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Report to the Chairman, Committee on Transportation and Infrastructure, House of Representatives

September 1999

TRANSPORTATION INFRASTRUCTURE

FHWA Should Assess and Compare the Benefits of Projects When Awarding Discretionary Grants

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Resources, Community, and
Economic Development Division

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September 24, 1999

The Honorable Bud Shuster
Chairman, Committee on
Transportation and Infrastructure
House of Representatives

Dear Mr. Chairman:

The Congress has authorized the Secretary of Transportation to select and fund state transportation projects under several discretionary highway programs. These funds supplement other funds that states routinely receive through the federal-aid highway program. In November 1997, we reported on five discretionary programs. That report showed that from fiscal years 1995 through 1997, the Federal Highway Administration's (FHWA) Office of the Administrator selected a declining proportion of projects that FHWA staff considered promising and most promising.[1] In May 1998, we reported that from fiscal years 1995 through 1997, the Office of the Administrator awarded a disproportionate number of projects and funds to projects located in Democratic congressional districts in the Public Lands Highways Program.[2]

As a result of these reports, the Transportation Equity Act for the 21st Century as amended (TEA-21) required a number of changes to the Department of Transportation's (DOT) process for awarding discretionary grants administered by FHWA. The act directed the Secretary of Transportation to establish and publish criteria for awarding grants under these discretionary programs that, to the extent practicable, conform to an executive order that outlines principles for federal infrastructure investments.[3] The executive order directed federal agencies to make infrastructure investments based on an analytical evaluation of the expected benefits and costs, including an evaluation of the trade-offs among a variety of investment options. The act also directed the Secretary to issue reports to the Senate Committee on Environment and Public Works and the House Committee on Transportation and Infrastructure

[1]Transportation Infrastructure: Review of Project Selection Process for Five FHWA Discretionary Programs (GAO/RCED-98-14, Nov. 7, 1997). The five programs reviewed in the report were the Public Lands Highways Program, the Discretionary Bridge Program, the Interstate Discretionary Program, the Interstate 4R Discretionary Program, and the Ferry Boats and Facilities Program.

[2]Transportation Infrastructure: Supplemental Information on the Federal Highway Administration's Project Selection Process for Five Discretionary Programs (GAO/RCED-98-179R, May 19, 1998).

[3]Executive Order No. 12893: Principles for Federal Infrastructure Investments, Jan. 26, 1994 (see app. I).

(the authorizing committees) specifying the results of the project selections and how projects were selected. In addition, both the Senate and House Appropriations Committees' reports on the Department of Transportation's fiscal year 1999 appropriation expressed concerns about the project selection process and directed FHWA to develop specific merit-based criteria for the selection of discretionary projects for funding.

Because of delays in passing TEA-21, FHWA did not have time to proceed with a separate funding cycle for fiscal year 1998 and, hence, combined the solicitation and selection processes for fiscal years 1998 and 1999 into one funding cycle. For the combined funding cycle for fiscal years 1998-99, the Secretary selected 115 projects totaling about $470 million in federal funds from the five discretionary programs we previously reviewed.[4] As a part of the Congress' oversight of FHWA's discretionary programs, you asked us to (1) determine how FHWA has implemented the requirements specified in TEA-21 and (2) compare the results of the selection process for fiscal years 1998-99 with the results of the selection process for fiscal years 1995 through 1997 that we previously reported on.

Results in Brief

FHWA has only partially implemented the requirements in TEA-21. FHWA developed and published criteria for selecting projects in 1998 and reported its selections to the House and Senate authorizing committees in 1999. In addition, FHWA considered the estimated cost of each project when it determined which projects to fund and the amount of funds to provide. However, with the exception of the Discretionary Bridge Program, FHWA staff do not evaluate or suggest projects on the basis of a comparative analysis of the projects' transportation benefits (e.g., improving safety, mobility, and air quality). Our analysis of the process indicates that FHWA staff primarily suggested projects based on their location to ensure an equitable and geographic distribution of funds to the states. FHWA officials asserted that it would not be feasible to compare the benefits of the projects when making selections, especially in the Public Lands Highways and Ferry Boats and Facilities programs, because each project has unique and, therefore, incomparable characteristics. However, this assertion is inconsistent with other Department programs that compare and assess the transportation benefits of a wide array of discretionary projects.

[4]Prior to passing TEA-21, the Congress passed the Surface Transportation Extension Act of 1997. This act authorized about $29 million in Public Lands Highways funding but did not authorize funding for the other four programs. FHWA funded 10 projects with this money during an initial funding cycle for fiscal year 1998, and our analyses include the project selection results for this cycle under the combined cycle for fiscal years 1998-99.

During the funding cycle for fiscal years 1998-99, 98 percent of the projects that the Office of the Administrator selected were projects that the staff had suggested for funding. This contrasts with the selection results in fiscal years 1995 through 1997, when the Office selected as little as 59 percent of projects that staff considered promising and most promising. In addition, our analysis of the funding results by congressional district for the funding cycle in fiscal years 1998-99 found that FHWA awarded a slightly disproportionate amount of Public Lands Highways Program funds to projects located in districts with Republican representation. According to FHWA officials, the anomaly in the Public Lands Highways Program is primarily due to statutory direction that the Secretary give preference to projects in states with at least 3 percent of the nation's public lands, that is, western states that currently have predominately Republican congressional districts. This result is different from our analysis of that program for the fiscal years 1995 through 1997, when FHWA awarded a significantly disproportionate amount of funds to projects in districts with Democratic representation.

This report makes a recommendation intended to ensure that FHWA funds those projects that provide the greatest transportation benefits.

Background

Beginning in 1930, the Congress established the first transportation discretionary program, under which the executive branch could select specific transportation projects for federal funding. In 1930, the Public Lands Program was established to pay for roadwork on the nation's public lands. Since 1930, the Congress has established several other discretionary programs, including the Discretionary Bridge, the Interstate Discretionary, the Interstate 4R, and the Ferry Boats and Facilities programs. The Discretionary Bridge Program was established to replace or rehabilitate high-cost bridges, while the Interstate Discretionary Program aimed to accelerate the construction of the Interstate Highway System. The Interstate 4R Discretionary Program was established to resurface, restore, rehabilitate, and reconstruct the Interstate Highway System. It was later renamed the Interstate Maintenance Discretionary Program. Finally, the Ferry Boats and Facilities Program was established to construct ferry boats and ferry terminal facilities. (See apps. II through VI for additional information on the five programs covered in this report.)

TEA-21 reauthorized four of the five programs—it did not reauthorize the Interstate Discretionary Program. However, FHWA had about $63 million in Interstate Discretionary funds that were carried over from the Intermodal

Surface Transportation Efficiency Act of 1991 (ISTEA) authorization and allocated this amount to states during the selection process for fiscal years 1998-99. TEA-21 increased the funding levels for the four reauthorized programs. (Table 1 shows the funding levels for the five FHWA discretionary programs under ISTEA and TEA-21.)

Table 1: ISTEA and TEA-21 Funding Levels for Five FHWA Discretionary Programs

Dollars in millions

Program	ISTEA (FY 1992-97)	TEA-21 (FY 1998-2003)
Discretionary Bridge	349.5	525.0[a]
Ferry Boats and Facilities	100.0	220.0
Interstate Discretionary	400.0	0.0[b]
Interstate Maintenance Discretionary (4R)	375.0	550.0
Public Lands Highways	340.0	484.6

[a]Although TEA-21 did not reauthorize the Interstate Discretionary Program, about $63 million was carried over from amounts authorized by ISTEA.

[b]This amount includes funds authorized for the seismic retrofit of bridges.

Source: GAO's analysis of FHWA's data.

Along with increasing the funding levels for the discretionary programs, TEA-21 required some significant changes to DOT's process for awarding discretionary grants. In particular, TEA-21 required DOT to establish and publish criteria for awarding discretionary grants and directed that the criteria, to the extent practicable, conform to Executive Order No. 12893: Principles for Federal Infrastructure Investments. The order directed federal agencies making infrastructure investment decisions to develop and implement plans that are consistent with several principles. A key principle is that infrastructure investments are to be based on a systematic analysis of the expected benefits and costs in accordance with guidelines, including the following:

- The benefits and costs should be quantified and assigned a dollar value to the maximum extent practicable.
- An analysis of the benefits and costs should be done to enable informed trade-offs to be made among capital outlays, operating and maintenance costs, and nonmonetary costs borne by the public.
- Analyses should compare a comprehensive set of options that include, among other things, managing demand, repairing facilities, and expanding facilities.

