

GAO

Testimony

Before the Committee on Transportation
and Infrastructure, House of
Representatives

For Release on Delivery
Expected at 10:00 a.m. EST
Thursday, December 10, 2009

RECOVERY ACT

States' Use of Highway and Transit Funds and Efforts to Meet the Act's Requirements

Statement of Katherine A. Siggerud, Managing Director
Physical Infrastructure Issues



GAO

Accountability * Integrity * Reliability



Highlights of [GAO-10-312T](#), 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) included more than \$48 billion for the Department of Transportation's (DOT) investment in transportation infrastructure, including highways, rail, and transit. This testimony—based on GAO report GAO-10-231, issued on December 10, 2009, in response to a mandate under the Recovery Act—addresses (1) the uses of Recovery Act highway funding, including the types of projects states have funded and efforts by DOT and the states to meet the requirements of the act, and (2) the uses of Recovery Act transit funding and how recipients of Recovery Act funds are reporting information on the number of jobs created and retained under section 1512.

In GAO-10-231, GAO continues to examine the use of Recovery Act funds by 16 states and the District of Columbia (District), representing about 65 percent of the U.S. population and two-thirds of the federal assistance available through the act. GAO also obtained data from DOT on obligations and reimbursements for the Recovery Act's highway infrastructure and public transportation funds. GAO updates the status of agencies' efforts to implement previous GAO recommendations to help address a range of accountability issues as well as a matter for congressional consideration. No new recommendations are being made at this time. The report draft was discussed with federal and state officials, who generally agreed with its contents.

[View GAO-10-312T](#) or [key components](#).

For more information, contact Katherine A. Siggerud or A. Nicole Clowers at (202) 512-2834.

RECOVERY ACT

States' Use of Highway and Transit Funds and Efforts to Meet the Act's Requirements

What GAO Found

Three-quarters of Recovery Act highway funds have been obligated, and reimbursements from the Federal Highway Administration (FHWA) are increasing. As of November 16, 2009, \$20.4 billion had been obligated for just over 8,800 highway projects nationwide and \$4.2 billion had been reimbursed nationwide by FHWA. States continue to dedicate most Recovery Act highway funds for pavement projects, but use of funds may vary depending on state transportation goals. Almost half of Recovery Act highway obligations nationally have been for pavement improvements—including resurfacing, rehabilitating, and reconstructing roadways. About 10 percent of funds has been obligated to replace and improve bridges, while 9 percent has been obligated to construct new roads and bridges. States are taking steps to meet Recovery Act highway requirements; for example, both state and federal officials believe the states are on track to obligate all highway funds by the March 2010 1-year deadline. However, two factors may affect some states' ability to meet the requirement. First, many states are awarding contracts for less than the original cost estimates; this allows states to have funds deobligated and use the savings for other projects, but additional projects must be identified quickly. Second, obligations for projects in suballocated areas, while increasing, are generally lagging behind obligations for statewide projects in most states and lagging considerably behind in a few states. In the weeks ahead, FHWA and the states have the opportunity to exercise diligence to both promptly seek deobligation of known savings and to identify projects that make sound use of Recovery Act funding.

The Federal Transit Administration reports that the majority of transit funds have been obligated. As of November 5, 2009, almost \$6 billion of the \$6.9 billion appropriated for the Transit Capital Assistance Program had been obligated nationwide. Almost 88 percent of these obligations are being used for transit facilities, bus fleets, and preventive maintenance. The remaining funds are being used for rail car purchases, leases, and training, among other things—all of which are eligible expenses. Through our ongoing audit work, GAO continued to find confusion among recipients about how to calculate the numbers of jobs created and saved that is required by Recovery Act reporting requirements. First, a number of transit agencies continue to express confusion about calculating the number of jobs resulting from Recovery Act funding, especially with regard to using Recovery Act funds for purchasing equipment, such as new buses. The second area of confusion GAO found involved the methodology recipients were using to calculate full-time equivalents for the recipient reporting requirements. For example, in one state, four transit entities used a different denominator to calculate the number of full-time equivalent jobs they reported on their recipient reports for the period ending September 30, 2009. In its September 2009 report, GAO recommended that DOT continue its outreach to transit agencies regarding reporting requirements and provide additional guidance, as appropriate. DOT officials stated that they are continuing outreach to transit agencies and will continue to assess the need to provide additional information.

December 10, 2009

Mr. Chairman and Members of the Committee:

I am pleased to be here to discuss our work examining selected states' use of funds made available for highway infrastructure projects and public transportation under the American Recovery and Reinvestment Act of 2009 (Recovery Act).¹ Congress and the administration have fashioned a significant response to what is generally considered 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 spending by the U.S. Department of Transportation (DOT) for investments in transportation infrastructure such as highways, passenger rail, and transit. The Recovery Act specifies several roles for GAO, including conducting ongoing reviews of selected states' and localities' use of funds made available under the act. We recently completed our fourth review, being issued today, which examined a core group of 16 states, the District of Columbia (District), and selected localities.² Our review of transportation programs focused on the Recovery Act funding provided for highway and transit programs.

My statement today is based largely on our fourth review and addresses (1) the uses of Recovery Act highway funding, including the types of projects states have funded and efforts by DOT and the states to meet the requirements of the act, and (2) the uses of Recovery Act transit funding and how recipients of Recovery Act funds are reporting information on the number of jobs created and retained. The states selected for our review contain about 65 percent of the U.S. population and are estimated to receive collectively about two-thirds of the intergovernmental federal assistance funds available through the Recovery Act. We selected these states and the District on the basis of federal 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. We also obtained data from

¹Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

²GAO, *Recovery Act: States' and Localities' Use of Funds and Efforts to Ensure Accountability*, [GAO-10-231](#) (Washington, D.C.: December 10, 2009). The states that were the focus of our review were Arizona, California, Colorado, Florida, Georgia, Illinois, Iowa, Massachusetts, Michigan, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, and Texas.

DOT on obligations and reimbursements for the Recovery Act's highway infrastructure funds. We conducted performance audits for our fourth review from September 2009 to December 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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 Recovery Act provides funding to states for restoration, repair, and construction of highways and other activities allowed under the Federal-Aid Highway Surface Transportation Program and for other eligible surface transportation projects. In March 2009, \$26.7 billion was apportioned to all 50 states and the District for highway infrastructure and other eligible projects. The Recovery Act requires that 30 percent of these funds be suballocated, primarily based on population, for metropolitan, regional, and local use. Highway funds are apportioned to states through federal-aid highway program mechanisms, and states must follow existing program requirements, which include ensuring the project meets all environmental requirements associated with the National Environmental Policy Act (NEPA), paying a prevailing wage consistent with federal Davis-Bacon Act requirements, complying with goals to ensure disadvantaged businesses are not discriminated against in the awarding of construction contracts, and using American-made iron and steel in accordance with Buy America program requirements. While the maximum federal fund share of highway infrastructure investment projects under the existing federal-aid highway program is generally 80 percent, under the Recovery Act, it is 100 percent.

