

GAO

Testimony

Before the Committee on Transportation
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Representatives

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RECOVERY ACT

**Initial Results on States'
Use of and Accountability
for Transportation Funds**

Statement of Katherine Siggerud, Managing Director
Physical Infrastructure Issues



GAO

Accountability * Integrity * Reliability



Highlights of [GAO-09-597T](#), a testimony before the Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided \$48.1 billion in additional spending at the Department of Transportation (DOT) for investments in transportation infrastructure, including highways, passenger rail, and transit.

This statement provides a general overview of (1) selected states' use of Recovery Act funds for highway programs, (2) the approaches taken by these states to ensure accountability for these funds, and (3) the selected states' plans to evaluate the impact of the Recovery Act funds that they receive for highway programs. This statement is based on work in which GAO examined the use of Recovery Act funds by a core group of 16 states and the District of Columbia, representing about 65 percent of the U.S. population and two-thirds of the intergovernmental federal assistance available through the Act. GAO issued its first bimonthly report on April 23, 2009.

What GAO Recommends

In its first bimonthly report on the Recovery Act, GAO made recommendations to the Office of Management and Budget (OMB) in three broad areas: (1) accountability and transparency requirements, (2) administrative support and oversight, and (3) communications. In general, OMB concurred with the overall objectives of the recommendations.

View [GAO-09-597T](#) or key components. For more information, contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov.

RECOVERY ACT

Initial Results on States' Use of and Accountability for Transportation Funds

What GAO Found

According to DOT, as of mid-April, the 17 locations that GAO reviewed had obligated \$3.3 billion of the over \$15 billion (21 percent) in highway investment funds that DOT had apportioned to them. These funds will be used in about 900 projects. States are using existing statewide plans to quickly identify and obligate funding for Recovery Act transportation projects. Several states have generally focused on rehabilitation and repair projects, because these projects require less environmental review or design work. For example, the New Jersey Department of Transportation selected 40 projects and concentrated mainly on projects that require little environmental clearance or extensive design work, such as highway and bridge painting and deck replacement. Some states also reported targeting funds toward projects with an emphasis on job creation and consideration of economically distressed areas. For example, Colorado Department of Transportation officials are emphasizing construction projects, such as highway bridge replacements, rather than projects in planning or design phases, in order to maximize job creation. The Illinois Department of Transportation reported that it is planning to spend a large share of its estimated \$655 million in Recovery Act funds for highway and bridge projects in economically distressed areas.

States are modifying systems to track Recovery Act funds but are concerned about tracking funds distributed directly to nonstate entities. Officials from all 16 of the states which GAO is reviewing and the District of Columbia stated that they have established or are establishing ways to identify, monitor, track, and report on the use of the Recovery Act funds. However, officials from many of these states and the District of Columbia have concerns about the ability of subrecipients, localities, and other non-state entities to separately monitor, track, and report on the Recovery Act funds these nonstate entities receive. Officials in several states also expressed concern about being held accountable for funds flowing directly to localities or other recipients and indicated that either their states would not be tracking Recovery Act funds going to the local levels or that they were unsure how much data would be available on the use of these funds. Our April 23rd report recommended that the OMB evaluate current reporting requirements before adding further data collection requirements.

States vary in their responses to determining how to assess the impact of Recovery Act funds. For programs such as the Federal-aid Highway Surface Transportation Program, some states will use existing federal program guidance or performance measures to evaluate impact. However, a number of states have expressed concerns about definitions of "jobs retained" and "jobs created" under the act, as well as methodologies that can be used for the estimation of each. Given these concerns, GAO recommended in its first bimonthly report that the OMB continue to identify methodologies that can be used to determine jobs retained and created from projects funded by the Recovery Act.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss GAO's work related to the American Recovery and Reinvestment Act of 2009 (Recovery Act). Congress and the administration have fashioned a significant response to what is generally reported to be the nation's most serious economic crisis since the Great Depression. The Recovery Act's combined spending and tax provisions are estimated to cost \$787 billion, including more than \$48 billion in additional spending at the Department of Transportation (DOT) for investments in transportation infrastructure, including highways, passenger rail, and transit.