FHWA has a two-phase process for selecting projects for discretionary funding from these five programs.[5] In the first phase, states apply for funds through an annual solicitation process by submitting candidate projects to FHWA. Using program-specific eligibility and selection criteria, professional staff in FHWA's Office of Infrastructure evaluate projects and place them in one of three categories—"well qualified," "qualified," and "not qualified."[6] From the list of well-qualified projects, program staff develop a funding plan that expends all available funds and identifies specific projects and funding amounts. The funding plan, which FHWA calls an allocation plan, also includes the staff's rationale for categorizing projects as well qualified and suggesting specific projects and funding amounts. In the second phase, professional staff provide the allocation plan to the Office of the Administrator. Using its discretion, the Office of the Administrator can select any project that meets basic eligibility criteria, including projects that staff did not suggest. Once the Office of the Administrator makes the final selections, staff notify FHWA's divisions and the states. FHWA subsequently allocates the funds for the selected projects. For the discretionary funding cycle for fiscal years 1998-99, states' requests greatly exceeded the amount of available funding. For example, states submitted over $2.2 billion in requests for about $135 million in Interstate Maintenance Discretionary funds. Similarly, states submitted over $714 million in requests for about $126 million in Public Lands Highways funds.

FHWA Did Not Fully Address the TEA-21 Requirements

FHWA addressed most, but not all, of the requirements in TEA-21. The act required the Secretary to (1) establish and publish criteria for selecting discretionary projects; (2) issue quarterly reports to the House and Senate authorizing committees detailing the outcome of the selection process; and (3) ensure, to the extent practicable, that FHWA's selection criteria conform to an executive order on federal infrastructure investments. While FHWA established and published selection criteria and issued a quarterly report on the outcome of the selection process, FHWA generally did not establish criteria or processes that allow it to compare and assess the transportation benefits of projects before selecting projects for discretionary funding.

[5]The Secretary of Transportation is responsible for selecting projects under the discretionary programs but has delegated this responsibility to the FHWA Administrator.

[6]During fiscal years 1995 through 1997, FHWA program staff used the categories of "most promising," "promising," "qualified," and "not qualified." According to program staff, FHWA reduced the number of categories for the process for fiscal year 1998-99 to make the process simpler.

FHWA Established and Published Criteria for Selecting Projects

To establish criteria for use in selecting projects for discretionary funding, FHWA combined unpublished and informal criteria it had used for the five programs in the past with additional criteria mandated in TEA-21. For example, under TEA-21, the Secretary established criteria that gave priority to transportation projects in cities hosting international Olympic events.

FHWA's selection criteria are program-specific and address both statutory requirements and administrative goals. For example, in response to statutory provisions, FHWA's selection criteria for the Interstate Maintenance Discretionary Program give priority to candidate projects that cost at least $10 million. FHWA's selection criteria for the Public Lands Highways Program also address statutory provisions and give preference to projects from states with at least 3 percent of the nation's public lands.[7] In addition to statutory selection criteria, FHWA has developed administrative selection criteria. For example, FHWA selects projects to ensure that funds are geographically distributed among many states or to ensure that projects leverage other state or local funds. (Apps. II through VI list the criteria used for each program.)

In response to TEA-21, FHWA also published its selection criteria before it accepted candidate projects for the funding cycle for fiscal years 1998-99. FHWA published the criteria in the Federal Register, on the agency's Internet Web site, and in solicitation memorandums sent to the states. FHWA also submitted its first quarterly report to the House and Senate authorizing committees on April 1, 1999, that reiterated its selection criteria for each program, identified the projects selected for funding, and explained the agency's reasons for selecting each project.

FHWA's Selection Process Places Little Emphasis on Projects' Transportation Benefits

FHWA's selection criteria do not provide for an assessment or comparison of candidate projects' benefits and costs. Therefore, FHWA's process for suggesting and selecting projects also does not identify the projects with the greatest benefits. Executive Order No. 12893 directs executive departments and agencies with infrastructure responsibilities to develop and implement infrastructure investment and management plans consistent with the principles outlined in the order. A key principle is that infrastructure investments are to be based on a systematic analysis of expected benefits and costs, including both quantitative and qualitative measures. Among other things, the order also provides that all types of benefits and costs, both market and nonmarket, are to be quantified and

[7]These states are Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, and Wyoming.

monetized to the maximum extent practicable, thus helping ensure wise investment decisions. In a December 1998 memorandum to the FHWA's Office of the Administrator (and other operating administrations), the DOT Deputy Secretary stated that the agency should award discretionary grants on the basis of merit and in compliance with the executive order.

Our review of FHWA's process for evaluating projects found that, while it considers the costs of projects, it does not compare and assess their benefits. Because of the limited funds available, FHWA considers the estimated cost of each project as it determines which projects it will fund and the amount of funds it will provide. However, our review of FHWA's selection criteria found that with the exception of the Discretionary Bridge Program, the criteria did not provide the information necessary for staff to determine which projects offered the greatest transportation benefits. Instead, the criteria primarily assessed whether projects fostered the agency's goals, such as providing an equitable and geographic distribution of program funds and whether projects should be given preference in order to meet statutory direction (such as whether a candidate project for Interstate Maintenance Discretionary Program funding cost at least $10 million).

We assessed the extent that professional staff cited the transportation benefits of specific projects as reasons for suggesting the projects for funding.[8] As table 2 shows, we found that staff cited specific project benefits, such as improving safety, adding needed capacity, and increasing mobility, for only 22 percent of the projects (that is, 23 of 106 projects).

Table 2: Staff Justifications Citing Projects' Benefits

Program	Number of projects staff suggested	Number of projects staff suggested citing benefits	Percentage suggested citing benefits
Public Lands Highways	55	0	0
Ferry Boats and Facilities	29	5	17
Interstate Maintenance	6	2	33
Interstate Discretionary	6	6	100
Discretionary Bridge	10	10	100
Total	106	23	22

Source: GAO's analysis of FHWA's data.

[8]During the first phase of the selection process, states submitted 620 candidate projects to FHWA. After applying the selection criteria in each of the five programs, FHWA professional staff categorized 310 as well qualified. Of the 310 well-qualified projects, professional staff suggested 106 projects for funding.

For example, in the Public Lands Highways Program, staff did not cite the individual or relative benefits of any projects as reasons for suggesting them for funding. Instead, staff primarily cited projects' locations (that is, whether projects were located in states with at least 3 percent of the nation's public lands) or the need to achieve an equitable and geographic distribution of funds. In contrast, in the Discretionary Bridge Program, staff often cited bridges' deteriorating conditions and their priority need for repair as reasons for funding projects. These justifications were based primarily on a statutorily directed formula that takes into account factors such as the condition of a bridge, its state of repair, its repair costs, and traffic volumes to score each project. The score reflects each bridge's overall condition—bridges with the lowest scores have a greater repair need and therefore higher priority. While staff in the Interstate Discretionary Program cited specific aspects of projects, such as closing a gap in the Interstate Highway System, as reasons for suggesting projects, they made no attempt to compare and assess the benefits of the various candidate projects. In the other two programs, we found that staff suggested projects primarily to achieve an equitable and geographic distribution of funds to the states.

We shared the results of our analysis with FHWA officials, who stated that they had not attempted to compare or assess the benefits of projects when determining well-qualified candidates and suggesting projects for funding in the Public Lands Highways, Interstate Discretionary, Interstate Maintenance, and Ferry Boats and Facilities programs. FHWA officials asserted that it would not be feasible to make such an assessment in the Public Lands Highways and Ferry Boats and Facilities programs because each project has unique and, therefore, incomparable characteristics. In contrast, they said that in the Interstate Maintenance Discretionary Program, it would be feasible to obtain additional information from states such as the condition of a roadway and its capacity to handle its current volume of traffic. FHWA professional staff could then use this information to help them compare and assess the benefits of candidate projects.

FHWA officials also asserted that even though staff did not fully document the benefits of projects when they suggested them for funding, staff had considered these benefits in their project evaluations. After reviewing our analysis, they provided us with a summary of project benefits such as reducing traffic congestion and increasing the capacity of ferry boat facilities that they said staff considered when suggesting projects for funding. While this summary information indicated that the projects had transportation benefits, it did not indicate the extent to which staff considered these benefits when evaluating projects. In addition, FHWA officials stated that all of the projects that states submitted were high-quality projects in need of federal funding. Therefore, they contend that it would be unlikely for the Office of the Administrator to select a poor-quality project for funding. However, they stated that as part of the funding cycle for fiscal year 2000, they have asked states to provide feedback on the selection criteria used for these programs and, based on the comments, could make some adjustments to the criteria for the funding cycle for fiscal year 2001.

