under the obligation limitation, all states would benefit from an increase in their flexibility to target annual obligations to programs and projects that were ready to go. At present, as we noted in our March 31, 1993, testimony, funds for demonstration projects can remain unobligated for years. In contrast, if projects were brought under the obligation limitation, authorized funding would no longer sit idle. The reason is that, under our second analysis, states would receive an annual block of the obligation limitation to use flexibly across programs and demonstration projects, whereas at present, states are restricted from using obligational authority associated with demonstration projects for any other purpose. Because states have traditionally used almost all of their obligation limitation in any given year, it is reasonable to expect that a greater amount of total apportioned and allocated funding would be obligated each year if projects were made subject to the limitation.

It should be noted that no state would gain or lose total funding if demonstration projects were placed under the obligation limitation; only the rate at which states have the opportunity to spend the funds would change. This would cause some variation in each state's annual obligation authority, but would not affect the total amount of funding that they would eventually have available for obligation. Moreover, the benefits associated with states' increased flexibility to target obligations where they were most needed could outweigh any decrease in annual obligational authority that a state might face.

Gains and Losses of Annual Obligation Authority

Using FHWA's financial information, we analyzed the state-by-state impact of making demonstration project funds subject to the fiscal year 1993 obligation limitation.[3] Under this scenario, 33 states plus the District of Columbia and Puerto Rico would have received more

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[3]Traditionally, demonstration projects are exempt from the annual obligation limitation. The Bush administration's fiscal year 1993 budget request proposed that projects be held under the obligation limitation, but this proposed change in legislation was not enacted by the Congress.

obligational authority if projects were made subject to the obligation limitation. The average dollar increase for fiscal year 1993 obligational authority would have been $2 million; $15 million would have represented the high end of the range (Massachusetts), and $14,000 would have represented the low end (Michigan). Seventeen states would have received less obligational authority. For this group of states, the average decrease would have been $5 million; $23 million would have represented the greatest decrease (Pennsylvania), and $14,000 would have represented the lowest decrease (New Hampshire). Table 2 indicates which states' obligational authority would have increased and decreased, and enclosure II details our supporting calculations and our method of analysis.

Again, it should be noted that these increases and decreases would be temporary, since no state would gain or lose any authorized funding to which it was entitled. Moreover, the effect of any short-term decreases would be mitigated by the benefits of having the ability to use obligational authority that was previously attached to demonstration projects for core federal-aid highway programs until the demonstration projects became ready-to-go.

Table 2: Summary of Effects on States' Obligational Authority for Fiscal Year 1993 if Demonstration Funds Were Made Subject to Obligation Limitation

Obligational authority increases	Obligational authority decreases
Alaska	Alabama
Arizona	Arkansas
California	Illinois
Colorado	Iowa
Connecticut	Maine
Delaware	Minnesota
District of Columbia	Mississippi
Florida	Missouri
Georgia	Nevada
Hawaii	New Hampshire
Idaho	New Jersey
Indiana	North Dakota
Kansas	Oklahoma
Kentucky	Pennsylvania
Louisiana	Virginia
Maryland	Washington
Massachusetts	West Virginia
Michigan	
Montana	
Nebraska	
New Mexico	
New York	
North Carolina	
Ohio	
Oregon	
Puerto Rico	
Rhode Island	
South Carolina	
South Dakota	
Tennessee	
Texas	
Utah	
Vermont	
Wisconsin	
Wyoming	
Total: 35 (incl. DC and PR)	Total: 17
Average increase: $2 million	Average decrease: $5 million
Range of increases: $14,000 to $15 million	Range of decreases: $14,000 to $23 million

Although states could obligate funds flexibly across programs and projects under the alternative scenario, it should be noted that, in the long run, funds authorized for demonstration projects would have to be used for their intended purpose. For example, in the early years of the authorization period, a state could elect to use obligational authority associated with demonstration projects for core federal-aid highway programs, such as the Surface Transportation Program. Eventually, however, the state would have to use obligational authority associated with federal-aid program categories for the demonstration projects that had not yet been fully obligated.

The outlay, or spend-out, rate would likely continue to track with historical rates of highway spending. For each dollar obligated, on average, about 17 cents would be liquidated in the first year of obligation, 52 cents in the second year, 15 cents in the third year, 5 cents in the fourth year, and the remaining 11 cents over the next few years.