The Recovery Act appropriated \$8.4 billion to fund public transit throughout the country mainly through three existing Federal Transit Administration (FTA) grant programs, including the Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment

program.³ The majority of the public transit funds—\$6.9 billion (82 percent)—was apportioned for the Transit Capital Assistance Program, with \$6 billion designated for the urbanized area formula grant program and \$766 million designated for the nonurbanized area formula grant program.⁴ Under the urbanized area formula grant program, Recovery Act funds were apportioned to large and medium urbanized areas—which in some cases include a metropolitan area that spans multiple states—throughout the country according to existing program formulas. Recovery Act funds were also apportioned to states for small urbanized areas and nonurbanized areas under the formula grant programs using the program’s existing formula. Transit Capital Assistance Program funds may be used for such activities as facilities renovation or construction, vehicle replacements, preventive maintenance, and paratransit services. Up to 10 percent of apportioned Recovery Act Transit Capital Assistance funds may also be used for operating expenses.⁵ The Fixed Guideway Infrastructure Investment program was appropriated \$750 million, of which \$742.5 million was apportioned by formula directly to qualifying urbanized areas.⁶ The funds may be used for any capital projects to maintain, modernize, or

³The other public transit program receiving Recovery Act funds is the Capital Investment Grant program, which was appropriated \$750 million. The Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment program are formula grant programs, which apportion funds to states or their subdivisions by law. Grant recipients may then be reimbursed for expenditures for specific projects based on program eligibility guidelines. The Capital Investment Grant program is a discretionary grant program, which provides funds to recipients for projects based on eligibility and selection criteria.

⁴Urbanized areas are areas encompassing a population of not less than 50,000 people that have been defined and designated in the most recent decennial census as an “urbanized area” by the Secretary of Commerce. Nonurbanized areas are other areas—that is, areas that do not have a population density of at least 50,000 people. Nonurbanized areas are areas in a state that are not designated as urbanized areas.

⁵The 2009 Supplemental Appropriations Act authorizes the use of up to 10 percent of funds apportioned to urbanized and nonurbanized areas for operating expenses. Pub. L. No. 111-32, § 1202, 123 Stat. 1859, 1908 (June 24, 2009). Usually, operating assistance is not an eligible expense for transit agencies within urbanized areas with populations of 200,000 or more.

⁶Generally, to qualify for funding under the applicable formula grant program, an urbanized area must have a fixed guideway system that has been in operation for at least 7 years and is more than one mile in length. Fixed guideway systems are permanent transit facilities that may use and occupy a separate right-of-way for the exclusive use of public transportation services. These fixed guideway systems include rail (light, heavy, commuter, and streetcar) and may include busways (such as bus rapid transit).

improve fixed guideway systems.⁷ The maximum federal fund share for projects under the Recovery Act's Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment program is 100 percent; the federal share under the existing programs is generally 80 percent.

As they work through the state and regional transportation planning process, designated recipients of funds apportioned for transit—typically public transit agencies and metropolitan planning organizations (MPO)—develop a list of transit projects that project sponsors (typically transit agencies) submit to FTA for Recovery Act funding.⁸ FTA reviews the project sponsors' grant applications to ensure that projects meet eligibility requirements and then obligates Recovery Act funds by approving the grant application. Project sponsors must follow the requirements of the existing programs, which include ensuring the projects funded meet all regulations and guidance pertaining to the Americans with Disabilities Act (ADA), pay a prevailing wage consistent with federal Davis-Bacon Act requirements, and comply with goals to ensure disadvantaged businesses are not discriminated against in the awarding of contracts.

⁷This may include the purchase or rehabilitation of rolling stock, track, equipment, or facilities. These funds are specifically provided for fixed guideway modernization and cannot be used for investment in new fixed-guideway capital projects.

⁸Designated recipients are entities designated by the chief executive officer of a state, responsible local officials, and publicly owned operators of public transportation to receive and apportion amounts that are attributable to transportation management areas. Transportation management areas are areas designated by the Secretary of Transportation as having an urbanized area population of more than 200,000, or upon request from the governor and metropolitan planning organizations designated for the area. Metropolitan planning organizations are federally mandated regional organizations, representing local governments and working in coordination with state departments of transportation, that are responsible for comprehensive transportation planning and programming in urbanized areas. MPOs facilitate decision making on regional transportation issues, including major capital investment projects and priorities. To be eligible for Recovery Act funding, projects must be included in the region's Transportation Improvement Program and the approved State Transportation Improvement Program (STIP).

Most Highway Recovery Act Funding Has Been Obligated, and DOT and the States Are Taking Steps to Meet the Act's Requirements

Most Highway Funds Have Been Obligated, and Reimbursements Are Increasing

Three quarters of Recovery Act funds provided for highway infrastructure investment has been obligated nationwide and in the 16 states and the District that are the focus of our review. For example, as of November 16, 2009, \$20.4 billion of the funds had been obligated for just over 8,800 projects nationwide and \$4.2 billion had been reimbursed.⁹ In the 16 states and the District, \$11.9 billion had been obligated for nearly 4,600 projects and \$1.9 billion had been reimbursed.

Table 1 shows the funds apportioned and obligated nationwide and in selected states as of November 16, 2009.

Table 1: Recovery Act Highway Apportionments and Obligations Nationwide and in Selected States as of November 16, 2009

Dollars in millions

State	Apportionment	Obligation	
		Obligated amount	Percentage of apportionment obligated
Arizona	\$522	\$299	57
California	2,570	2,085	81
Colorado	404	346	86
District of Columbia	124	106	86
Florida	1,347	1,123	83

⁹For the Federal Highway Program, the U.S. Department of Transportation (DOT) has interpreted the term obligation of funds to mean the federal government's commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement.

State	Apportionment	Obligation	
		Obligated amount	Percentage of apportionment obligated
Georgia	932	710	76
Illinois	936	784	84
Iowa	358	342	96
Massachusetts	438	252	58
Michigan	847	716	84
Mississippi	355	306	86
New Jersey	652	492	75
New York	1,121	833	74
North Carolina	736	659	90
Ohio	936	488	52
Pennsylvania	1,026	925	90
Texas	2,250	1,396	62
Selected states total	\$15,551	\$11,864	76
U.S. total	\$26,660	\$20,422	77

Source: GAO analysis of Federal Highway Administration data.

Note: Obligation data does not include obligations associated with \$290 million of apportioned funds that were transferred from the Federal Highway Administration (FHWA) to the Federal Transit Administration (FTA) for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

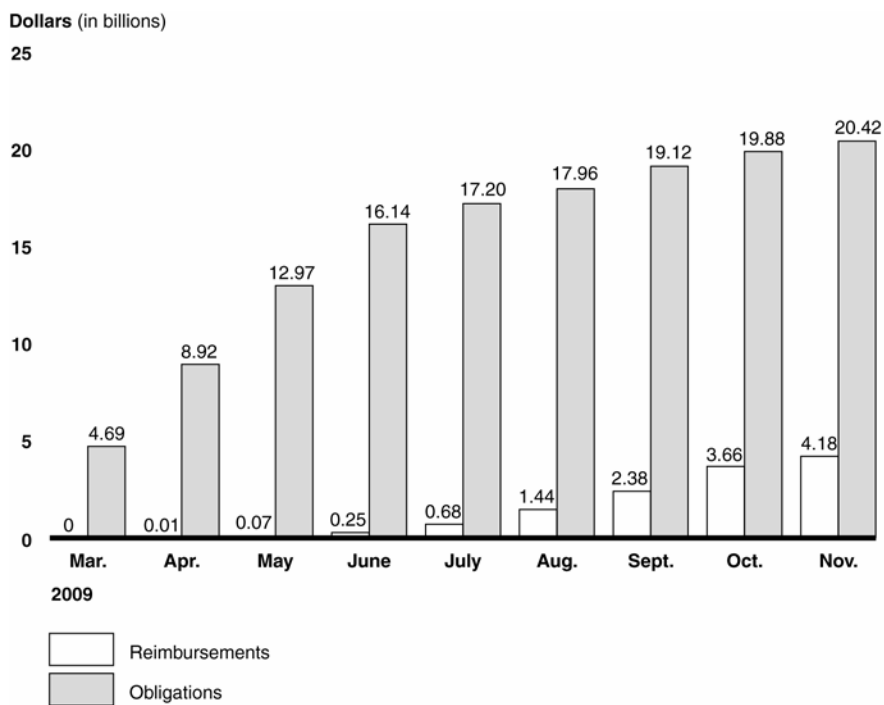
As of November 16, 2009, \$4.2 billion had been reimbursed nationwide by the Federal Highway Administration (FHWA), including \$1.9 billion reimbursed to the 16 states and the District.¹⁰ These amounts represent 20 percent of the Recovery Act highway funding obligated nationwide and 16 percent of the funding obligated in the 16 states and the District. As we reported in our September report, because it can take 2 or more months for a state to bid and award the work to a contractor and have work begin after funds have been obligated for specific projects, it may take months before states request reimbursement from FHWA.¹¹ However reimbursements have increased considerably over time, from \$10 million in April to \$4.2 billion in mid-November. Reimbursements have also

¹⁰States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.