The approach FHWA used in the Public Lands Highways, Interstate Discretionary, Interstate Maintenance Discretionary, and Ferry Boats and Facilities programs contrasts with the comparative selection approach used in the Discretionary Bridge Program and other programs administered by the DOT. For example, under its roughly $750 million Airport Improvement Program, the Federal Aviation Administration (FAA) ranks projects based on how they meet the agency’s goals for safety, security, and infrastructure preservation. FAA establishes a cutoff point that identifies high-priority projects. In addition, the Federal Transit Administration’s (FTA) Job Access (welfare to work) program requires applicants to submit data on projects’ expected benefits, evaluates the benefit of each candidate project based on four primary factors (including the need for transportation services), and assigns an overall score to each candidate project. FTA’s criteria take geographic distribution into consideration, but FTA officials cited it as a secondary selection factor. Also, under the new Transportation Infrastructure Finance and Innovation Act (TIFIA) program, DOT quantifies the benefits of very diverse projects (e.g., high-speed rail systems, highways, and mass transit projects), assigns a numerical score to each project, and ranks the projects prior to making selections for funding. While we have not performed a detailed analysis of the criteria used in these three programs, they illustrate that it is possible to develop a system that awards grants based on an comparative assessment of the benefits of diverse transportation projects.

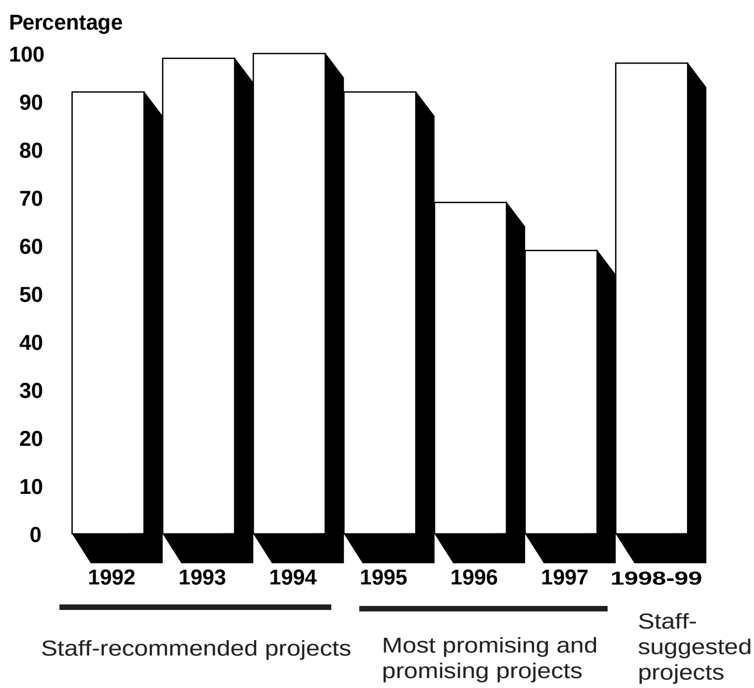
The Office of the Administrator Generally Selected Projects That Were Suggested by Staff

For the selection process for fiscal years 1998-99, FHWA changed its prior practices and allowed professional staff to suggest specific projects and funding amounts to the Office of the Administrator. The Office of the Administrator generally adhered to the professional staff’s input and analyses; almost all of the projects selected were those staff had suggested for funding. These selection results differ significantly from the results in fiscal years 1995 through 1997, when the Office of the Administrator selected a declining proportion of projects that staff had placed in the promising and most promising categories. The results for fiscal years 1998-99 also show that for the programs we reviewed, the Office of the Administrator generally awarded a proportionate amount of discretionary funds to projects located in Democratic, Republican, and independent congressional districts.

Final Selections Mirrored the Staff's Priorities

Our analysis of the selection results for fiscal years 1998-99 shows that the Office of the Administrator selected 98 percent of all projects that staff suggested for funding (104 projects selected out of the 106 suggested by the staff). In addition, of the 115 total projects that the Office of the Administrator selected, 110—or 96 percent—were those staff considered well qualified (see fig. 1). By either measure, the Office of the Administrator primarily selected projects that staff considered the most qualified.

Figure 1: FHWA's Office of the Administrator's Selections of Projects Recommended, Categorized, or Suggested by Staff as a Percentage of All Projects Selected, Fiscal Years 1992-99



Source: GAO's analysis of FHWA's data.

During the period of fiscal year 1992 through 1999, FHWA used three different processes to evaluate and select projects. From fiscal year 1992 through 1994, staff recommended specific projects and funding amounts to the Office of the Administrator. From fiscal year 1995 through 1997, FHWA changed the process, and staff placed projects into categories rather than recommending specific projects. For the selection process in fiscal years 1998-99, staff placed projects in categories and suggested specific projects for funding. As shown in figure 1, the selection results for fiscal years 1998-99 are similar to those of fiscal years 1992 through 1994 but significantly different from those of fiscal years 1995 through 1997. During the period of fiscal year 1995 through 1997, the Office of the Administrator selected a declining percentage of projects that staff considered promising and most promising, reaching a low of 59 percent during fiscal year 1997. According to FHWA professional staff, the results for fiscal years 1998-99 reflect the added weight once again given to the staff's input through the revised selection process.

FHWA Generally Awarded Funds in Proportion to Requests

In four of the five programs we reviewed (the Discretionary Bridge, Interstate Maintenance Discretionary, Interstate Discretionary, and Ferry Boats and Facilities programs), the Office of the Administrator generally awarded a proportionate amount of funds to projects located in Democratic, Republican, and independent congressional districts. For example, the Office of the Administrator awarded 55 percent of the Interstate Maintenance Discretionary Program funds to projects in Republican districts and 45 percent to projects in Democratic districts. This distribution was consistent with the proportion of states' requests, which was 49 percent of the funds for projects in Republican districts, 41 percent for projects in Democratic districts, 9 percent for projects that crossed Democratic and Republican districts, and about 1 percent for projects in independent districts (apps. II through VI contain detailed selection results for each of the five programs).[9] The results are consistent with those of fiscal years 1995 through 1997, when the Office of the Administrator also awarded a proportionate amount of funds in these four programs to projects in Democratic, Republican, and independent districts.

In the Public Lands Highways Program, the Office of the Administrator awarded 88 percent of the funds to projects in Republican districts, which was slightly disproportionate to the states' requests for 74 percent of the

[9]In appendixes II through VI, we refer to projects that were located in both a Democratic and a Republican district as "other" projects.

funds for projects in Republican districts. According to FHWA staff, the results reflect a renewed emphasis on following the statutory criteria that require FHWA to give preference to projects located in states with at least 3 percent of the nation's public lands, mostly western states with predominantly Republican districts. These results are significantly different from those of fiscal years 1995 through 1997, and particularly fiscal year 1997, when the Office of the Administrator awarded 91 percent of the Public Lands Highways funds to projects in Democratic districts despite states' requests for 62 percent of the funding for projects in Republican districts. At the time of our previous review, FHWA could not provide a detailed justification to explain those results.

Conclusions

TEA-21 provided FHWA with an opportunity to refine its awards process for discretionary grants and to target limited funds to projects with the highest transportation benefits. While the selection results for fiscal years 1998-99 revealed that FHWA's process was more transparent than in prior years, the results also indicated that, despite the principles outlined in Executive Order No. 12893, FHWA continues to award most of its grants based on factors other than transportation benefits. We recognize that FHWA must address statutory direction and that it attempts to achieve an equitable and geographic distribution of funds. However, a comparative assessment of the transportation benefits of projects is also needed, particularly given that states' funding requests greatly exceed available funding. While we acknowledge that it would be challenging to develop a selection process that measures, compares, and assesses the transportation benefits of candidate projects, FHWA's Discretionary Bridge Program and other DOT programs have been able to develop such processes.