The Recovery Act directs GAO to conduct bimonthly reviews on the use of funds by selected states and localities, among other things. We have recently completed the first review, which examined a core group of 16 states, the District of Columbia, and selected localities.¹ We expect to track the activities of these 16 states and the District of Columbia over the next few years to provide an ongoing longitudinal analysis of the use of Recovery Act funds.

My statement today is based on our recently completed work in this area and provides a general overview of (1) the selected states' use of Recovery Act funds primarily for highway programs, (2) the approaches taken by these states to ensure accountability for these funds, and (3) the selected states' plans to evaluate the impact of the Recovery Act funds that they receive for highway programs. We also discuss other Recovery Act assessments that we plan to undertake or are already conducting and that fall within the Committee's interests. We conducted a performance audit for our first bimonthly review from February 17, 2009, to April 20, 2009, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient,

¹GAO, *Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues Is Essential*, [GAO-09-580](#) (Washington, D.C.: Apr. 23, 2009). The 16 states are Arizona, California, Colorado, Florida, Georgia, Iowa, Illinois, Massachusetts, Michigan, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, and Texas. We selected these states on the basis of outlay projections, percentage of the U.S. population represented, unemployment rates and changes, and a mix of states' poverty levels, geographic coverage, and representation of both urban and rural areas. These 16 states and the District of Columbia represent about 65 percent of the U.S. population and two-thirds of the intergovernmental federal assistance available through the Recovery Act. In addition, we visited a non-probability sample of about 60 localities within the 16 selected states. See [GAO-09-580](#) for a list of these localities.

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

The vast majority of Recovery Act funding for transportation programs goes to the Federal Highway Administration (FHWA), the Federal Railroad Administration, and the Federal Transit Administration for the construction, rehabilitation, or repair of highway, road, bridge, transit, and rail projects. The remaining funds are allocated among other DOT administrations. Over half of these funds are for highway infrastructure investments. (See table 1).

Table 1: 2009 Recovery Act Funds Provided to the Department of Transportation

Dollars in billions

Area	Uses	Amount
Highway	Capital assistance to states and localities to restore, repair, and construct highways and passenger and freight rail transportation and port infrastructure	\$27.5
Intercity passenger rail	Capital assistance for high-speed rail, intercity passenger rail, and Amtrak	9.3
Transit	Capital assistance for transit projects	8.4
Supplemental discretionary awards ^a	Capital assistance to states and localities for capital improvements in surface transportation infrastructure	1.5
Aviation	Capital assistance to airports for improvements and for Federal Aviation Administration facilities and equipment	1.3
Maritime	Capital assistance to small shipyards	0.1
Total		\$48.1

Source: GAO summary of information in the Recovery Act.

^aThese funds are for investments in surface transportation infrastructure in addition to other amounts in the table. The funds are to be awarded competitively for highway, bridge, public transportation, passenger and freight rail, and port infrastructure projects.

Of the \$27.5 billion provided for highway and related infrastructure investments, \$26.7 billion is provided to the states for restoration, repair, construction, and other activities allowed under FHWA's Surface Transportation Program and for other eligible surface transportation projects, which apportions money to states for construction and preventive maintenance of eligible highways and for other surface

transportation projects. The Act requires that 30 percent of these funds be suballocated to metropolitan and other areas.

The Recovery Act generally requires that funds be invested in projects that can be started and completed expeditiously and identifies several specific deadlines for investing funds provided through several transportation programs. For example, 50 percent of state-administered Federal-aid Highway formula funds (excluding suballocated funds) must be obligated² within 120 days of apportionment (apportioned on March 2) and all must be obligated within 1 year of apportionment.

Although highway funds are being apportioned to states and localities through existing mechanisms, Recovery Act funding for highway infrastructure investment differs from the usual practice in the Federal-aid Highway Program in a few important ways. Most significantly, for projects funded under the Recovery Act, the federal share is up to 100 percent while the federal share under the Federal-aid Highway Program is usually 80 percent. Priority is also to be given to projects that are projected to be completed within 3 years and are within economically distressed areas.³ Furthermore, the governor must certify that the state will maintain its current level of transportation spending with regard to state funding (called maintenance of effort), and the governor or other appropriate chief executive must certify that the state or local government to which funds have been made available has completed all necessary legal reviews and determined that the projects are an appropriate use of taxpayer funds. Any amount of the funding that was apportioned on March 2 and is not obligated within deadlines established by the Act (excluding suballocated funds) will be withdrawn by DOT and redistributed to other states that have obligated their funds in a timely manner.