¹¹Once the contract is awarded and contractors mobilize and begin work, states make payments to these contractors for completed work; states may request reimbursement from FHWA. FHWA, through the U.S. Department of the Treasury, is required to pay the state promptly after the state pays out of its own funds for project-related purposes.

increased considerably since we reported in September, when \$604 million had been reimbursed to the 16 states and the District and \$1.4 billion had been reimbursed nationwide. See figure 1.

Figure 1: Cumulative Recovery Act Highway Funds Obligated and Reimbursed by FHWA Nationwide from March 30, 2009 to November 16, 2009



Source: GAO analysis of FHWA data.

Note: Obligation and reimbursement data does not include obligations or reimbursements associated with \$290 million of apportioned funds that were transferred from FHWA to FTA for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA. November data is only for the first 16 days of the month.

While reimbursement rates have been increasing, wide differences exist across states. Some differences we observed among the states were related to the complexity of the types of projects states were undertaking and the extent to which projects were being administered by local governments. For example, Illinois and Iowa have the highest reimbursement rates—36 percent and 53 percent of obligations, respectively—far above the national average. Illinois and Iowa also have a far larger percentage of funds devoted to resurfacing projects than other states—as discussed in the next section, resurfacing projects can be quickly obligated and bid. Florida and California have among the lowest

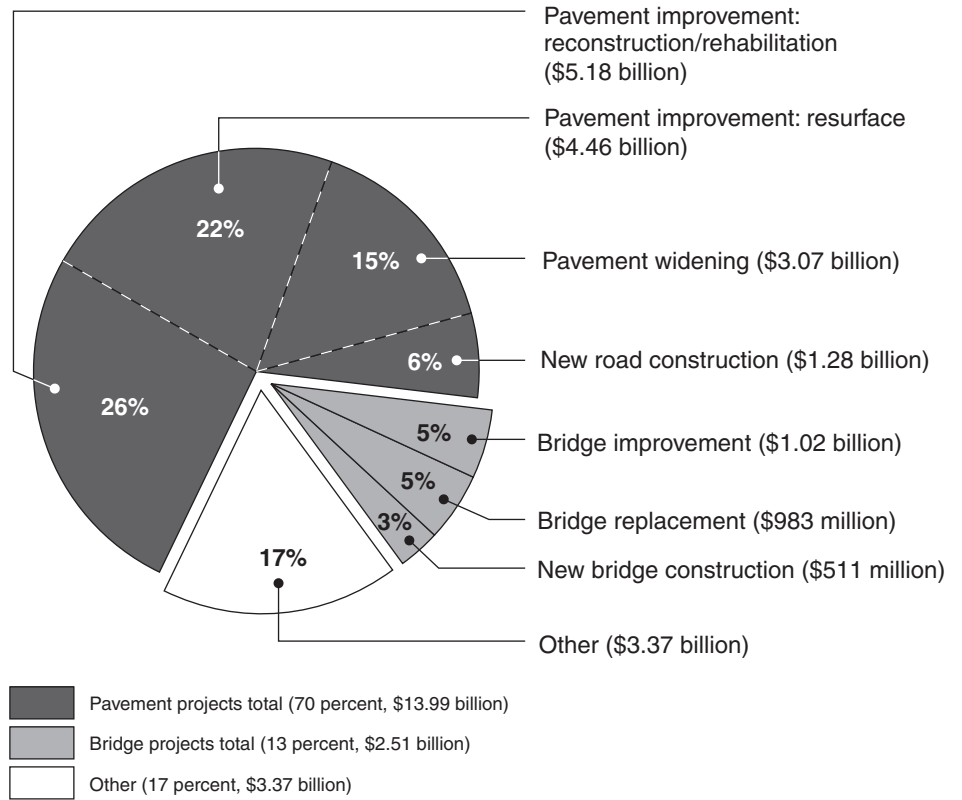
reimbursement rates, less than 2 percent and 4 percent of obligations, respectively. Florida is using Recovery Act funds for more complex projects, such as constructing new roads and bridges and adding lanes to existing highways. Florida officials also told us that the pace of awarding contracts has been generally slower in areas where large numbers of projects are being administered by local agencies. In California, state officials said that projects administered by local agencies may take longer to reach the reimbursement phase than state projects due to additional steps required to approve local highway projects. For example, highway construction contracts administered by local agencies in California call for a local public notice and review period, which can add nearly 6 weeks to the process. In addition, California state officials stated that localities tend to seek reimbursement in one lump sum at the end of a project, which can contribute to reimbursement rates not matching levels of ongoing construction.

States Continue to Dedicate Most Recovery Act Highway Funds for Pavement Projects, but Use of Funds Varies Depending on State Transportation Goals

Almost half of Recovery Act highway obligations nationally have been for pavement improvements—including resurfacing, rehabilitating, and reconstructing roadways—consistent with the use of Recovery Act funds in our previous reports. Specifically, \$4.5 billion, or 22 percent, is being used for road resurfacing projects, while \$5.2 billion, or 26 percent, is being used for reconstructing or rehabilitating deteriorated roads.¹² As we have reported, many state officials told us they selected a large percentage of resurfacing and other pavement improvement projects because those projects did not require extensive environmental clearances, were quick to design, could be quickly obligated and bid, could employ people quickly, and could be completed within 3 years. In addition to pavement improvement, other projects that have significant funds obligated include pavement widening (reconstruction that includes adding new capacity to existing roads), with \$3 billion (15 percent) obligated, and bridge replacement and improvements, with \$2 billion (10 percent) obligated. Construction of new roads and bridges accounted for 6 percent and 3 percent of funds obligated, respectively. Figure 2 shows obligations by the types of road and bridge improvements being made.

¹²Data is as of October 31, 2009. A total of \$19.9 billion had been obligated nationwide as of that date.

Figure 2: National Recovery Act Highway Obligations by Project Improvement Type as of October 31, 2009



Source: GAO analysis of Federal Highway Administration data.

Note: Totals may not add due to rounding. "Other" includes safety projects, such as improving safety at railroad grade crossing, and transportation enhancement projects, such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

The total distribution of project funds by improvement type among the 16 states and the District closely mirrors the distribution nationally— however, we noted wide differences in how funds were used in these states. States have considerable latitude to select projects under both the Recovery Act and the regular Federal-Aid Highway Program, and as a result, states have adopted different strategies to use Recovery Act funding to meet the states' transportation goals and needs and promote long-term investment in infrastructure. The following are some examples:

- Illinois and Iowa have had a significant portion of their Recovery Act funds obligated for resurfacing projects—63 percent and 59 percent of funds, respectively, compared with 10 percent and 12 percent of funds in

Pennsylvania and Florida, respectively (the national average is 22 percent). Iowa officials told us that focusing on pavement projects allowed them to advance a significant number of needed projects, which will reduce the demand for these types of projects and free up federal and state funding for larger, more complex projects in the near future.