Recommendation

Given that states' requests for federal discretionary funding greatly exceed available funds, a grant process that measures, compares, and assesses the transportation benefits of projects would help ensure that FHWA funds projects with the greatest transportation benefits. Accordingly, we recommend that the Secretary of Transportation direct the FHWA Administrator to develop the necessary process and criteria to measure, compare, and assess the transportation benefits of projects before making grant selections as outlined in Executive Order No. 12893 and emphasized in TEA-21. As a starting point, FHWA should examine the process used by its own Discretionary Bridge Program office as well as other operating administrations within the Department of Transportation to learn how they developed their processes.

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Transportation for review and comment. The Department's written response to our report is included in appendix VII. The Department disagreed with our conclusion that FHWA had awarded discretionary grants based on factors other than the projects' transportation benefits. The Department stated that all projects funded through FHWA's discretionary programs have transportation benefits. However, the Department noted that the extent to which FHWA can compare the benefits of one project with those of another is limited by the degree to which the projects are similar and by the type and amount of data available. The Department noted that the Public Lands Highways and Ferry Boats and Facilities programs consider projects that are so dissimilar that a meaningful comparison among projects is not possible. For example, the Department stated that in the Public Lands Highways Program, FHWA would be required to compare the benefits of a parking lot in a wildlife refuge with the benefits of restroom facilities at a national forest. In addition, the Department noted that these two programs do not have the type or abundance of data needed to compare projects, as the Department has with its Discretionary Bridge Program. The Department also stated that FHWA's criteria do conform, to the extent practicable, to Executive Order No. 12893. Despite the comparability issue and data limitations, the Department offered several potential steps for improving its selection processes. It noted that FHWA can provide better descriptions of the benefits of the projects selected for funding, obtain more data from states on pavement condition and levels of congestion and safety, and require states to prioritize their requests and provide more detailed descriptions of projects' benefits in their applications.

While the Department of Transportation stated that the discretionary projects FHWA selected have transportation benefits, we remain concerned that FHWA does not evaluate or select projects based on a comparative analysis of the projects' transportation benefits (e.g., improving safety, mobility, and air quality) to ensure that it selects projects with the greatest transportation benefits. Our analysis of the projects indicates that FHWA primarily selects projects for funding based on their location to ensure an equitable and geographic distribution of funds to the states. It is clear from our review that achieving this distribution of projects is considered to be more important than comparing the relative transportation benefits. We believe that providing an equitable and geographic distribution of the funds should not replace the important goal of making funding decisions based on a process that measures, compares, and assesses each project's transportation benefits.

We also believe the Department has overstated the extent to which candidate projects are dissimilar and thus impossible to compare. For example, of the 116 Public Lands Highways projects that FHWA evaluated in fiscal year 1998, 73 percent (85 projects) were projects for designing, constructing, or repaving highways and bridges. Many of the remaining 31 projects were comparable projects intended to improve access and mobility, such as constructing bike and pedestrian paths. Moreover, we have found that other Department programs compare and assess the transportation benefits of dissimilar candidate projects. For example, the Department's new Transportation Infrastructure Finance and Innovation Act program quantifies the benefits of very diverse high-speed rail, highway, and mass transit projects; assigns a score to each project; and then ranks the projects based on their relative benefits.

We believe that the Department's suggestions for collecting better data from applicants are good first steps in a longer effort to improve the selection process. Additional data will also enable the Department to develop better processes and criteria for judging the benefits of candidate projects. By making these improvements, the Department can ensure that these programs are consistent with other discretionary programs that use data on expected benefits to compare dissimilar projects.

Scope and Methodology

To determine how FHWA addressed the requirements of TEA-21, we reviewed documentation outlining the process for selecting projects in fiscal years 1998-99, including the solicitation memorandums that FHWA sent to the states. We also reviewed the criteria that FHWA used to evaluate and select projects for funding. We discussed the selection process with professional staff responsible for implementing and publishing the selection criteria as outlined in TEA-21. We also reviewed Executive Order No. 12893: Principles for Federal Infrastructure Investments and compared it with FHWA's existing process to see whether FHWA's criteria were consistent with the principles outlined in the order.

To determine the results of the selection process and to compare the results with those of prior fiscal years, we examined the staff's analysis of the projects submitted for funding for the combined 1998-99 funding cycle. We also reviewed the extent to which the Office of the Administrator selected the projects that staff had considered well qualified or suggested for funding and compared the results with those of fiscal years 1992 through 1997. Using data that FHWA generates each year, we determined which congressional districts the projects were in and the political affiliations associated with those districts at the time the projects were submitted. We then determined the proportion of projects and funding requests submitted by states and selected by FHWA that were located in districts with Democratic, Republican, or independent representation. Finally, we compared our district analysis for the funding cycle for fiscal years 1998-99 with our earlier analysis for fiscal years 1995 through 1997. We performed our review from May 1999 through August 1999 in accordance with generally accepted government auditing standards.

We will send copies of this report to Rodney E. Slater, Secretary of Transportation; Kenneth R. Wykle, Administrator of FHWA; cognizant congressional committees; and other interested parties. We will also make copies available to others on request.

Please call me at (202) 512-2834 if you or your staff have any questions about this report. Key contributors to this report were Joseph Christoff, David Lehrer, David Lichtenfeld, and Phyllis Scheinberg.

Sincerely yours,

John H. Anderson, Jr.

John H. Anderson, Jr.
Director, Transportation Issues

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Abbreviations

DOT	Department of Transportation
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
TEA-21	Transportation Equity Act for the 21st Century
TIFIA	Transportation Infrastructure Finance and Innovation Act

Executive Order No. 12893: Principles for Federal Infrastructure Investments

On January 26, 1994, the President signed an executive order outlining the administration's priorities for federal infrastructure investment. The following is the full text of the order.

Figure I.1: Text of Executive Order No. 12893

A well-functioning infrastructure is vital to sustained economic growth, to the quality of life in our communities, and to the protection of our environment and natural resources. To develop and maintain its infrastructure facilities, our Nation relies heavily on investment by the Federal Government.

Our Nation will achieve the greatest benefits from its infrastructure facilities if it invests wisely and continually improves the quality and performance of its infrastructure programs. Therefore, by the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered as follows:

Section 1. Scope. The principles and plans referred to in this order shall apply to Federal spending for infrastructure programs. For the purposes of this order, Federal spending for infrastructure programs shall include direct spending and grants for transportation, water resources, energy, and environmental protection.

Section 2. Principles of Federal Infrastructure Investment.

Each executive department and agency with infrastructure responsibilities (hereinafter referred to collectively as “agencies”) shall develop and implement plans for infrastructure investment and management consistent with the following principles:

(a) Systematic Analysis of Expected Benefits and Costs. Infrastructure investments shall be based on systematic analysis of expected benefits and costs, including both quantitative and qualitative measures, in accordance with the following:

(1) Benefits and costs should be quantified and monetized to the maximum extent practicable. All types of benefits and costs, both market and nonmarket should be considered. To the extent that environmental and other nonmarket benefits and costs can be quantified, they shall be given the same weight as quantifiable market benefits and costs.

(2) Benefits and costs should be measured and appropriately discounted over the full life cycle of each project. Such analysis will enable informed tradeoffs among capital outlays, operating and maintenance costs, and nonmonetary costs borne by the public.

(3) When the amount and timing of important benefits and costs are uncertain, analyses shall recognize the uncertainty and address it through appropriate quantitative and qualitative assessments.

(4) Analyses shall compare a comprehensive set of options that include, among other things, managing demand, repairing facilities, and expanding facilities.

(5) Analyses should consider not only quantifiable measures of benefits and costs, but also qualitative measures reflecting values that are not readily quantified.

(b) Efficient Management. Infrastructure shall be managed efficiently in accordance with the following:

(1) The efficient use of infrastructure depends not only on physical design features, but also on operational practices. To improve these practices, agencies should conduct periodic reviews of the operation and maintenance of existing facilities.

(2) Agencies should use these reviews to consider a variety of management practices that can improve the return from infrastructure investments. Examples include contracting practices that reward quality and innovation, and design standards that incorporate new technologies and construction techniques.

(3) Agencies also should use these reviews to identify the demand for different levels of infrastructure services. Since efficient levels of service can often best be achieved by properly pricing infrastructure, the Federal Government—through its direct investments, grants, and regulations—should promote consideration of market-based mechanisms for managing infrastructure.

(c) Private Sector Participation. Agencies shall seek private sector participation in infrastructure investment and management. Innovative public-private initiatives can bring about greater private sector participation in the ownership, financing, construction, and operation of the infrastructure programs referred to in section 1 of this order. Consistent with the public interest, agencies should work with State and local entities to minimize legal and regulatory barriers to private sector participation in the provision of infrastructure facilities and services.