AGENCY COMMENTS

We discussed the information in this letter with officials from DOT's Office of General Counsel and Office of the Assistant Secretary for Policy and International Affairs. We also met with officials from FHWA's Office of Policy Development and Office of Fiscal Services. These officials generally agreed with the facts as presented, and we have incorporated their comments where appropriate. As agreed with your office, we did not obtain written agency comments on this letter.

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Also as arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this letter until 30 days after the date of the letter. At that time, we will send copies to the Secretary of Transportation; the Administrator, Federal Highway Administration; and other interested parties. We will make copies available to others on request.

We hope that this information is helpful to you. Please call me at (202) 512-6001 if you have any questions.

Sincerely yours,

Kenneth M. Mead
Director, Transportation Issues

ANALYSIS OF IMPACTS OF REDISTRIBUTING DEMONSTRATION PROJECT FUNDS AS A PERCENTAGE OF APPORTIONMENTS

Table I.1 details the state-by-state dollar impacts of a hypothetical redistribution of fiscal year 1993 demonstration project funds. The comparison was accomplished in accordance with the following methodology:

Step 1: We listed each state's total apportionments for fiscal year 1991. These appear as column 2 of table I.1.

Step 2: We determined each state's fiscal year 1993 funding for demonstration projects (base case). This is shown as column 3 of table I.1.

Step 3: We calculated an alternative scenario by redistributing fiscal year 1993 funding for demonstration projects to all states in accordance with each state's percent share of total fiscal year 1993 apportioned funds. This is shown as column 4 of table I.1.

Step 4: We compared individual states' shares of the total funding reserved for demonstration projects under the base case with the alternative scenario. This comparison is shown in column 5 of table I.1. States with a positive difference would gain funding under the hypothetical redistribution of ISTEA's demonstration project funding.

Table I.1: Dollar Impacts of Redistributing Demonstration Project Funds

1	2	3	4	5
State	Total apportionments FY 1993 (a)	Base case: actual FY 1993 project allocations (b)	Alternative scenario: redistributed project allocations per FY 1993 share of apportionments (c)	Difference (d)
Alabama	295,013,522	30,537,727	19,871,234	(10,666,493)
Alaska	213,429,359	0	14,375,968	14,375,968
Arizona	252,834,626	2,274,913	17,030,189	14,755,276
Arkansas	202,071,168	71,500,817	13,610,914	(57,889,903)
California	1,640,470,852	66,121,611	110,497,243	44,375,632
Colorado	209,608,042	540,758	14,118,575	13,577,817
Connecticut	338,411,288	14,805,585	22,794,379	7,988,794
Delaware	70,184,032	0	4,727,388	4,727,388
Dist. of Columbia	95,385,655	4,120,951	6,424,894	2,303,943
Florida	718,854,034	33,482,251	48,419,872	14,937,621
Georgia	506,742,790	20,695,746	34,132,689	13,436,943
Hawaii	121,802,462	1,118,810	8,204,252	7,085,442
Idaho	112,637,700	3,411,264	7,586,941	4,175,677
Illinois	603,998,258	108,405,004	40,683,528	(67,721,476)
Indiana	375,087,994	17,695,842	25,264,813	7,568,971
Iowa	212,646,512	21,206,482	14,323,237	(6,883,245)
Kansas	194,248,484	13,612,187	13,084,001	(528,186)
Kentucky	258,666,757	4,027,716	17,423,024	13,395,308
Louisiana	264,541,540	13,582,617	17,818,732	4,236,115
Maine	85,059,477	34,888,222	5,729,354	(29,158,868)
Maryland	295,897,506	8,096,943	19,930,777	11,833,834
Massachusetts	1,062,795,604	1,100,163	71,586,755	70,486,592
Michigan	484,121,007	30,983,259	32,608,953	1,625,694
Minnesota	238,547,741	38,923,398	16,067,867	(22,855,531)
Mississippi	195,597,299	16,381,754	13,174,853	(3,206,901)
Missouri	380,220,208	31,565,051	25,610,504	(5,954,547)
Montana	165,091,369	3,356,430	11,120,064	7,763,634
Nebraska	139,979,103	2,207,616	9,428,577	7,220,961
Nevada	105,244,815	19,681,985	7,088,978	(12,593,007)
New Hampshire	82,373,707	5,985,633	5,548,448	(437,185)
New Jersey	491,909,567	37,834,422	33,133,567	(4,700,855)