- According to California officials, under a state law enacted in March 2009, 62.5 percent of funds went directly to local governments for projects of their selection, while the remaining 37.5 percent is being used mainly for state highway rehabilitation and maintenance projects that, due to significant funding limitations, would not have otherwise been funded. According to California officials, distributing a majority of funds to localities allows a number of locally important projects to be funded.
- Mississippi used over half its Recovery Act funds for pavement improvement projects and around 14 percent of funds for pavement widening. The Executive Director of the state transportation department told us the Recovery Act allowed Mississippi to undertake needed projects and to enhance the safety and performance of the state's highway system. However, the Executive Director also said that the act's requirements that priority be given to projects that could be completed in 3 years resulted in missed opportunities to address long-term needs, such as upgrading a state roadway to interstate highway standards, that would have likely had a more lasting impact on Mississippi's infrastructure and economic development.
- In Florida, 36 percent of funds have been obligated for pavement-widening projects (compared with 15 percent nationally) and 23 percent for construction of new roads and bridges (compared with 9 percent nationally), while in Ohio, 32 percent of funds have been obligated for new road and bridge construction.
- Pennsylvania targeted Recovery Act funds to reduce the number of structurally deficient bridges in the state.¹³ As of October 2009, 31 percent of funds in Pennsylvania were obligated for bridge improvement and replacement (compared with 10 percent nationally), in part because a

¹³The Highway Bridge Program classifies bridge conditions as deficient or not. A structurally deficient bridge is defined as a bridge with at least one or more components in poor condition.

significant percentage (about 26 percent, as of 2008) of the state's bridges are structurally deficient.¹⁴

- Massachusetts has used most of its Recovery Act funds to date for pavement improvement projects, including 30 percent of funds for resurfacing projects and 43 percent of funds for reconstructing or rehabilitating deteriorated roads. A Massachusetts official told us that the focus of its projects for reconstructing and rehabilitating roads, as well as the focus of future project selections, is to select projects that promote the state's broader long-term economic development goals. For example, according to a Massachusetts official, the Fall River development park project supports an economic development project and includes construction of a new highway interchange and new access roadways to a proposed executive park. FHWA officials expressed concern that Massachusetts may be pursuing ambitious projects that run the risk of not meeting Recovery Act requirements that all funds be obligated by March 2010.

States Are Taking Additional Steps to Meet Recovery Act Highway Requirements, Including the Obligation Deadline and the Economically Distressed Area and Maintenance-of-Effort Requirements

Recovery Act highway funding is apportioned under the rules governing the Federal-Aid Highway Program generally and its Surface Transportation Program in particular, and states have wide latitude and flexibility in which projects are selected for federal funding. However, the Recovery Act tempers that latitude with requirements that do not exist in the regular program, including the following requirements:

- States are required to ensure that all apportioned Recovery Act funds—including suballocated funds—are obligated within 1 year (before Mar. 2, 2010). The Secretary of Transportation is to withdraw and redistribute to eligible states any amount that is not obligated within this time frame.¹⁵ Any Recovery Act funds that are withdrawn and redistributed are available for obligation until September 30, 2010.¹⁶

¹⁴See GAO, *Highway Bridge Program: Clearer Program Goals and Performance Measures Needed for a More Focused and Sustainable Program*, [GAO-08-1043](#) (Washington, D.C.: Sept. 10, 2008).

¹⁵The Recovery Act provides that states that have had their statewide funds obligated before March 2, 2010, will be eligible to receive redistributed funds even if their suballocated funds have not been obligated. Recovery Act, div. A, title XII, 123 Stat. 115, 206.

¹⁶Recovery Act, div. A, §1603.

-
- Give priority to projects that can be completed within 3 years and to projects located in economically distressed areas. Distressed areas are defined by the Public Works and Economic Development Act of 1965, as amended.¹⁷ According to this act, to qualify as an economically distressed area, the area must (1) have a per capita income of 80 percent or less of the national average; (2) have an unemployment rate that is, for the most recent 24-month period for which data are available, at least 1 percent greater than the national average unemployment rate; or (3) be an area the Secretary of Commerce determines has experienced or is about to experience a “special need” arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short- or long-term changes in economic conditions. In response to our recommendation, FHWA, in consultation with the Department of Commerce, issued guidance on August 24, 2009, that provided criteria for states to use for designating “special need” areas for the purpose of Recovery Act funding.¹⁸
 - Certify that the state will maintain the level of spending for the types of transportation projects funded by the Recovery Act that it planned to spend the day the Recovery Act was enacted. As part of this certification, the governor of each state is required to identify the amount of funds the state plans to expend from state sources from February 17, 2009, through September 30, 2010.¹⁹

The first Recovery Act requirement is that states have to ensure that all apportioned Recovery Act funds—including suballocated funds—are obligated within 1 year. Over 75 percent of apportioned Recovery Act highway funds had been obligated as of November 16, 2009, both nationwide and among the 16 states and the District. Nine states and the District have higher obligation rates than the national average, including Iowa and the District—for which FHWA has obligated 96 percent and 86 percent of funds, respectively. Conversely, Arizona, Massachusetts, Ohio, and Texas have obligation rates of between 52 percent and 62 percent of apportioned funds. Officials at FHWA and state department of

¹⁷42 U.S.C. § 3161.

¹⁸As we reported in September 2009, the criteria align closely with “special need” criteria used by the Department of Commerce’s Economic Development Administration in its own grant programs, including factors such as actual or threatened business closures (including job loss thresholds), military base closures, and natural disasters or emergencies.

¹⁹Recovery Act, div. A, § 1201(a).

transportation officials in the states we reviewed generally believe that these states are on track to meet the March 2010 1-year deadline.

However, two factors may affect some states' ability to meet the 1-year requirement. First, many state and local governments are awarding contracts for less than the original estimated cost. This allows states to use the savings from lower contract awards for other projects, but additional projects funded with deobligated funds must be identified quickly. In order to use the savings resulting from the lower contract awards, a state must request FHWA to deobligate the difference between the official estimate and the contract award amount and then obligate funds for a new project.

Our analysis of contract award data shows that for the 10 states and the District, the majority of contracts are being awarded for less than the original cost estimates.²⁰ While there is a variation in the number of contracts being awarded for lower than their original estimates, every state we collected information from awarded at least half of its contracts for less than the original cost estimates. Some states had an extremely high number of contracts awarded at lower amounts. For example, California, Georgia, and Texas awarded more than 90 percent of their contracts for less than their cost estimates. We also found a significant variation in both the average amount and the range of the savings from contracts awarded at lower amounts. For example, in the District and Georgia, such contracts averaged more than 30 percent less than original state estimates, while in Colorado and Massachusetts, such contracts averaged under 15 percent less than original state estimates. In addition, there is also a significant range in individual projects, with the savings ranging from less than 1 percent under estimates in a number of states to

²⁰The data provided included projects that had been awarded contracts and projects where contracts had not yet been awarded. Our analysis included projects that had official engineers' estimates and the contract award amount. Therefore, only projects that had values for the estimate and award amounts were included in our analysis. Although we examined the data for obvious discrepancies, the data we collected are self-reported by individual states. Therefore, the data may not be complete, and we consider the reliability of these data undetermined. Because of this, we are only reporting ranges and approximate percentages. Our analysis included data from states that had the data available as of November 19, 2009. In all, we reviewed 1,880 contracts, ranging from 12 contracts in the District to 587 contracts in Illinois. In addition, some states provided data for only state-awarded contracts, while other states provided both state and locally awarded contract data.