(d) Encouragement of More Effective State and Local Programs. To promote the efficient use of Federal infrastructure funds, agencies should encourage the State and local recipients of Federal grants to implement planning and information management systems that support the principles set forth in section 2(a) through (c) of this order. In turn, the Federal Government should use the information from the State and local recipients' management systems to conduct the system-level reviews of the Federal Government's infrastructure programs that are required by this order.

Section 3. Submission of Plans. Agencies shall submit initial plans to implement these principles to the Director of Management and Budget ("OMB") by March 15, 1994. Agency plans shall list the actions that will be taken to provide the data and analysis necessary for supporting infrastructure-related proposals in future budget submissions. Agency implementation plans should be consistent with OMB Circular A-94 that outlines the analytical methods required under the principles set forth in section 2 of this order.

Section 4. Application to Budget Submissions. Beginning with the fiscal year 1996 budget submission to OMB, each agency should use these principles to justify major infrastructure investment and grant programs. Major programs are defined as those programs with annual budgetary resources in excess of $50 million.

Section 5. Application to Legislature Proposals. Beginning March 15, 1994, agencies shall employ the principles set forth in section 2 of this order and, at the request of OMB, shall provide supporting analyses when requesting OMB clearance for legislative proposals that would authorize or reauthorize infrastructure programs.

Section 6. Guidance. The Office of Management and Budget shall provide guidance to the agencies on the implementation of this order.

Section 7. Judicial Review. This order is intended only to improve the internal management of the executive branch and does not create any right or benefit, substantive or procedural, enforceable by a party against the United States, its agencies or instrumentalities, its officers or employees, or any other person.

William J. Clinton

The White House, January 26, 1994

Public Lands Highways Program

Background:

The Public Lands Highways Program was initially established in 1930. The Federal-Aid Highway Act of 1970 changed the funding source for the program from the general fund to the Highway Trust Fund, effective in fiscal year 1972. The funding level for the Public Lands Highways Program was $16 million per year during fiscal years 1972 through 1982. The Surface Transportation Assistance Act of 1982 increased the annual authorization level to $50 million for fiscal years 1983 through 1986, but the Surface Transportation and Uniform Relocation Assistance Act of 1987 reduced this amount to $40 million for fiscal years 1987 through 1991. The program funds projects that are within, adjacent to, or provide access to the areas served by public lands highways—such as roads in national parks, forests, or Indian reservations. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) authorized $340 million for fiscal years 1992 through 1997. The federal share under this program is 100 percent. Funds remain available for the fiscal year allocated plus 3 years.

Eligibility:

Public Lands Highways funds may be used on eligible public lands highways, defined by the Transportation Equity Act for the 21st Century (TEA-21) as a forest road or any highway through unappropriated or unreserved public lands, nontaxable Indian lands, or other federal reservations that are under the jurisdiction of and maintained by a public authority and open to public travel. A variety of activities are eligible for funding, including planning, research, engineering, and construction. Projects ranging from reconstructing a road to adding parking facilities are eligible.

TEA-21's Provisions:

TEA-21 authorized $37.3 million for fiscal year 1998 and $83.6 million for each of fiscal years 1999 through 2003. The Federal Highway Administration (FHWA) combined the funds for fiscal years 1998 and 1999 when it last solicited candidate projects from the states for this program.

Project Selections:

During fiscal years 1998-99, the Office of the Administrator selected 98 percent of the projects that the FHWA program staff suggested for funding. (See table II.1.)

Table II.1: Staff's Suggestions for the Public Lands Highways Program and the Office of the Administrator's Selections, Fiscal Years 1998-99

Fiscal years	Number of projects that the staff suggested	Number of staff-suggested projects that the Office of the Administrator selected	Number of other projects that the Office of the Administrator selected	Percentage of staff-suggested projects that the Office of the Administrator selected
1998-99	55	54	6	98

Source: GAO's analysis of FHWA's data.

To determine the proportion of projects and funds FHWA awarded to Democratic or Republican congressional districts, we examined all the Public Lands Highways projects submitted and selected for fiscal years 1998-99. When compared with funding requests, FHWA awarded a slightly disproportionate amount of funds to projects located in Republican districts. For example, projects located in Republican districts represented 74 percent of the total dollars requested; however, these projects represented 88 percent of the dollars FHWA provided. According to FHWA officials, these results primarily reflect the application of the criteria that give priority to states with at least 3 percent of the nation's public lands. During fiscal years 1998-99, these states had more Republican than Democratic districts. Tables II.2 and II.3 show the results of our analysis.[10]

Table II.2: Public Lands Highways Funding Requested and Provided, Fiscal Years 1998-99

Dollars in millions

Party	Funding requested	Percentage	Funding provided	Percentage
Democratic	$165.2	23	$13.5	11
Republican	527.4	74	110.9	88
Independent	3.5	<1	2.0	2
Other	17.7	2	0.0	0
Total	**$713.8**	**100**	**$126.4**	**100**

Note: Percentages may not add to 100 because of rounding.

Source: GAO's analysis of FHWA's data.

[10]The Conference Report on the Department of Transportation and Related Agencies Appropriations Act for fiscal year 1999 directed FHWA to fund certain projects. Therefore, FHWA "pulled" $10 million worth of funding for two projects—one in Arizona and one in Utah—as a result of the conference report. FHWA committed to giving these two projects top priority in fiscal year 2000. Funding for these two projects plus an additional $500,000 available was allocated to projects in Hawaii ($2.5 million), Montana ($2.5 million), Kentucky ($2 million), and Alaska ($3.5 million). Our analyses do not reflect these allocations.

Table II.3: Public Lands Highways Projects Requested and Provided, Fiscal Years 1998-99

Party	Projects submitted	Percentage	Projects selected	Percentage
Democratic	126	35	18	30
Republican	222	61	38	63
Independent	7	2	4	7
Other	6	2	0	0
Total	**361**	**100**	**60**	**100**

Source: GAO's analysis of FHWA's data.

To address the TEA-21 requirement to establish and publish selection criteria for the projects it funds, FHWA published its existing selection criteria for the Public Lands Highways Program in the Federal Register on July 23, 1998. Figure II.1 shows the criteria that FHWA included in its fiscal years 1998-99 solicitation memorandum to the states.

Figure II.1: FHWA's Public Lands Highways Discretionary Program Project Selection Criteria

Eligibility
Funds are available for any kind of transportation project eligible for assistance under Title 23, United States Code, that is within, adjacent to, or provides access to the areas served by public lands highways.

Statutory
Funds shall be allocated among those states having unappropriated or unreserved public lands, nontaxable Indian lands or other federal reservations, on the basis of need in such states.

Preference shall be given to those projects significantly impacted by Federal land and resource management activities which were proposed by a State which contains at least three percent of the total public lands in the Nation (23 U.S.C. 202(b)).

Administrative
Equitable distribution of Public Lands Highways funding among the States—The amount of Public Lands Highways funding distributed over the past 20 years to a State was compared to the State's equitable share of funding based on two factors: 1) the State's share of the Nation's Federal public lands area, and 2) the percentage of an individual State's area that is comprised of Federal public lands. Preference was given to States that are "behind" in their equitable distribution of the Public Lands Highways funding.

Leverage of private or other public funding—Because the annual requests for funding far exceed the available Public Lands Highways discretionary funds, commitment of other funding sources to complement the requested funding was an important factor.

Expeditious completion of project—Preference was given to requests that will expedite the completion of a viable project over requests for initial funding of a project that will require a long-term commitment of future Public Lands Highways funding. For large-scale projects, consideration was given to the State's total funding plan to expedite the completion of the project.

Amount of Public Lands Highways funding—The requested amount of funding was another consideration. For States that have a relatively small amount of Federal public lands, more moderately sized (less than $500,000) project requests were given more favorable consideration.

State priorities—For states that submit more than one project, consideration was given to individual state priorities, if specified.

National geographic distribution of the funding within the Public Lands Highways program—Although preference was to be given to states with at least three percent of the nation's public lands, all of which are in the western part of the country, consideration was also given to providing funding to states in the eastern part of the country to provide geographic balance for this program.

Program emphasis area—For the fiscal year 1998-99 funding, priority was given to projects for the construction or restoration of nationally significant trails. This reflects the on-going development of a Millennium Trails Program to commemorate trails important to the Nation's past.