Both the President and Congress have emphasized the need for accountability, efficiency, and transparency in the allocation and expenditure of Recovery Act funds. Accordingly, the Office of Management and Budget (OMB) has called on federal agencies to (1)

²For Federal-aid Highway projects, FHWA has interpreted the term obligation of funds to mean the federal government's contractual commitment to pay for the federal share of a project. This commitment occurs at the time the federal government approves a project agreement and the project agreement is executed.

³Economically distressed areas are defined in the Public Works and Economic Development Act of 1965, as amended.

award and distribute funds in a timely and fair manner, (2) ensure the funding recipients and uses are transparent, and the resulting benefits are clearly and accurately reported, (3) ensure funds are used for authorized purposes, (4) avoid unnecessary project delays and cost overruns, and (5) achieve specific program outcomes and improve the economy.⁴ For transportation programs,⁵ DOT is required to report on the number of direct and indirect jobs created or sustained by the Act's funds for each program and to the extent possible estimate of the number of indirect jobs created or sustained⁶ by project or activity in the associated supplying industries, including the number of job-years created and the total increase in employment since the date of enactment of this Act.

In order to coordinate DOT's efforts and help ensure accountability and transparency, DOT established a team of senior officials across the department—the Transportation Investment Generating Economic Recovery (TIGER) team. According to DOT, this leadership team will coordinate consistent implementation of the Act, exchange information, provide guidance, and track transportation dollars spent. DOT established individual stewardship groups as part of the TIGER team to gather expertise from across the department to address common issues and identify coordinated and appropriate actions. According to DOT, these groups include financial stewardship, data collection, procurement and grant management, job measurement, information technology and communication, and accountability. The accountability stewardship group meets biweekly with the department's Office of the Inspector General and us to improve transparency and provide an efficient forum for sharing information between management and the auditing entities.

⁴See OMB memoranda, M-09-10, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, February 18, 2009, and M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009.

⁵DOT is also required under Section 1512(d) of the Recovery Act to make quarterly reports publicly available that would include an estimate from the grant recipient of the number of jobs created and the number of jobs retained by the project or activity. This requirement applies to all Recovery Act funds.

⁶Although not defined in the Act, indirect jobs are jobs created as a result of demand for goods and services generated by direct funding from the Recovery Act. For example, a contractor on a Recovery Act highway project may purchase a new truck, leading to additional jobs in the truck industry.

States Are Using Existing Plans to Identify Transportation Projects and Described Considering Recovery Act Requirements in Selecting Projects

As of April 16, DOT reported that nationally \$6.4 billion in Recovery Act highway infrastructure investment funding apportioned to the states had been obligated—meaning that DOT and the states had executed agreements on projects worth this amount. For the locations that we reviewed, approximately \$3.3 billion in highway funding has been obligated with the percent of apportioned funds obligated to the states and the District of Columbia, ranging from 0 to 65 percent. (See table 2.) For two of the states, DOT had obligated over 50 percent of the states’ apportioned funds, for four states it had obligated 30 to 50 percent of the funds, for eight states it had obligated fewer than 30 percent of the funds, and for three states it had not obligated any funds.

Table 2: Highway Apportionments and Obligations as of April 16, 2009

Dollars in millions

State	Amount apportioned	Amount obligated	Percent of apportionment obligated	Number of projects
Arizona	\$522	\$148	28	26
California	2,570	261	10	20
Colorado	404	118	29	19
District of Columbia	124	37	30	1
Florida	1,347	0	0	0
Georgia	932	0	0	0
Illinois	936	606	65	214
Iowa	358	221	62	107
Massachusetts	425	64	15	19
Michigan	847	111	13	27
Mississippi	355	137	39	32
New Jersey	652	281	43	12
New York	1,121	277	25	108
North Carolina	736	165	22	53
Ohio	936	0	0	0
Pennsylvania	1,026	309	30	108
Texas	2,250	534	24	159
Total	\$15,538	\$3,269	21	905

Source: FHWA.