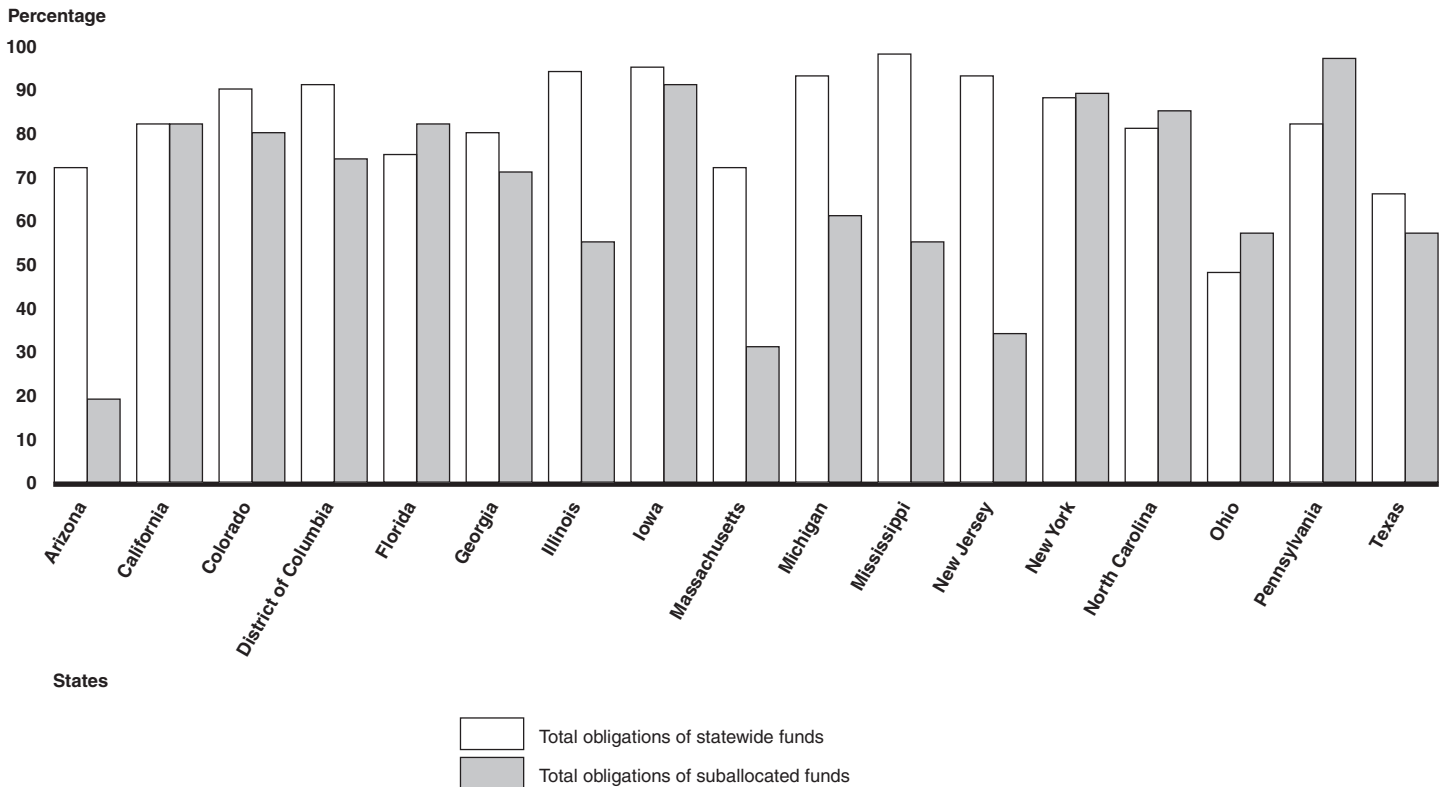
almost 55 percent under estimates in New York and over 90 percent under in Illinois.

Federal regulations require states to promptly review and adjust project cost estimates on an ongoing basis and at key decision points, such as when the bid is approved.²¹ Many state officials told us that their state has already started the process of ensuring funds are deobligated and obligated to other highway programs and projects by the 1-year deadline. For example, in Colorado, officials are planning to use Recovery Act funds that are being deobligated by FHWA for 5 new projects, while in California, FHWA deobligated approximately \$108.5 million and the state has identified 16 new projects for Recovery Act funding. FHWA officials told us they recognize the need to develop a process to monitor and ensure deobligation of Recovery Act funds from known savings before the 1-year deadline.

A second factor that may affect some states' ability to meet the 1-year requirement is that obligations for projects in suballocated areas, while increasing, are generally lagging behind obligations for statewide projects in most states and lagging considerably behind in a few states. In the 16 states and the District, 79 percent of apportioned statewide funds had been obligated as of October 31, 2009, while 65 percent of suballocated funds had been obligated. Figure 3 shows obligations for statewide and suballocated areas in the 16 states and the District.

²¹Specifically, within 90 days after determining that the estimated federal share of project costs has decreased by \$250,000 or more, states shall revise the federal funds obligated for a project. 23 C.F.R. § 630.106(a)(4). The funds deobligated through this process may be used for other FHWA-approved projects once the funds have been obligated by FHWA.

Figure 3: Percentage of Recovery Act Highway Apportionments That Have Been Obligated for States and Suballocated Areas in Selected States as of October 31, 2009



Source: GAO analysis of FHWA data.

Note: This figure includes only apportioned funds available for highways and excludes \$290 million of apportioned funds that were transferred from FHWA to FTA for transit projects in nine states. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

As shown in figure 3, and as we reported in September 2009, FHWA has obligated substantially fewer funds suballocated for metropolitan and local areas in three states. While the national average for obligations of Recovery Act funds for suballocated areas is 63 percent, as of October 31, New Jersey, Massachusetts, and Arizona had obligation rates of 34 percent, 31 percent, and 18 percent of these funds, respectively. Officials in these three states cited a number of reasons for this—including lack of familiarity by local officials with federal requirements and increased staff workload associated with Recovery Act projects—and reported they were taking a number of actions to increase obligations, such as imposing internal deadlines on local governments to identify and submit projects. As

of October 2009, Arizona had awarded four contracts (one more than it had as of September 2009) representing \$29 million of the \$157 million of suballocated funds. This represents 18 percent of suballocated funds—a decline from the 21 percent of suballocated funds that had been obligated when we reported in September 2009. Arizona Department of Transportation officials told us that although one new contract had been awarded, the state’s total obligation of suballocated funds had declined because some suballocated funds were deobligated after more contracts were awarded for less than the estimated amount. Officials also told us that if local governments are not able to advertise contracts for construction in suballocated areas prior to the March 2010 deadline, the state would use Recovery Act funds on “ready-to-go” statewide highway projects in those areas. Similarly, officials in two localities told us that if projects intended for Recovery Act funds were in danger of not having funds obligated by the deadline, they would use those funds on projects now slated to be funded with state dollars and use state funding for other projects.