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ENCLOSURE I

1	2	3	4	5
State	Total apportionments FY 1993 (a)	Base case: actual FY 1993 project allocations (b)	Alternative scenario: redistributed project allocations per FY 1993 share of apportionments (c)	Difference (d)
New Mexico	179,853,881	1,734,155	12,114,423	10,380,268
New York	920,433,497	56,281,732	61,997,666	5,715,934
North Carolina	445,703,389	27,861,668	30,021,256	2,159,588
North Dakota	105,774,283	13,239,251	7,124,641	(6,114,610)
Ohio	637,682,919	29,491,829	42,952,427	13,460,598
Oklahoma	241,783,414	16,509,904	16,285,812	(224,092)
Oregon	200,414,174	8,577,542	13,499,303	4,921,761
Pennsylvania	740,500,732	164,410,986	49,877,929	(114,533,057)
Puerto Rico	88,473,690	0	5,959,325	5,959,325
Rhode Island	107,593,422	7,348,718	7,247,173	(101,545)
South Carolina	216,305,854	7,216,324	14,569,720	7,353,396
South Dakota	113,540,248	671,286	7,647,734	6,976,448
Tennessee	354,356,236	5,611,577	23,868,383	18,256,806
Texas	1,125,554,206	45,247,510	75,813,987	30,566,477
Utah	127,594,198	2,032,504	8,594,366	6,561,862
Vermont	75,271,842	3,729,366	5,070,088	1,340,722
Virginia	389,899,001	27,512,329	26,262,438	(1,249,891)
Washington	400,007,435	27,107,562	26,943,312	(164,250)
West Virginia	160,371,192	58,140,821	10,802,127	(47,338,694)
Wisconsin	337,959,860	13,332,484	22,763,972	9,431,488
Wyoming	114,248,153	4,329,366	7,695,416	3,366,050
TOTAL	17,496,794,104	1,178,532,071	1,178,532,071	0

(a) Source: FHWA.
(b) Source: FHWA.
(c) Source: FHWA.
(d) Derived: column 4 - column 3.

Note: FY = fiscal year. A positive difference in column 5 indicates that a state gains funding under the alternative scenario. A negative difference indicates that a state loses funding under the alternative scenario.

ANALYSIS OF IMPACTS OF PLACING DEMONSTRATION PROJECTS UNDER THE OBLIGATION LIMITATION

Table II.1 details the state-by-state dollar impacts that would occur if funding for demonstration projects were made subject to the obligation limitation. The analysis focuses on the impact on each state's obligational authority. In fiscal year 1993, total obligational authority was approximately 80 percent of total authorized funding.

The following description of our methodology is broken into three related parts: (1) the base case, which sets up each state's obligational authority under current law; (2) the alternative scenario, which determines each state's obligational authority if demonstration projects were made subject to the obligation limitation; and (3) the comparison of the base case and the alternative scenario.

STEP 1: BASE CASE

We began our analysis of the base case (current law) by determining each state's actual share of the total fiscal year 1993 obligation limitation.[1] States' dollar shares of the fiscal year 1993 limitation are shown as column 2 of table II.1, and their percent shares of the obligation limitation are shown as column 5 of table II.1.

Next, we determined each state's fiscal year 1993 allocated funding for demonstration projects. This is shown as column 3 of table II.1. Because demonstration projects are not subject to the obligation limitation under current law, the full amount allocated for demonstration projects may be obligated. Thus, each state's obligational authority for demonstration projects is simply equal to its project allocation.

Last, by adding together each state's obligation limitation (column 2) and demonstration project allocation (column 3), we determined each state's total obligational authority under the base case. This is shown as column 4 of table II.1.

[1]The dollar amounts shown exclude obligational authority for programs including Highway Planning and Research, Administration, and Federal Lands. Although these programs are technically part of the obligation limitation, they may be obligated at 100 percent of their total funding, and thus are not subject to constraint.