Project selection also considered national geographic distribution among all of the discretionary programs as well as congressional direction or guidance provided on specific projects or the program.

Source: FHWA's fiscal years 1998-99 solicitation memorandum to the states.

Discretionary Bridge Program

Background:

The Discretionary Bridge Program was established by the Surface Transportation Assistance Act of 1978. The act required that $200 million be withheld from the Highway Bridge Replacement and Rehabilitation Program apportionment for each of fiscal years 1979 through 1982 and used by the Secretary of Transportation as a discretionary fund to replace or rehabilitate bridges that cost more than $10 million each or twice the apportionment of the state in which the bridge is located. The Surface Transportation Assistance Act of 1982 continued the program at the same funding level through fiscal year 1986. That act directed FHWA to establish a formal process to rank and select Discretionary Bridge projects for funding and decreed that the projects must be on a federal-aid highway system. The Surface Transportation and Uniform Relocation Assistance Act of 1987 increased the discretionary set-aside to $225 million for each fiscal year during 1987 through 1991. The federal share under this program is 80 percent. ISTEA authorized a total of $349.5 million for fiscal years 1992 through 1997.

Eligibility:

Projects eligible for funding under the Discretionary Bridge Program are bridge rehabilitation or replacement projects that cost more than $10 million or at least twice the amount of Highway Bridge Replacement and Rehabilitation Program funds apportioned to the state in which a bridge is located. Discretionary Bridge projects must be on a federal-aid system. Each project is scored on factors such as the bridge’s condition, its repair costs, and traffic volumes, with the lowest scores indicating the greatest needs. To be eligible for funding, candidate bridges must have a rating factor of 100 or less, unless they were selected prior to November 1983.

TEA-21’s Provisions:

For fiscal year 1998, $25 million was authorized by TEA-21. For each of the fiscal years 1999 through 2003, $100 million was authorized for bridge replacement and rehabilitation projects with a maximum of $25 million of that amount made available only for projects for the seismic retrofit of bridges, including projects in the New Madrid fault region, which crosses five state lines between Illinois and Arkansas.

Project Selections:

During fiscal years 1998-99, the Office of the Administrator selected 90 percent of the projects that the FHWA program staff suggested for funding. (See table III.1.)

Table III.1: Staff's Suggestions for the Discretionary Bridge Program and the Office of the Administrator's Selections, Fiscal Years 1998-99

Fiscal years	Number of projects that the staff suggested	Number of staff-suggested projects that the Office of the Administrator selected	Number of other projects that the Office of the Administrator selected	Percentage of staff-suggested projects that the Office of the Administrator selected
1998-99	10	9	3	90

Source: GAO's analysis of FHWA's data.

To determine the proportion of projects and funds FHWA awarded to Democratic or Republican congressional districts, we examined all the Discretionary Bridge projects submitted and selected for fiscal years 1998-99. When compared with project submissions, FHWA awarded a proportionate amount of projects and funds to Democratic and Republican districts. Tables III.2 and III.3 show the results of our analysis.

Table III.2: Discretionary Bridge Funding Requested and Provided, Fiscal Years 1998-99

Dollars in millions

Party	Funding requested	Percentage	Funding provided	Percentage
Democratic	$661.0	57	$68.5	63
Republican	450.3	39	35.0	32
Independent	0.0	0	0.0	0
Other	44.1	4	5.5	5
Total	**$1,155.4**	**100**	**$109.0**	**100**

Source: GAO's analysis of FHWA's data.

Table III.3: Discretionary Bridge Projects Requested and Provided, Fiscal Years 1998-99

Party	Projects submitted	Percentage	Projects selected	Percentage
Democratic	36	55	7	58
Republican	26	39	4	33
Independent	0	0	0	0
Other	4	6	1	8
Total	**66**	**100**	**12**	**100**

Note: Percentages may not add to 100 because of rounding.

Source: GAO's analysis of FHWA's data.

FHWA had already established selection criteria for Discretionary Bridge projects prior to the TEA-21 requirement. Most of the criteria were established following legislation passed in 1982. Figure III.1 shows the criteria that FHWA included in the fiscal years 1998-99 solicitation memorandum to the states.

Figure III.1: FHWA's Discretionary Bridge Program Project Selection Criteria

Eligibility
Funds are available for deficient highway bridges located on Federal-aid highways that have a replacement or rehabilitation cost of more than $10 million, or a cost that is twice the amount apportioned under 23 U.S.C. 144(e) to the State in which the bridge is located.

In accordance with 23 U.S.C. 144(d), seismic retrofit projects for non-deficient highway bridges are also eligible. Therefore, bridges only in need of seismic retrofitting are considered for Discretionary Bridge funding.

Statutory
The Rating Factor formula (23 C.F.R. 650, Subpart G).

Special considerations including unique situations (23 C.F.R. 650, Subpart G). FHWA has identified the need for seismic retrofitting as a unique situation.

Seismic retrofit allocations for non-deficient bridges (23 U.S.C. 144 (d)).

Priority may be given to funding a transportation project relating to an international quadrennial Olympic or Paralympic event, or a Special Olympics International event if the project meets the extraordinary needs associated with such events and is otherwise eligible for assistance with Discretionary Bridge funds (TEA-21, Section 1223).

Administrative
Leveraging of private or other public funding—Because the annual requests for funding far exceed the available Discretionary Bridge funds, a commitment of other funding sources to complement the requested funding was an important factor.

Expeditious completion of project—Preference was also given to the continuation and completion of bridge projects previously begun with Discretionary Bridge funds. For large-scale projects, consideration is given to the state's total funding plan to expedite the completion of the project.

National geographic distribution of the funding within the Discretionary Bridge program—Consideration was also given to providing funding to States to provide some geographic balance for the program.

The project selection process may also consider national geographic distribution among all of the discretionary programs, as well as congressional direction or guidance provided on specific projects or programs.

Source: FHWA's fiscal years 1998-99 solicitation memorandum to the states.

Interstate Discretionary Program

Background:

The program was originally created by section 115 (a) of the Surface Transportation Assistance Act of 1978 to accelerate construction of the Interstate Highway System. The Surface Transportation Assistance Act of 1982 and the Surface Transportation and Uniform Relocation and Assistance Act of 1987 both continued and modified the Interstate Discretionary Program. ISTEA authorized a $100 million per year set-aside from the Interstate Construction Program for the Interstate Discretionary Program annually for fiscal years 1993 through 1996. FHWA also provided Interstate Discretionary funds from lapsed Interstate Construction funds that had reached the end of their availability period. TEA-21 did not reauthorize this program, and it expired after the remaining funds were allocated during fiscal years 1998-99.

Eligibility:

Interstate Discretionary funds may be used for the same purpose as Interstate Construction funds—initial construction of remaining portions of the Interstate Highway System. However, only work eligible under the provisions of the Federal-Aid Highway Act of 1981 and included in the 1981 Interstate Cost Estimate is eligible for Interstate Discretionary funding. The federal share for projects under this program (including projects to add high-occupancy vehicle or auxiliary lanes) is generally 90 percent; the federal share is 80 percent for projects that provide additional capacity. The final set-aside of Interstate Discretionary funds occurred with the fiscal year 1996 Interstate Construction apportionment. However, in fiscal year 1999, a balance of Interstate Discretionary funds of about $63 million remained from the ISTEA authorization.

Project Selections:

During fiscal years 1998-99, the Office of the Administrator selected 100 percent of the projects that the FHWA program staff suggested for funding. (See table IV.1.)

Table IV.1: Staff's Suggestions for the Interstate Discretionary Program and the Office of the Administrator's Selections, Fiscal Years 1998-99

Fiscal years	Number of projects that the staff suggested	Number of staff-suggested projects that the Office of the Administrator selected	Number of other projects that the Office of the Administrator selected	Percentage of staff-suggested projects that the Office of the Administrator selected
1998-99	6	6	0	100

Source: GAO's analysis of FHWA's data.

To determine the proportion of projects and funds FHWA awarded to Democratic or Republican congressional districts, we examined all the Interstate Discretionary projects submitted and selected for fiscal years 1998-99. When compared with project submissions, it appears that FHWA selected a disproportionate number of projects located in Democratic districts. However, because of the small number of projects submitted and selected, no meaningful conclusions can be drawn from this analysis. The funding FHWA provided was in proportion to total funding requests. Tables IV.2 and IV.3 show the results of our analysis.