Although states are working to have all of their suballocated funds obligated before March 2010, failure to do so will not prohibit them from participating in the redistribution of Recovery Act funds after March 2, 2010. The Secretary of Transportation is to withdraw highway funds, including suballocated funds, that are not obligated before March 2, 2010. A state that has obligated all of the funds that were apportioned for use by the state (those that were not suballocated) is eligible to participate in this redistribution, regardless of whether all of the state’s suballocated funds have been obligated. FHWA has stated that it is in the process of developing guidance on how the redistribution of any Recovery Act funding that remains unobligated 1 year after apportionment. According to DOT officials, consistent with guidance in the Recovery Act, FHWA currently plans to model this redistribution after the process used each year in the regular federal-aid highway program to redistribute obligation authority, allowing Recovery Act funds redistributed to the states to be available for any qualified project in a state.

The second Recovery Act requirement is to give priority to projects located in economically distressed areas. In July and September 2009, we identified substantial variation in the extent to which states prioritized projects in economically distressed areas and how they identified these

areas.²² For example, we found instances of states developing their own eligibility requirements for economically distressed areas using data or criteria not specified in the Public Works and Economic Development Act (Public Works). State officials told us they did so to respond to rapidly changing economic conditions. In response to our recommendation, FHWA, in consultation with the Department of Commerce, issued guidance to the states in August 2009 on identifying and giving priority to economically distressed areas and criteria to identify “special need” economically distressed areas that do not meet the statutory criteria in the Public Works act.²³ In its guidance, FHWA directed states to maintain information as to how they identified, vetted, examined, and selected projects located in economically distressed areas and to provide FHWA’s division offices with documentation that demonstrates satisfaction of the “special need” criteria. FHWA issued additional questions and answers relating to economically distressed areas in November 2009.

Widespread designations of special needs areas gives added preference to highway projects for Recovery Act funding; however, they also make it more difficult to target Recovery Act highway funding to areas that have been the most severely impacted by the economic downturn. Three of the states we reviewed—Arizona, California, and Illinois—had each developed and applied its own criteria for identifying economically distressed areas, and in two of the three states, applying the new criteria increased the number of areas considered distressed. In California, the number of counties considered distressed rose from 49 to all 58 counties, while in Illinois, the number of distressed areas increased from 74 to 92 of the state’s 102 counties. All 15 counties in Arizona were considered distressed under the state’s original determination and remained so when the state applied the revised criteria. FHWA officials told us they expected the number of “special need” distressed areas to increase when the new guidance was applied. We plan to continue to monitor the states’ implementation of DOT’s economically distressed area guidance.

²²For example, Arizona identified these areas based in part on home foreclosure rates—data not specified in the Public Works act.

²³As we reported, the criteria align closely with “special need” criteria used by the Department of Commerce’s Economic Development Administration in its own grant programs, including factors such as actual or threatened business closures (including job loss thresholds), military base closures, and natural disasters or emergencies.

The third Recovery Act requirement is for states to certify that they will maintain the level of state effort for programs covered by the Recovery Act. As we reported in September 2009, most states revised the initial explanatory or conditional certifications they submitted to DOT after DOT's April 22, 2009, guidance required states to recertify without conditions. All states that submitted conditional certifications submitted a second maintenance-of-effort certification to DOT without conditions, and DOT concluded that the form of each state certification was consistent with its April guidance. In June 2009, FHWA began to review each state's maintenance-of-effort calculation to determine whether the method of calculation was consistent with DOT guidance and the amounts reported by the states for planned expenditures for highway investment was reasonable. For example, FHWA division offices evaluated, among other things, whether the amount certified (1) covered the period from February 17, 2009, through September 30, 2010, and (2) included in-kind contributions. FHWA division staff then determined whether the state certification needed (1) no further action, (2) further assessment, or (3) additional information. In addition, according to FHWA officials, their assessments indicated that FHWA needed to clarify the types of projects funded by the appropriations and the types of state expenditures that should be included in the maintenance-of-effort certifications. As a result of these findings, DOT issued guidance in June, July, and September 2009 and plans to issue additional guidance on these issues.

In August 2009, FHWA staff in headquarters reviewed the FHWA division staff findings for each state and proceeded to work with each FHWA division office to make sure their states submit revised certifications that will include the correct planned expenditures for highway investment—including aid to local agencies. FHWA officials said that of the 16 states and the District that we reviewed for this study, they currently expect to have 12 states submit revised certifications for state highway spending, while an additional 2 states are currently under review and may have to revise their certifications. DOT officials stated they have not determined when they will require the states to submit their revised consolidated certification. According to these officials, they want to ensure that the states have enough guidance to ensure that all programs covered by the Recovery Act maintenance-of-effort provisions have completed their maintenance-of-effort assessments and that the states have enough guidance to ensure that this is the last time that states have to amend their certifications.

Most state officials we spoke with are committed to trying to meet their maintenance-of-effort requirements, but some are concerned about

meeting the requirements. As we have previously reported, states face drastic fiscal challenges, and most states are estimating that their fiscal year 2009 and 2010 revenue collections will be well below estimated amounts. Although the state officials we spoke with are committed to trying to meet the maintenance-of-effort requirements, officials from seven state departments of transportation told us the current decline in state revenues creates major challenges in doing so. For example, Iowa, North Carolina, and Pennsylvania transportation officials said it may be more difficult for their departments to maintain their levels of transportation spending if state gas tax and other revenues, which are used to fund state highway and state-funded transportation projects, decline. In addition, Georgia officials also stated that reduced state gas-tax revenues pose a challenge to meeting its certified level of effort. Lastly, Mississippi and Ohio transportation officials stated that if their state legislatures reduce their respective department's budget for fiscal year 2010 or 2011, the department may have difficulty maintaining its certified spending levels.

FTA Reports That the Majority of Transit Funds Have Been Obligated, with Most Funding Being Used for Transit Facilities, Bus Fleets, and Preventive Maintenance

For Recovery Act transit funds, we focused our review on the Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment program, which received approximately 91 percent of the Recovery Act transit funds, and on seven selected states that received funds from these programs. As of November 5, 2009, about \$6.7 billion of the Recovery Act's Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment program funds had been obligated nationwide.²⁴ Almost 88 percent of Recovery Act Transit Capital Assistance program obligations are being used for upgrading transit facilities, improving bus fleets, and conducting preventive maintenance.

In March 2009, \$6.9 billion was apportioned to states and urbanized areas in all 50 states, the District, and five territories for transit projects and eligible transit expenses under the Recovery Act's Transit Capital Assistance Program and \$750 million was apportioned to qualifying urbanized areas under the Recovery Act's Fixed Guideway Infrastructure Investment program. As of November 5, 2009, almost \$6 billion of the Transit Capital Assistance Program funds had been obligated nationwide

²⁴For the Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment program, the U.S. DOT has interpreted the term obligation of funds to mean the federal government's commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a grant agreement.