Note: Totals may not add due to rounding.

Most states we visited, while they had not yet expended significant funds, were planning to solicit bids in April or May. They also stated that they

planned to meet statutory deadlines for obligating the highway funds. A few states had already executed contracts. As of April 1, the Mississippi Department of Transportation, for example, had signed contracts for 10 projects totaling approximately \$77 million.⁷ These projects include the expansion of State Route 19 in eastern Mississippi into a four-lane highway. This project fulfills part of the state's 1987 Four-Lane Highway Program which seeks to link every Mississippian to a four-lane highway within 30 miles or 30 minutes. Most often however, we found that highway funds in the states and the District of Columbia have not yet been spent because highway projects were at earlier stages of planning, approval, and competitive contracting. For example, the Florida Department of Transportation plans to use the Recovery Act funds to accelerate road construction programs in its preexisting 5-year plan. This resulted in some projects being reprioritized and selected for earlier completion. On April 15, the Florida Legislative Budget Commission approved the Recovery Act-funded projects that the Florida Department of Transportation had submitted.

As required by the Act, states have used existing planning processes and plans to quickly identify and obligate funds for projects. For example, as of April 16, FHWA had obligated \$261 million of Recovery Act transportation funding for 20 projects from California's State Highway Operation and Protection Program. These projects involve rehabilitating roadways, pavement, and rest areas as well as upgrading median barriers and guardrails. Some states reported that the use of existing plans has enabled them to quickly distribute transportation funds. As of April 16, FHWA had obligated about \$277 million to New York state for 108 transportation projects. Officials reported that the state was able to move quickly on these projects largely because New York State Department of Transportation, as required by federal surface transportation legislation, has a planning mechanism that routinely identifies needed transportation projects and performs preconstruction activities, such as completing environmental permitting requirements.

Selected states reported that they targeted transportation projects that can be started and completed expeditiously, in accordance with Recovery Act requirements. Several selected states have generally focused on initiating preventive maintenance projects, because these projects require less environmental review or design work and can be started quickly. For

⁷As of April 16, FHWA had obligated \$137 million for 32 Mississippi projects.

example, the New Jersey Department of Transportation selected 40 projects and concentrated mainly on replacement projects that require little environmental clearance or extensive design work, such as highway and bridge painting and deck replacement. Officials from the New York State Department of Transportation reported that they will target most Recovery Act transportation funds to infrastructure rehabilitation, including preventive maintenance and reconstruction, such as bridge repairs and replacement, drainage improvement, repaving, and roadway construction. State officials emphasized that these projects extend the life of infrastructure and can be contracted for and completed relatively easily within the 3-year time frame required by the Act. The state will also target some Recovery Act highway dollars to more typical “shovel ready” highway construction projects for which there were previously insufficient funds.

Some states also reported targeting funds toward projects with an emphasis on job creation and consideration of economically distressed areas. For example, the North Carolina Department of Transportation plans to award 70 highway and bridge stimulus projects between March and June, which are estimated to cost \$466 million (of an expected \$735 million). According to North Carolina Department of Transportation officials, these projects were identified based on Recovery Act criteria that priority be given to projects that are expected to be completed within 3 years and are located in economically distressed areas, among other factors.⁸ According to Colorado Department of Transportation officials, they are emphasizing construction projects rather than projects in planning or design phases, in order to maximize job creation. These projects include resurfacing and highway bridge replacements in the Denver metropolitan area, as well as improvements to mountain highways. The Illinois Department of Transportation reported that it is planning to spend a large share of its estimated \$655 million in Recovery Act funds for highway and bridge projects in economically distressed areas.⁹ In March 2009, FHWA directed its field offices to ensure that states give adequate consideration to economically distressed areas in selecting projects. Specifically, field offices were directed to discuss this issue with the states and to document FHWA oversight. We plan to review states’ consideration

⁸The North Carolina Department of Transportation considered other factors, including alignment with long-range investment plans, geographical diversity, and economic impact.

⁹According to FHWA, Illinois’ share of Recovery Act funds for highway infrastructure investment is approximately \$936 million. This total consists of \$655 million for IDOT projects and \$281 million in sub-allocations for local governments’ highway projects.

of economically distressed areas and FHWA's oversight in our subsequent reports on the Recovery Act.