Table IV.2: Interstate Discretionary Funding Requested and Provided, Fiscal Years 1998-99

Dollars in millions

Party	Funding requested	Percentage	Funding provided	Percentage
Democratic	$31.9	26	$19.2	30
Republican	26.5	22	14.2	22
Independent	0.0	0	0.0	0
Other	64.1	52	30.0	47
Total	**$122.6**	**100**	**$63.4**	**100**

Note: Percentages may not add to 100 because of rounding.

Source: GAO's analysis of FHWA's data.

Table IV.3: Interstate Discretionary Projects Requested and Provided, Fiscal Years 1998-99

Party	Projects submitted	Percentage	Projects selected	Percentage
Democratic	3	27	3	50
Republican	6	55	2	33
Independent	0	0	0	0
Other	2	18	1	17
Total	**11**	**100**	**6**	**100**

Source: GAO's analysis of FHWA's data.

Although TEA-21 did not reauthorize the program, FHWA established selection criteria for projects funded by the program and published them in the Federal Register on September 18, 1998. FHWA used these criteria to select projects for funding for fiscal years 1998-99. Figure IV.1 shows the criteria that FHWA included in its fiscal years 1998-99 solicitation memorandum to the states.

Figure IV.1: FHWA’s Interstate Discretionary Program Project Selection Criteria

Eligibility
Funds are available for work eligible under the provisions of the Federal-Aid Highway Act of 1981 and included in the 1981 Interstate Cost Estimate.

Funding requests must be for ready-to-go projects in states which have obligated or will obligate during fiscal year 1999 all available Interstate Completion and Interstate Discretionary funds.

Statutory
None.

Administrative
Segments not open to traffic—Consideration was given to eligible projects that will close gaps in the Interstate system.

State priorities—For States that submit more than one project, consideration was given to the individual State’s priorities, if specified.

Leveraging of private or other public funding—Because the requests for funding usually far exceed the available Interstate Discretionary funds, commitment of other funding sources to complement the requested funds was an important factor.

Project selection also considered national geographic distribution among all of the discretionary programs as well as congressional direction or guidance provided on specific projects or programs.

Source: FHWA’s fiscal years 1998-99 solicitation memorandum to the states.

Interstate Maintenance Discretionary Program

Background:

The Interstate Maintenance Discretionary Program, originally called the Interstate 4R Discretionary Program, was created by section 115 (a) of the Surface Transportation Assistance Act of 1982. Funds were provided for the program from lapsed Interstate 4R apportionments. The Surface Transportation and Uniform Relocation and Assistance Act of 1987 provided for a $200 million set-aside for each of the fiscal years 1988 through 1992 from the Interstate 4R authorization for the continuation of the Interstate 4R discretionary fund and provided criteria and factors to be used in the distribution of funds. ISTEA set aside $375 million. Of the amount set aside, $16 million was for fiscal year 1992 and $17 million was for each of fiscal years 1993 and 1994 to be used for improvements on the Kennedy Expressway in Chicago. ISTEA terminated the apportioned Interstate 4R Fund Program and provided that the Interstate 4R set-aside come from the National Highway System Program.

Eligibility:

Interstate Maintenance Discretionary funds may be used for resurfacing, restoring, rehabilitating, and reconstructing the Interstate Highway System, including providing additional capacity. The federal share under this program is generally 90 percent.

TEA-21's Provisions:

TEA-21 authorized $50 million for fiscal year 1998 and $100 million for each of fiscal years 1999 through 2003 for this program.

Project Selections:

During fiscal years 1998-99, the Office of the Administrator selected 100 percent of the projects that the FHWA program staff suggested for funding. The Office of the Administrator also selected two additional projects. (See table V.1.)

Table V.1: Staff's Suggestions for the Interstate Maintenance Discretionary Program and the Office of the Administrator's Selections, Fiscal Years 1998-99

Fiscal years	Number of projects that the staff suggested	Number of staff-suggested projects that the Office of the Administrator selected	Number of other projects that the Office of the Administrator selected	Percentage of staff-suggested projects that the Office of the Administrator selected
1998-99	6	6	2	100

Source: GAO's analysis of FHWA's data.

To determine the proportion of projects and funds FHWA awarded to Democratic or Republican congressional districts, we examined all the Interstate Maintenance projects submitted and selected for fiscal years

1998-99. When compared with project submissions, it appears that FHWA selected a higher percentage of projects in Democratic congressional districts. However, because of the small number of projects selected, no meaningful conclusions can be drawn from this analysis. The funding FHWA provided was in proportion to total funding requests. Tables V.2 and V.3 show the results of our analysis.

Table V.2: Interstate Maintenance Funding Requested and Provided, Fiscal Years 1998-99

Dollars in millions

Party	Funding requested	Percentage	Funding provided	Percentage
Democratic	$887.0	41	$59.7	45
Republican	1,056.2	49	71.9	55
Independent	10.4	<1	0.0	0
Other	198.8	9	0.0	0
Total	**$2,152.3**	**100**	**$131.6**	**100**

Note: Percentages may not add to 100 because of rounding.

Source: GAO's analysis of FHWA's data.

Table V.3: Interstate Maintenance Projects Requested and Provided, Fiscal Years 1998-99

Party	Projects submitted	Percentage	Projects selected	Percentage
Democratic	43	45	5	63
Republican	45	47	3	37
Independent	1	1	0	0
Other	7	7	0	0
Total	**96**	**100**	**8**	**100**

Note: Percentages may not add to 100 because of rounding.

Source: GAO's analysis of FHWA's data.

To address the TEA-21 requirement to establish and publish selection criteria for projects, FHWA published its existing selection criteria for the Interstate Maintenance Discretionary Program in the Federal Register on July 23, 1998. Figure V.1 shows the criteria that FHWA included in the fiscal years 1998-99 solicitation memorandum to the states.

Figure V.1: FHWA's Interstate Maintenance Discretionary Program Project Selection Criteria

Eligibility
Funds are available for resurfacing, restoring, rehabilitating and reconstructing (4R), including added lanes, on most existing Interstate system routes. However, not eligible for allocation of funds are projects on any highway designated as a part of the Interstate System under Section 139 of 23 U.S.C., as in effect before the enactment of TEA-21 and any toll road on the Interstate System not subject to an agreement under Section 119 (e) of 23 U.S.C., as in effect on December 17, 1991.

Statutory
Any project the cost of which exceeds $10 million (23 U.S.C. 118).

A project on any high volume route in an urban area or high truck volume route in a rural area (23 U.S.C. 118).

Priority may be given to funding a transportation project relating to an international quadrennial Olympic or Paralympic event, or a Special Olympics International event if the project meets the extraordinary needs associated with such events and is otherwise eligible for assistance with Interstate Maintenance Discretionary funds (TEA-21, Section 1223).

Administrative
Leveraging of private or other public funding—Because the annual requests for funding far exceed the available Interstate Maintenance Discretionary funds, commitment of other funding sources to complement the requested funds was an important factor.

State priorities—For States that submit more than one project, consideration is given to the individual State's priorities, if specified.

Expeditious completion of project—Preference was also given to requests that will expedite the completion of a viable project over requests for initial funding of a project that will require a long-term commitment of future funding. For large-scale projects, consideration was given to the State's total funding plan to expedite the completion of the project.

Project selection also considered national geographic distribution among all of the discretionary programs as well as congressional direction or guidance provided on specific projects or programs.

Source: FHWA's fiscal years 1998-99 solicitation memorandum to the states.

Ferry Boats and Facilities Program

Background: In 1991, ISTEA created a discretionary funding program for the construction of ferry boats and ferry terminal facilities and authorized funding from the Highway Trust Fund. ISTEA authorized $100 million for fiscal years 1992 through 1997. The federal share under this program is 80 percent. Funds are available until expended.

Eligibility: Ferry boats and facilities must be publicly owned. The operation of the ferry facilities must be on a route classified as a public road, except an Interstate route.

TEA-21's Provisions: TEA-21 authorized $30 million for fiscal year 1998 and $38 million for each of fiscal years 1999 through 2003 for this program. TEA-21 further earmarked $20 million of the Ferry Boats and Facilities funds for each of fiscal years 1999 through 2003 for projects in three states—Alaska ($10 million), New Jersey ($5 million), and Washington ($5 million). Therefore, $18 million remains for allocation to the other states for each of fiscal years 1999 through 2003.

Project Selections: During fiscal years 1998-99, the Office of the Administrator selected 100 percent of the projects that the FHWA program staff suggested for funding. (See table VI.1.)