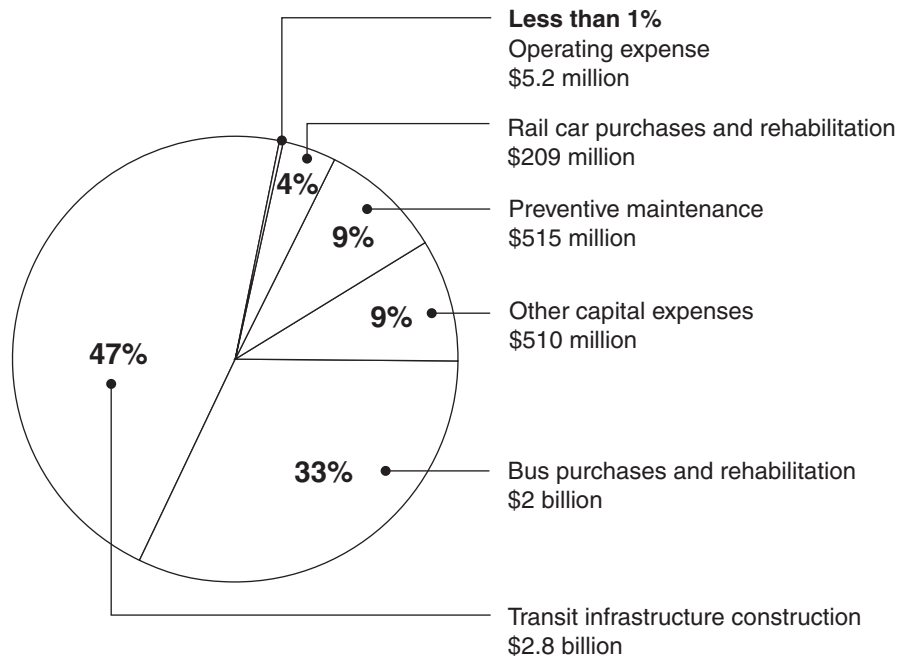
and \$738 million of the Fixed Guideway Infrastructure Investment program funds has been obligated nationwide.

Almost 88 percent of Recovery Act Transit Capital Assistance Program obligations are being used for upgrading transit facilities, improving bus fleets, and conducting preventive maintenance. Figure 4 shows Recovery Act Transit Capital Assistance Program obligations for urbanized and nonurbanized areas, by project type. As we reported in September 2009, many transit agency officials told us they decided to use Recovery Act funding for these types of projects since they are high-priority projects that support their agencies short- and long-term goals, can be started quickly, improve safety, or would otherwise not have been funded. This continues to be the case. Following are some examples:

- *Transit infrastructure facilities:* \$2.8 billion, or 47 percent, of these funds obligated nationally have been for transit infrastructure construction projects and related activities, which range from large-scale projects, such as upgrading power substations, to a series of smaller projects, such as installing enhanced bus shelters. For example, in Pennsylvania, the Lehigh and Northampton Transportation Authority will implement a new passenger information technology system, install enhanced bus shelters and signage, and fund a new maintenance facility. Elsewhere, in North Carolina, the Charlotte Area Transit System will renovate its operating and maintenance facilities. In addition, in California, the San Diego Association of Governments plans to upgrade stations on a light-rail line and replace a section of a railroad trestle bridge.
- *Bus fleets:* \$2 billion, or 33 percent, of Recovery Act funds obligated nationally have been for bus purchases or rehabilitation to replace aging vehicles or expand an agency's fleet. For example, in Pennsylvania, the Lehigh and Northampton Transportation Authority plans to purchase 5 heavy-duty hybrid buses and the Southeastern Pennsylvania Transportation Authority plans to purchase 40 hybrid buses. In Iowa, the state's smaller transit agencies are combining bus orders through the state's department of transportation for 160 replacement buses and 20 buses to expand bus fleets in areas of growth around the state. In Colorado, both the Regional Transportation District in Denver and the Fort Collins-Transfort agency plan to purchase 6 buses each.
- *Preventive maintenance:* Another \$515 million, or 9 percent, has been obligated for preventive maintenance. FTA considers preventive maintenance projects eligible capital expenditures under the Transit Capital Assistance Program.

The remaining obligations have been used for rail car purchases and rehabilitation, leases, training, financing costs, and, in some limited cases, operating expenses—all of which are eligible expenditures. In particular, transit agencies reported using \$5.2 million, or less than 1 percent, of the Transit Capital Assistance Program funds obligated by FTA for operating expenses. For example, the Des Moines transit agency has proposed to use approximately \$788,800 for operating expenses, such as costs associated with personnel, facilities, and fuel.

Figure 4: Nationwide Transit Capital Assistance Program Recovery Act Obligations by Project Type as of November 5, 2009



Source: GAO analysis of Federal Transit Administration data.

Note: Percentages may not add to 100 due to rounding. "Transit Infrastructure Construction" includes engineering and design, acquisition, construction, and rehabilitation and renovation activities. "Other capital expenses" includes items such as leases, training, finance costs, mobility management project administration, and other capital projects.

Funds from the Recovery Act Fixed Guideway Infrastructure Investment program may also be used for transit improvement projects; however this is limited to fixed guideway transit facilities and equipment. Recipients may use the funding on any capital purpose to include purchasing of rolling stock, improvements to rail tracks, signals and communications, and preventive maintenance. For example, in New York, FTA approved a \$254.4 million grant from Recovery Act Fixed Guideway Infrastructure

Investment funds for the Metropolitan Transportation Authority for a variety of maintenance and safety improvement projects, including the Jackson Avenue Vent Plant Rehabilitation project in Long Island City. In addition, northeastern Illinois's Regional Transportation Authority is planning on using \$95.5 million that was obligated from the Fixed Guideway Infrastructure Investment program to provide capital assistance for the modernization of existing fixed guideway systems. Metra (a regional commuter rail system that is part of the authority) plans to use these funds, in part, to repair tracks and rehabilitate stations.

Some State Transit Officials and Bus Manufacturers Are Using Different Criteria to Measure Job Creation and Retention

As we reported in September, recipients of transit Recovery Act funds, such as state departments of transportation and transit agencies, are subject to multiple reporting requirements. First, under section 1201(c) of the Recovery Act, recipients of transportation funds must submit periodic reports to DOT on the amount of federal funds appropriated, allocated, obligated, and reimbursed; the number of projects put out to bid, awarded, or for which work has begun or been completed; and the number of direct and indirect jobs created or sustained, among other things. DOT is required to collect and compile this information for Congress, and it issued its first report to Congress in May 2009. Second, under section 1512, recipients of Recovery Act funds, including but not limited to transportation funds, are to report quarterly on a number of measures, such as the use of funds and the number of jobs created or retained.

To help recipients meet these reporting requirements, DOT and the Office of Management and Budget (OMB) have provided training and guidance. For example, DOT, through FTA, conducted a training session consisting of six webinars to provide information on the 1201(c) reporting requirements, such as who should submit these reports and what information is required. In addition, FTA issued guidance in September 2009 that provided a variety of information, including definitions of data elements. OMB also issued implementing guidance for section 1512 recipient reporting. For example, on June 22, 2009, OMB issued guidance to dispel some confusion related to reporting on jobs created and retained by providing, among other information, additional detail on how to calculate the relevant numbers. Despite this guidance, we reported in September that transit officials expressed concerns and confusion about the reporting requirement, and therefore we recommended that DOT continue its outreach to transit agencies to identify common problems in accurately fulfilling reporting requirements and provided additional guidance, as appropriate. In responding to our recommendation, DOT said it had conducted outreach, including providing technical assistance

training and guidance, to recipients and will continue to assess the need to provide additional information.

