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Highlights

Highlights of GAO-03-207, a report to the Ranking Minority Member, Committee on Commerce, Science, and Transportation, United States Senate

Why GAO Did This Study

In 1998, the Transportation Equity Act for the 21st Century (TEA-21), authorized the states to retain the federal share of proceeds from the sale or lease of real property that had been purchased with federal-aid funds. It also required the states to use the federal share on other highway projects eligible for funding under the federal-aid highway program. GAO determined (1) the extent to which states are selling, leasing, or disposing of real property purchased with federal-aid funds and (2) how the proceeds generated from the sale or lease of real property are being used, including whether they are being used in accordance with TEA-21. GAO issued a related legal opinion in September 2002.

What GAO Recommends

GAO recommends that DOT develop and report on how DOT plans to comply with GAO's legal opinion concerning the statute governing the sale or lease of real property. GAO also recommends that DOT provide additional guidance to the state DOTs that will help ensure states use the proceeds of property sales or leases as required by TEA-21.

www.gao.gov/cgi-bin/getrpt?GAO-03-207.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Kate Siggerud, (202) 512-2834.

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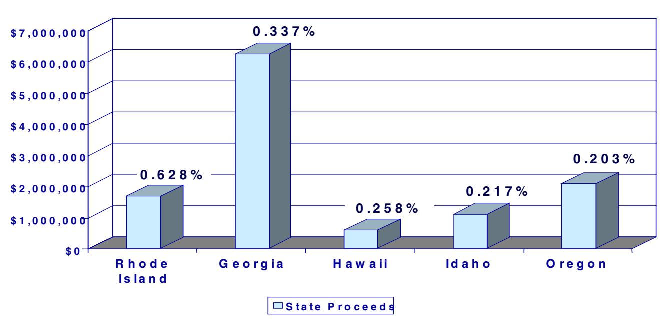
FEDERAL-AID HIGHWAYS

States Need Guidance on Sales or Leases of Property Purchased with Federal Funds

What GAO Found

All of the 51 state Departments of Transportation GAO surveyed, including the District of Columbia, reported selling, leasing, or disposing of real property, such as unused land purchased with federal-aid funds. From June 1998 through May 2002, 37 states sold, leased, or disposed of at least 5,636 properties that generated about $148 million in proceeds for the states. States varied on whether they tracked and reported this information to DOT; therefore, GAO did not report this information for the other 14 states. State DOT officials view the policy that allowed them to retain the federal share of the proceeds as being positive because it provided states greater flexibility for financing their transportation programs. However, proceeds generated from the sale or lease of property are not currently a major source of revenue for states' transportation programs. GAO determined that the proceeds generated from the sale, lease, or disposal of real property were less than 1 percent of states' transportation revenue from other sources, including federal aid, in 1999 and 2000.

Comparison of State Proceeds from Property Sales and Leases with State Highway Revenues, including Federal Aid, in 2000 - Top Five Percentages



Source: Developed by GAO from data provided by State DOTs and FHWA.

States reported using the proceeds generated from the sale or lease of property in different ways; and at least 2 states may have used the proceeds in ways that do not comply with the specific statutory requirements to use the proceeds on projects eligible for federal-aid highway funding. Forty-seven states reported using the proceeds to fund other state transportation projects, and at least 4 states use the proceeds as their match for projects receiving federal funds. GAO issued a legal opinion in September 2002, concluding that Congress did not intend for states to use such proceeds as their match. DOT has interpreted TEA-21 as allowing for the use of the federal share as a state's match. GAO also found that 2 states did not have restrictions on how the federal share of the proceeds should be used; therefore, the proceeds may have been used on projects not eligible for federal-aid. DOT issued some guidance but is considering issuing more guidance to states to ensure proceeds are used for eligible projects under the federal-aid highway program.