Table VI.1: Staff's Suggestions for the Ferry Boats and Facilities Program and the Office of the Administrator's Selections, Fiscal Years 1998-99

Fiscal years	Number of projects that the staff suggested	Number of staff-suggested projects that the Office of the Administrator selected	Number of other projects that the Office of the Administrator selected	Percentage of staff-suggested projects that the Office of the Administrator selected
1998-99	29	29	0	100

Source: GAO's analysis of FHWA's data.

To determine the proportion of projects and funds FHWA awarded to Democratic or Republican congressional districts, we examined all the Ferry Boats and Facilities projects submitted and selected for fiscal years 1998-99. When compared with project submissions, it appears that FHWA awarded both a disproportionate percentage of projects and funds to projects located in Democratic districts. However, a congressional earmark of $20 million to three states—Alaska, New Jersey, and Washington—represented more than 50 percent of the total program allocation. In allocating the remaining $18 million in funds, FHWA officials chose to place all projects from the three states into the qualified category. The disproportionate results can be attributed to the fact that a great number of projects from these three states are primarily from Republican districts and accounted for about 64 percent of projects submitted and 73 percent of the funding requested from Republican districts. When we removed the projects and associated funding amounts for the three states and recalculated the district analysis, we found the remaining results to be proportionate. Tables VI.2 and VI.3 show the results of our analysis not excluding the earmarks.

Table VI.2: Ferry Boats and Facilities Funding Requested and Provided, Fiscal Years 1998-99

Dollars in millions

Party	Funding requested	Percentage	Funding provided	Percentage
Democratic	$60.5[a]	40	$28.4	48
Republican	74.9[a]	49	22.9	39
Independent	0.0	0	0.0	0
Other	17.6	12	8.0	13
Total	**$153.0**	**100**	**$59.3[b]**	**100**

Note: Percentages may not add to 100 because of rounding.

[a]This includes $2.6 million for projects located in Democratic districts (New Jersey) and $55 million for projects located in Republican districts (Alaska and Washington).

[b]Funding provided includes $20 million earmarked by the Congress.

Source: GAO's analysis of FHWA's data.

Table VI.3: Ferry Boats and Facilities Projects Requested and Provided, Fiscal Years 1998-99

Party	Projects submitted	Percentage	Projects selected	Percentage
Democratic	37[a]	43	19	66
Republican	42[a]	49	7	24
Independent	0	0	0	0
Other	7	8	3	10
Total	86	100	29	100

[a]This includes 2 projects in Democratic districts (New Jersey) and 27 projects in Republican districts (Alaska and Washington).

Source: GAO's analysis of FHWA's data.

To address the TEA-21 requirement to establish and publish selection criteria for projects, FHWA published its existing selection criteria for the

Ferry Boats and Facilities Program in the Federal Register on July 23, 1998. Figure VI.1 shows the criteria that FHWA included in the fiscal years 1998-99 solicitation memorandum to the states.

Figure VI.1: FHWA's Ferry Boats and Facilities Discretionary Program Project Selection Criteria

Eligibility
Funds are available as specified in Section 1064 of ISTEA, as amended, for the construction of ferry boats and ferry terminal facilities in accordance with 23 U.S.C. 129. The basic criteria are:

The ferry facility is providing a link on a public road (other than Interstate) or the ferry facility is providing passenger only ferry service.

The ferry and/or ferry terminal to be constructed or improved is either publicly owned, publicly operated, or a public authority that has majority ownership interest where it is demonstrated that the ferry operation provides substantial public benefits.

The ferry does not operate in international water except for Hawaii, Puerto Rico, Alaska and for ferries between a State and Canada.

Statutory
None

Administrative
Expeditious completion of project—Consideration was given to requests that will expedite the completion of a viable project. This was a project's ability to expeditiously complete usable facilities within the limited funding amounts available.

Leverage of private or other public funding—Because the annual requests for funding far exceed the available Ferry Boat Discretionary funds, commitment of other funding sources to complement the requested funding was an important factor.

Amount of Ferry Boat Discretionary funding—The requested amount of funding was a consideration. Realizing the historically high demand of funding under this program, the more moderately sized (less than $2 million) project requests were given more favorable consideration to allow more States to receive funding under this program.

State Priorities—For States that submit more than one project, consideration was given to individual State priorities, if specified.

National geographic distribution of funding within the program—Consideration was given to selecting projects over time among all the States competing for funding.

Project selection also considered national distribution among all of the discretionary programs as well as congressional direction or guidance provided on specific projects or the program.

Source: FHWA's fiscal years 1998-99 solicitation memorandum to the states.

Comments From the Department of Transportation

U.S. Department of Transportation

Assistant Secretary
for Administration

400 Seventh St., S.W.
Washington, D.C. 20590

August 26, 1999

Phyllis F. Scheinberg
Associate Director, Transportation Issues
General Accounting Office
Washington, D.C. 20548

Dear Ms. Scheinberg:

Thank you for the opportunity to review the General Accounting Office (GAO) draft report, "Transportation Infrastructure: Updated Information on the Federal Highway Administration's (FHWA) Project Selection Process for Five Discretionary Programs," RCED-99-263. The Department endeavors to ensure that discretionary funds are fairly and appropriately allocated. To this end, FHWA incorporates consideration of project merit, and to the extent practicable, relative transportation benefits, in making its funding decisions. Over the last several years, FHWA has taken a number of actions that contributed to the decisionmaking process for allocating highway discretionary funds. Specific criteria for selecting projects were developed and widely publicized for use in selecting FY 1998 and 1999 projects. FHWA also produced the first required report to the Congress on discretionary funding, with subsequent reports in process. For these reasons, we do not agree with GAO's characterization that FHWA has only partially implemented the requirements in TEA-21 or that FHWA continues to award most of its grants based on factors other than transportation merits.

All projects funded through FHWA's discretionary programs have transportation merit. A primary difference between FHWA's discretionary spending programs is the type and amount of data immediately available to the staff, and project comparability. For example, over many years, FHWA has accumulated a vast body of data on the condition of the Nation's highway bridges that it is also able to use in the discretionary funding process. Similar data do not exist for the other discretionary programs. Several of these programs, including Public Lands Highways and Ferry Boats and Facilities, also face the dilemma of comparing projects so dissimilar as to preclude meaningful comparison. For example, in the Public Lands Highways area, FHWA faces decisions such as whether to fund a parking lot and boat launch at a National wildlife refuge or restroom facilities at a National forest. Evaluating the relative transportation benefits between such proposals is not a meaningful endeavor.

FHWA criteria does conform, to the extent practicable, to Executive Order 12893. FHWA does not require states to perform benefit-costs analyses; however, the agency does encourage that states use the principles of the Executive Order in their highway planning and project development processes. Moreover, states are statutorily required to consider many factors in their planning process, including, but not limited to, economic vitality; the safety and security of transportation systems; accessibility and mobility options; preservation of the environment; energy conservation; qualify of life; integration and connectivity of transportation systems; the promotion of efficient systems management and operations; and the preservation of existing transportation systems. These planning process requirements assure consideration of transportation project merit.

FHWA recognizes that there is always the potential to further fine tune its efforts to ensure the best possible discretionary funding decisions. FHWA will continue to refine its approach for considering project merit, while maintaining the proper balance with statutory requirements and geographic distribution. Among the options FHWA is considering is more consistently including the description of transportation benefits in the allocation plan's project summaries. Also, for the Interstate Maintenance Discretionary program, FHWA could obtain more detailed information from states, including pavement condition, level of congestion, and safety data, to further enhance our evaluation of relative benefits. FHWA has been seeking public comment on its selection criteria for several discretionary programs and is also considering the potential for a number of innovations that might further support project selections. For example, FHWA could require states to provide a more detailed description of project benefits in all applications. Finally, while a number of states explicitly prioritize projects submitted for funding, FHWA could explore the potential for requiring all states to prioritize project requests. Just as the states identify projects and determine priorities for highway funding allocated by formula, we think that the states are best equipped to identify priorities for discretionary projects within each state.

FHWA's current process for selecting discretionary funding projects is clear, explicit, nonpartisan, and has benefitted the American public. The process is conducted in a manner which is mindful of all statutory requirements and respects the judgment of state governments to request funding for those projects of greatest importance to their citizens.

Thank you for the opportunity to offer comments on the draft report. Please contact Martin Gertel on 202-366-5145 with any questions.

Sincerely,

Melissa J. Allen

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