STEP 2: ALTERNATIVE SCENARIO

We analyzed the outcome of making demonstration projects subject to the obligation limitation by giving each state a fixed percentage of obligational authority for demonstration projects. This was set at 80 percent of each state's fiscal year 1993 demonstration project funding. We selected 80 percent because this is approximately the amount of apportioned funding subject to the obligation limitation that was made available for obligation in fiscal year 1993. Each state's 80-percent share of demonstration project funding is shown in column 6 of table II.1.

Next, since 100 percent of demonstration project funding was available for obligation in fiscal year 1993, applying an obligation limitation of 80 percent to these projects leaves a remaining balance of 20 percent. The 20-percent share is shown as column 7 of table II.1. Our analysis of the alternative scenario then assumes that this balance of obligational authority is freed up for redistribution among the states.

Thereafter, we figured what each state would have received on the basis of its share of the total obligation limitation for fiscal year 1993, which refers back to column 5 of table II.1. The results of the 20-percent redistribution are shown as column 8 of table II.1.

Last, by summing up each state's (1) individual obligation limitation (column 2), (2) 80-percent share of its demonstration project funding (column 6), and (3) share of the redistributed 20-percent remaining balance of demonstration project funding (column 8), we were able to determine each state's total obligational authority under the alternative scenario. This is shown as column 9 of table II.1, and provides the sum total for the alternative scenario. Note that, in both the base case and the alternative scenario, total funding available for obligation ($14,389,839,111, shown as the total of columns 4 and 9) is identical.

STEP 3: COMPARISON

To complete the analysis, we compared individual states' total fiscal year 1993 obligational authority under the base case (column 4) with the alternative scenario (column 9). This comparison is shown in column 10 of table II.1. States with a positive difference would gain obligational authority under the hypothetical redistribution of ISTEA's demonstration project funding.

Table II.1: Dollar Impacts of Placing Demonstration Projects Under Obligation Limitation

1	2	3	4	5	6	7	8	9	10
State	FY 1993 obligation limitation (a)	FY 1993 project allocations (b)	Total ob. auth. under base case (c)	State share of total ob. lim. for FY 1993 (d)	80% of FY 1993 project alloc. (e)	20% of FY 1993 project alloc. (f)	Redistributed shares of 20% of FY 1993 project alloc. total (g)	Total ob. auth. under alternative scenario (h)	Difference (i)
Alabama	218,942,778	30,537,727	249,480,505	1.657238%	24,430,182	6,107,545	3,906,216	247,279,175	(2,201,330)
Alaska	171,827,803	0	171,827,803	1.300612%	0	0	3,065,625	174,893,428	3,065,625
Arizona	174,901,684	2,274,913	177,176,597	1.323879%	1,819,930	454,983	3,120,467	179,842,081	2,665,484
Arkansas	137,839,733	71,500,817	209,340,550	1.043347%	57,200,654	14,300,163	2,459,235	197,499,622	(11,840,928)
California	1,203,059,261	66,121,611	1,269,180,872	9.106285%	52,897,289	13,224,322	21,464,098	1,277,420,647	8,239,775
Colorado	168,752,086	540,758	169,292,844	1.277331%	432,606	108,152	3,010,750	172,195,443	2,902,599
Connecticut	272,449,521	14,805,585	287,255,106	2.062245%	11,844,468	2,961,117	4,860,844	289,154,833	1,899,727
Delaware	56,504,043	0	56,504,043	0.427695%	0	0	1,008,104	57,512,147	1,008,104
Dist. of Columbia	76,793,467	4,120,951	80,914,418	0.581271%	3,296,761	824,190	1,370,093	81,460,320	545,902
Florida	469,272,806	33,482,251	502,755,057	3.552054%	26,785,801	6,696,450	8,372,420	504,431,027	1,675,970
Georgia	358,148,198	20,695,746	378,843,944	2.710922%	16,556,597	4,139,149	6,389,816	381,094,611	2,250,667
Hawaii	98,061,216	1,118,810	99,180,026	0.742252%	895,048	223,762	1,749,536	100,705,800	1,525,774
Idaho	90,682,813	3,411,264	94,094,077	0.686403%	2,729,011	682,253	1,617,898	95,029,720	935,643
Illinois	486,269,347	108,405,004	594,674,351	3.680706%	86,724,003	21,681,001	8,675,660	581,669,010	(13,005,341)
Indiana	262,978,109	17,695,842	280,673,951	1.990553%	14,156,674	3,539,168	4,691,862	281,826,644	1,152,693
Iowa	171,198,309	21,206,482	192,404,791	1.295847%	16,965,186	4,241,296	3,054,394	191,217,889	(1,186,902)
Kansas	156,386,351	13,612,187	169,998,538	1.183731%	10,889,750	2,722,437	2,790,130	170,066,231	67,693
Kentucky	195,951,046	4,027,716	199,978,762	1.483207%	3,222,173	805,543	3,496,014	202,669,233	2,690,471
Louisiana	209,048,027	13,582,617	222,630,644	1.582342%	10,866,094	2,716,523	3,729,681	223,643,802	1,013,158
Maine	68,480,026	34,888,222	103,368,248	0.518344%	27,910,578	6,977,644	1,221,770	97,612,374	(5,755,874)
Maryland	208,701,266	8,096,943	216,798,209	1.579717%	6,477,554	1,619,389	3,723,494	218,902,315	2,104,106
Massachusetts	855,639,761	1,100,163	856,739,924	6.476572%	880,130	220,033	15,265,695	871,785,586	15,045,662
Michigan	348,112,822	30,983,259	379,096,081	2.634961%	24,786,607	6,196,652	6,210,773	379,110,202	14,121
Minnesota	192,050,975	38,923,398	230,974,373	1.453686%	31,138,718	7,784,680	3,426,432	226,616,126	(4,358,247)
Mississippi	150,203,558	16,381,754	166,585,312	1.136932%	13,105,403	3,276,351	2,679,821	165,988,783	(596,529)
Missouri	289,077,285	31,565,051	320,642,336	2.188105%	25,252,041	6,313,010	5,157,504	319,486,830	(1,155,506)
Montana	132,912,423	3,356,430	136,268,853	1.006051%	2,685,144	671,286	2,371,326	137,968,893	1,700,040
Nebraska	112,694,939	2,207,616	114,902,555	0.853019%	1,766,093	441,523	2,010,620	116,471,652	1,569,097
Nevada	84,730,919	19,681,985	104,412,904	0.641352%	15,745,588	3,936,397	1,511,707	101,986,214	(2,424,690)
New Hampshire	66,317,755	5,985,633	72,303,388	0.501977%	4,788,506	1,197,127	1,183,193	72,289,454	(13,934)
New Jersey	396,028,533	37,834,422	433,862,955	2.997648%	30,267,538	7,566,884	7,065,650	433,361,720	(501,235)