Several of the locations that we are reviewing have submitted certifications that they have maintained their level of state funding of projects (maintenance-of-effort certifications) with explanations or conditions attached. Seven states and the District of Columbia submitted "explanatory" certifications—certifications that used language that articulated assumptions or stated the certification was based on the best information available at the time.¹⁰ Six states submitted "conditional" certifications because their certifications were subject to conditions or assumptions, future legislative action, future revenues, or other conditions.¹¹ The remaining three states—Arizona, Michigan, and New York—submitted certifications free of explanatory or conditional language. On April 22, DOT informed governors that the Recovery Act does not authorize the use of conditional or qualified certifications. The Secretary of Transportation provided the states the opportunity to amend their maintenance-of-effort certifications by May 22, 2009, as needed. In future bimonthly reports, we expect to report on FHWA's oversight of states' efforts to comply with the maintenance of effort requirements and why states indicated that they believe that conditions in their states may change such that they may not be able to maintain their levels of effort.

¹⁰The states are California, Colorado, Illinois, Mississippi, New Jersey, Pennsylvania, and Texas.

¹¹These states are Florida, Georgia, Iowa, Massachusetts, North Carolina, and Ohio.

States Are Modifying Systems to Track Recovery Act Funds but Are Concerned about Tracking Funds Distributed Directly to Nonstate Entities

States' and localities' tracking and accounting systems are critical to the proper execution and accurate and timely recording of transactions associated with the Recovery Act.¹² Officials from all 16 states and the District of Columbia told us they have established or are establishing methods and processes to separately identify (i.e., tag), monitor, track, and report on the use of the Recovery Act funds they receive. The states and localities generally plan on using their current accounting systems for recording Recovery Act funds, but many are adding identifiers to account codes to track Recovery Act funds separately. Many said this involved adding digits to the end of existing accounting codes for federal programs. In California, for instance, officials told us that while their plans for tracking, control, and oversight are still evolving, they intend to rely on existing accountability mechanisms and accounting systems, enhanced with newly created codes, to separately track and monitor Recovery Act funds that are received by and pass through the state. The Pennsylvania Department of Transportation issued an administrative circular in March 2009 that established specific Recovery Act program codes to track highway and bridge construction spending, including four new account codes for Recovery Act fund reimbursements to local governments. Several officials told us that the state's accounting system should be able to track Recovery Act funds separately.

State officials reported a range of concerns on the federal requirements to identify and track Recovery Act funds going to subrecipients, localities and other non-state entities. These concerns include their inability to track these funds with existing systems, uncertainty regarding state officials' accountability for the use of funds which do not pass through state government entities, and their desire for additional federal guidance to establish specific expectations on sub-recipient reporting requirements. Additionally, FHWA has identified eight major risks in implementing the Recovery Act, including states' oversight of local public agencies and these agencies' lack of experience in handling federal-aid projects. Officials from many of the 16 selected states and the District of Columbia told us that they had concerns about the ability of subrecipients, localities, and other nonstate entities to separately tag, monitor, track, and report on the

¹²OMB has issued guidance to the states and localities that provides for separate "tagging" of Recovery Act funds so that specific reports can be created and transactions can be traced.

Recovery Act funds they receive.¹³ Given that governors have certified the use of funds in their states, officials in many states also expressed concern about being held accountable for funds flowing directly from federal agencies to localities or other recipients. For example, officials in Colorado expressed concern that they will be held accountable for all Recovery Act funds flowing to the state, including those flowing directly to nonstate entities, such as transportation districts, for which they do not have oversight or information about. Officials in several states indicated that either their states would not be tracking Recovery Act funds going to the local levels or that they were unsure how much data would be available on the use of these funds. For example, Pennsylvania officials said that the state will rely on subrecipients to meet reporting requirements at the local level. Recipients and subrecipients can be local governments or other entities such as transit agencies. For example, about \$367 million in Recovery Act money for transit capital assistance and fixed guideway (such as commuter rails and trolleys) modernization was apportioned directly to areas such as Philadelphia, Pittsburgh, and Allentown. State officials also told us that the state would not track or report Recovery Act funds that go straight from the federal government to localities and other entities.¹⁴ We will discuss these issues with local governments and transit entities as we conduct further work.