Through our ongoing audit work, we continued to find confusion among recipients about how to calculate the numbers of jobs created and saved that is required by DOT and OMB for their reporting requirements. First, a number of transit agencies continue to express confusion about calculating the number of jobs resulting from Recovery Act funding, especially with regard to using Recovery Act funds for purchasing equipment, such as new buses. For the section 1201(c) reporting requirement, transit agencies are not to report any jobs created or sustained from the purchase of buses.²⁵ However, for the section 1512 recipient reporting requirement, transit agencies were required to report jobs created or retained from bus purchases, as long as these purchases were directly from the bus manufacturers and not from dealer lots. FTA held an outreach session in September 2009 with representatives from bus manufacturers and the American Public Transportation Association in an effort to standardize 1512 reporting methods and clarify recipient responsibilities under the federal recipient reporting requirements. FTA, the represented manufacturers, and American Public Transportation Association discussed a standardized methodology that was established by OMB for calculating the number of jobs created or retained by a bus purchase with Recovery Act funds. Under the agreed-upon methodology, bus manufacturers are to divide their total U.S. employment by their total U.S. production to determine a standard “full-time equivalents” (FTE)-to-production ratio. The bus manufacturers would then multiply that FTE-to-production ratio by a standard full-time schedule in order to provide transit agencies with a standard “direct job hours”-to-production ratio. This ratio is to include hours worked by administrative and support staff, so that the ratio reflects total employment. Bus manufacturers are to

²⁵The sections 1201(c) and 1512 reporting requirements differ significantly. Under section 1201(c)(2)(F), FTA is required to collect and compile grantee data, including “the number of direct, on-project jobs created or sustained ...” as well as “to the extent possible, the estimated indirect jobs created or sustained in the associated supplying industries, including the number of job-years created and the total increase in employment....” As implemented by FTA, FTA’s grantees report on direct on-site jobs only; FTA calculates indirect and induced jobs such as manufacturing jobs from the purchase of buses. In contrast, section 1512 places the burden on recipients to report “an estimate of the number of jobs created and the number of jobs retained by the project or activity,” language that DOT has interpreted to require reporting of manufacturing jobs when a purchase is sufficient to impact the manufacturer’s labor force requirements. Moreover the reporting processes differ under the two provisions. FTA grantees must complete their section 1201 report in TEAM, which is FTA’s grant management system.

provide this ratio to the grantees, usually transit agencies, which the grantee then can use to calculate the number of jobs created or retained by a bus purchase. FTA officials told us that the selected group of bus manufacturers and FTA agreed that this methodology—which allows manufacturers to report on all purchases, regardless of size—simplifies the job reporting process. According to guidance, it is the responsibility of the transit agency to contact the manufacturer and ask how many jobs were related to that order. The manufacturers, in turn, are responsible for providing the transit agencies with information on the jobs per bus ratio at the time when buses are delivered. If the manufacturers cannot give the agencies a jobs estimate, the transit agencies must develop their own estimate.

While representatives from three bus manufacturers we interviewed were using the agreed-upon methodology, they highlighted a number of different issues related to job estimates:

- Representatives from two bus manufacturers reported not knowing about the FTA methodology and used their own measures for jobs created or retained. For example, representatives from two manufacturers told us that the labor-hours required to produce a bus formed the basis for their calculation of FTEs and was then pro-rated based upon the amount of production taking place in the United States and the purchase amount funded by Recovery Act dollars.
- One bus manufacturer representative said it was difficult to prorate the jobs calculation by the proportion funded by the Recovery Act, as the agreed-upon methodology requires, since they did not always receive this information from the transit agencies.
- According to FTA officials, the manufacturer is only responsible for reporting the ratio of jobs created or retained per bus produced; the purchasing transit agencies are responsible for the prorating and final calculation of jobs created or retained. However, even bus manufacturers that were otherwise aware of FTA guidance and following FTA's methodology would sometimes calculate the total number of jobs created or retained by a purchase.

The second area of confusion we found involved the methodology recipients were using to calculate full-time equivalents for the recipient reporting requirements. As we reported in our November 2009 report on recipient reporting, the data element on jobs created or retained expressed

in FTEs raised questions and concerns for some recipients.²⁶ In section 5.2 of the June 22 guidance, OMB states that “the estimate of the number of jobs required by the Recovery Act should be expressed as FTE, which is calculated as the total hours worked in jobs retained divided by the number of hours in a full-time schedule, as defined by the recipient.” Further, “the FTE estimates must be reported cumulatively each calendar quarter.” In addition to issuing guidance, OMB and DOT provided several types of clarifying information to recipients as well as opportunities to interact and ask questions or receive help with the reporting process. However, FTE calculations varied depending on the period of performance the recipient reported on, and we found examples where the issue of a project period of performance created significant variation in the FTE calculation. For example, in Pennsylvania, each of four transit entities we interviewed used a different denominator to calculate the number of full-time equivalent jobs they reported on their recipient reports for the period ending September 30, 2009. Southeastern Pennsylvania Transportation Authority in Philadelphia used 1,040 hours as its denominator since it had projects under way in two previous quarters. Port Authority of Allegheny County prorated the hours based on the contractors’ start date, as well as to reflect that hours worked from September were not included due to lag time in invoice processing; Port Authority used 1,127 hours for contractors starting before April, 867 hours for contractors starting in the second quarter, and 347 hours for contractors starting in the third quarter. Lehigh and Northampton Transportation Authority in Allentown used 40 hours in the 1512 report they tried to submit, but, due to some confusion about the need for corrective action, the report was not filed. Finally, the Pennsylvania Department of Transportation reported using 1,248 hours, which was prorated by multiplying 8 hours per workday times the 156 workdays between February 17 and September 30, 2009. In several other of our selected states, this variation across transit programs’ period of performance for the FTE calculation also occurred. Our November report provided additional detail and recommendations to address the problems and confusion associated with how FTEs were calculated in the October recipient report.

In summary Mr. Chairman, obligation of Recovery Act funds continues, and states are using these funds for a variety of purposes to address the particular transportation challenges in their states. DOT and the states

²⁶GAO, *Recovery Act: Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, [GAO-10-223](#) (Washington, D.C.: Nov. 19, 2009).

remain confident that the March 2010 1-year deadline for obligating all highway funds will be met. It seems likely that funds will be available for obligation after the March deadline, although estimating precisely how much is difficult. This is because states continue to realize savings from contracts awarded at less than estimated costs, allowing the savings to be deobligated and obligated to other projects. In the weeks ahead, FHWA and the states have the opportunity to exercise diligence to both promptly seek deobligation of known savings and to identify projects that make sound use of Recovery Act funding. In addition, if any funds are withdrawn, they will be redistributed to states that have had all of their statewide funds obligated by March and will be available for obligation by FHWA. States that do not have all of their suballocated funds obligated by March will not be precluded from receiving redistributed funds. We will continue to monitor states' and localities' use of Recovery Act funds, including the rates of deobligation. In addition, there is a lack of understanding among transit agencies and bus manufacturers regarding the suggested methodology for calculating the number of jobs created or saved through bus purchases and the manufacturer's role in the reporting process. We have previously recommended that OMB work with recipients to enhance understanding of the reporting process and that DOT continue its outreach to state departments of transportation and transit agencies to ensure recipients of Recovery Act funds are adequately fulfilling their reporting requirements. Implementing these recommendations will be key to addressing the lack of understanding we found related to reporting the number of jobs saved or created through bus purchases. We will continue to monitor states' and localities' use of Recovery Act funds in our future reviews.

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.

GAO Contact and Staff Acknowledgments

For further information regarding this statement, please contact Katherine A. Siggerud at (202) 512-2834 or siggerudk@gao.gov, or A. Nicole Clowers at (202) 512-2834 or clowersa@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement are Lauren Calhoun, Steve Cohen, Catherine Colwell, Robert Ciszewski, Dean Gudicello, Heather Halliwell, Bert Japikse, Delwen Jones, Hannah Laufe, Les Locke, Tim Schindler, Raymond Sendejas, Tina Won Sherman, Crystal Wesco, Carrie Wilks, and Susan Zimmerman.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

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
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