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1	2	3	4	5	6	7	8	9	10
State	FY 1993 obligation limitation (a)	FY 1993 project allocations (b)	Total ob. auth. under base case (c)	State share of total ob. lim. for FY 1993 (d)	80% of FY 1993 project alloc. (e)	20% of FY 1993 project alloc. (f)	Redistributed shares of 20% of FY 1993 project alloc. total (g)	Total ob. auth. under alternative scenario (h)	Difference (i)
New Mexico	144,797,486	1,734,155	146,531,641	1.096012%	1,387,324	346,831	2,583,370	148,768,180	2,236,539
New York	741,026,303	56,281,732	797,308,035	5.609031%	45,025,386	11,256,346	13,220,846	799,272,534	1,964,499
North Carolina	317,002,761	27,861,668	344,864,429	2.399481%	22,289,334	5,572,334	5,655,730	344,947,825	83,396
North Dakota	85,157,185	13,239,251	98,396,436	0.644578%	10,591,401	2,647,850	1,519,312	97,267,898	(1,128,538)
Ohio	460,969,553	29,491,829	490,461,382	3.489205%	23,593,463	5,898,366	8,224,279	492,787,296	2,325,914
Oklahoma	177,727,583	16,509,904	194,237,487	1.345269%	13,207,923	3,301,981	3,170,885	194,106,391	(131,096)
Oregon	161,350,249	8,577,542	169,927,791	1.221304%	6,862,034	1,715,508	2,878,692	171,090,975	1,163,184
Pennsylvania	566,866,460	164,410,986	731,277,446	4.290767%	131,528,789	32,882,197	10,113,614	708,508,863	(22,768,583)
Puerto Rico	66,008,263	0	66,008,263	0.499635%	0	0	1,177,671	67,185,954	1,177,671
Rhode Island	86,621,745	7,348,718	93,970,463	0.655664%	5,878,974	1,469,744	1,545,441	94,046,161	75,698
South Carolina	170,620,049	7,216,324	177,836,373	1.291470%	5,773,059	1,443,265	3,044,077	179,437,186	1,600,813
South Dakota	91,409,440	671,286	92,080,726	0.691903%	537,029	134,257	1,630,860	93,577,329	1,496,603
Tennessee	268,395,087	5,611,577	274,006,664	2.031556%	4,489,262	1,122,315	4,788,508	277,672,856	3,666,192
Texas	841,897,796	45,247,510	887,145,306	6.372555%	36,198,008	9,049,502	15,020,521	893,116,325	5,971,019
Utah	102,724,050	2,032,504	104,756,554	0.777546%	1,626,003	406,501	1,832,727	106,182,760	1,426,226
Vermont	60,600,157	3,729,366	64,329,523	0.458699%	2,983,493	745,873	1,081,163	64,664,833	335,310
Virginia	258,033,299	27,512,329	285,545,628	1.953125%	22,009,863	5,502,466	4,603,640	284,646,802	(898,826)
Washington	265,531,967	27,107,562	292,639,529	2.009884%	21,686,050	5,421,512	4,737,426	291,955,442	(684,087)
West Virginia	129,112,284	58,140,821	187,253,105	0.977266%	46,512,657	11,628,164	2,303,526	177,928,467	(9,324,638)
Wisconsin	239,459,080	13,332,484	252,791,564	1.812531%	10,665,987	2,666,497	4,272,253	254,397,320	1,605,756
Wyoming	91,979,363	4,329,366	96,308,729	0.696217%	3,463,493	865,873	1,641,026	97,083,884	775,155
TOTAL	13,211,307,040	1,178,532,071	14,389,839,111	100.000000%	942,825,657	235,706,414	235,706,414	14,389,839,111	(0)