OMB and FHWA continue to develop guidance and communication strategies for Recovery Act implementation as it relates to non-state recipients. To mitigate risks, such as local public agencies' lack of experience in handling federal-aid projects, FHWA outlined eight mitigation strategies, including (1) providing Recovery Act guidance and monitoring strategies for risk areas, such as sub-recipient guidance and checklists to assist local monitoring and oversight, and (2) sharing risks through agreement and contract modifications to help ensure oversight and reporting of funds. To foster efficient and timely communications, in our first bimonthly report on the Recovery Act, we recommended that OMB develop an approach that provides dependable notification to (1) prime recipients in states and localities when funds are made available for

¹³Currently, each state can choose how it will hold state agencies accountable even though OMB makes clear that in all cases, "...Federal agencies should expect the State to assign a responsible office to oversee recipient data collection to ensure quality, completeness, and timeliness..." For programs and funding that bypass state agencies, the guidance states that "[it] does not create any specific role or expectation for States..."

¹⁴If localities or other entities are grant recipients under the Act they are required under Section 1201(c) to report on the use of the funds.

their use, (2) states, where the state is not the primary recipient of funds, but has a statewide interest in this information, and (3) all non-federal recipients, on planned releases of federal agency guidance and, if known, whether additional guidance or modifications are expected.

Some states also expressed concerns about the Recovery Act reporting requirements. State officials and others are uncertain about the ability of reporting systems to roll up data from multiple sources and synchronize state level reporting with *Recovery.gov*.¹⁵ Some officials are concerned that too many federal requirements will slow distribution and use of funds and others have expressed reservations about the capacity of smaller jurisdictions and nonprofit organizations to report data. Even those who are confident about their own systems are uncertain about the cost and speed of making any required modifications needed for *Recovery.gov* reporting or any further data collection requirements. Some state transportation agencies also noted concerns about the burden and redundancy of Recovery Act reporting, including reporting for the state, DOT and its modal offices, and Congress. In response to states' concerns about Recovery Act reporting requirements, in our first bimonthly report we recommended that OMB, in consultation with the Recovery Accountability and Transparency Board and states, evaluate current information and data collection requirements to determine whether sufficient, reliable, and timely information is being collected before adding further data collection requirements. We also recommended that OMB consider the cost and burden of additional reporting on states and localities against expected benefits.

¹⁵As required by the Recovery Act, *Recovery.gov* was established to foster greater accountability and transparency in the use of Recovery Act funds. The Web site currently includes overview information about the Recovery Act and a timeline for implementation, among other things, but the administration plans to develop the site to encompass information about available funding, distribution of funds, and major recipients. The Web site is required to include plans from federal agencies; information on federal awards of formula grants and awards of competitive grants; and information on federal allocations for mandatory and other entitlement programs by state, county, or other appropriate geographical unit. Eventually, prime recipients of Recovery Act funding will provide information on how they are using their federal funds.

States' Plans to Assess Impact of Recovery Act Funds Are in the Initial Stages

States vary in how they plan to assess the impact of Recovery Act funds. Some states will use existing federal program guidance or performance measures to evaluate impact, particularly for ongoing programs, such as FHWA's Surface Transportation Program. Other states are waiting for additional guidance on how and what to measure to assess impact. Some states indicated that they have not determined how they will assess impact.

A number of states have expressed concerns about definitions of jobs created and jobs retained under the Act, as well as methodologies that can be used for the estimation of each.¹⁶ Officials from several of the states we met with expressed a need for clearer definitions of "jobs retained" and "jobs created." Officials from a few states expressed the need for clarification on how to track indirect jobs, while others expressed concern about how to measure the impact of funding that is not designed to create jobs.