(a) Source: FHWA.
(b) Source: FHWA.
(c) Derived: column 2 + column 3.
(d) Derived: column 4 / column 4 total.
(e) Derived: (80%)(column 3).
(f) Derived: (20%)(column 3).
(g) Derived: (column 5)(column 7 total).
(h) Derived: column 2 + column 6 + Column 8.
(i) Derived: column 9 - Column 4.

Note: Alloc. = allocation. FY = fiscal year. Ob. auth. = obligational authority.
A positive difference in column 10 indicates that a state gains obligational authority under the alternative scenario. A negative difference indicates that a state loses obligational authority under the alternative scenario.

(342876)

ENCLOSURE II

assuming that ISTEA's demonstration project funds were redistributed to the states in accordance with each state's percent share of apportioned funding for federal-aid highway formula programs.[2]

In brief, under the first analysis, the hypothetical scenario tended to favor states that received little funding for demonstration projects relative to their overall federal-aid highway funding. Under this scenario, 31 states plus the District of Columbia and Puerto Rico would have received more funding if demonstration project funds were redistributed as federal-aid highway program apportionments; 19 states would have received less funding.

The second analysis assumed the status quo--that the distribution of ISTEA demonstration project funding would remain unchanged--but also assumed that these demonstration projects would be brought under the annual obligation limitation. (The obligation limitation is enacted by the Congress in authorizing legislation, and repeated or modified in subsequent appropriation acts. It restricts the rate at which states may obligate their apportioned funding.) Under current law, the obligation limitation applies to the major federal-aid highway programs, such as the Surface Transporation Program. However, a few funding categories, including allocations for demonstration projects, are not subject to the limitation. Thus, the full amount of a state's allocation for demonstration projects in a given year is now available for immediate and full obligation in that same year--though only for the specified projects. In contrast, under our alternative analysis for this scenario, states could use obligational authority associated with demonstration projects for other programs if projects were brought under the obligation limitation. This is in keeping with existing law, which permits the flexible use of all funding subject to the limitation.

In brief, under the second analysis, all states would benefit from the increased flexibility resulting from bringing demonstration projects under the obligation limitation. As noted above, the flexibility would occur because funding available for obligation that was

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[2]Most authorized highway funding is apportioned, meaning that it is divided among the states according to a statutory formula. In contrast, demonstration funds are allocated on a project-specific basis.