Some of the questions that states and localities have raised about the Recovery Act implementation may have been answered in part via the guidance provided by OMB for the data elements, as well as by guidance issued by federal departments. For example, OMB provided draft definitions for employment, as well as for jobs retained and jobs created via Recovery Act funding. However, OMB did not specify methodologies such as some states have sought for estimating jobs retained and jobs created. Data elements were presented in the form of templates with section-by-section data requirements and instructions. OMB provided a comment period during which it is likely to receive many questions and requests for clarification from states, localities, and other entities that can directly receive Recovery Act funding. OMB plans to update this guidance again in the next 30 to 60 days. Given questions raised by many state and local officials about how best to determine both direct and indirect jobs created and retained under the Recovery Act, we recommended in our first bimonthly report that OMB continue its efforts to identify appropriate methodologies that can be used to assess jobs created and retained from projects funded by the Recovery Act, determine the Recovery Act spending when job creation is indirect, and identify those types of programs, projects, or activities that in the past have demonstrated substantial job creation or are considered likely to do so in the future.

¹⁶The Recovery Act requires that recipients of funds report on several things, including the number of direct jobs created and retained.

Some states are also pursuing a number of different approaches for measuring the effects of Recovery Act funding for transportation projects. For example, the Iowa Department of Transportation tracks the number of worker hours by highway project based on contractor reports and will use these reports to estimate jobs created. New Jersey Transit is using an academic study that examined job creation from transportation investment to estimate the number of jobs that are created by contractors on its Recovery Act-funded construction projects.¹⁷ In addition, Mississippi hired a contractor to conduct an economic impact analysis of transportation projects.

Other Recovery Act Initiatives

As previously mentioned, we will be reporting further on states' and localities' use of Recovery Act funds, including maintenance of effort and projects in economically distressed areas. In addition, we plan to undertake or are already conducting these other assessments of Recovery Act activities that fall within the Committee's interests:

- *Supplementary discretionary grants*: The Act provides \$1.5 billion to be awarded competitively to state and local governments and transit agencies for surface transportation projects that will have a significant impact on the nation, a metropolitan area, or a region. This is a new program and the Act requires that DOT publish its grant selection criteria by mid-May. We expect to assess how DOT developed its criteria and plan to report several weeks after the criteria are published.
- *High-speed rail*: The Act provides about \$8 billion for projects that support intercity high-speed rail service. This is also a new program. Our work will likely focus on assessing how DOT is developing a program that will increase the chances of viable high-speed rail projects, consistent with recommendations we recently made on the development of high-speed rail.¹⁸ We expect to start this work later this year.

¹⁷The study estimated that for every \$1 million of transportation infrastructure investment, 11 jobs are created, 70 percent of them are directly related to the investment, and 30 percent are indirectly related. (Rutgers University Edward J. Bloustein School of Planning and Public Policy, "Economic Impacts of Planned Transportation Investments in New Jersey" Camden, New Jersey, April 2008.)

¹⁸GAO, *High Speed Passenger Rail: Future Development Will Depend on Addressing Financial and Other Challenges and Establishing a Clear Federal Role*, [GAO-09-317](#) (Washington, D.C.: Mar. 19, 2009).

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- *Federal buildings:* The Act provides about \$5.6 billion for the General Services Administration (GSA) to spend on projects related to its federal buildings, primarily to convert existing buildings to high-performance green buildings.¹⁹ As a part of our ongoing work to report on agencies' implementation of the Energy Independence and Security Act of 2007, which among other things calls for agencies to increase the energy efficiency and the availability of renewable energy in federal buildings, we plan to assess the impact of Recovery Act funding on GSA's ability to meet the 2007 energy act's high-performance federal building requirements. In addition, in coordination with GSA's Office of Inspector General, this summer, we plan to review GSA's conversion of existing federal buildings to high-performance green buildings.

We will work with this Committee as we begin work in these areas and in other areas in which the Committee might be interested.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Committee might have.

Contact and Acknowledgments

For further information regarding this statement, please contact Katherine Siggerud at (202) 512-2834 or siggerudk@gao.gov. Contact points for our Congressional Relations and Public Affairs offices may be found on the last page of this statement. Individuals who made key contributions to this statement are Daniel Cain, Steven Cohen, Heather Krause, Heather Macleod, and James Ratzenberger.

¹⁹The act provides \$4.5 billion for green buildings, \$750 million for federal buildings and courthouses, and \$300 million for border stations and land ports of entry. GSA has developed a spending plan that includes over 250 projects ranging from small projects designed to increase energy efficiency and estimated to cost less than \$200,000 to projects designed to fully modernize buildings estimated to cost up to about \$226 million.

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Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
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