



Highlights of [GAO-08-744T](#), a testimony before the Committee on Finance, U.S. States Senate

## Why GAO Did This Study

The nation has reached a critical juncture with its current surface transportation policies and programs. Demand has outpaced the capacity of the system, resulting in increased congestion. In addition, without significant changes in funding levels or planned spending, the Highway Trust Fund—the major source of federal highway and transit funding—is projected to incur significant deficits in the years ahead. Exacerbating concerns about the solvency of the Highway Trust Fund is the federal government's bleak fiscal condition and outlook. As a result, other federal revenue sources may not be available to help solve the nation's current transportation challenges.

This statement is based on a body of work that GAO has completed over the past several years for Congress. This testimony discusses (1) GAO's recent findings on the structure and performance of the current surface transportation program (GAO-08-400), (2) a framework to assess proposals for restructuring of the surface transportation program, (3) potential options to fund investments in the surface transportation system, and (4) our recent findings on the benefits, costs, and trade-offs of using public-private partnerships to help fund transportation investments (GAO-08-44).

## What GAO Recommends

GAO has previously suggested that Congress consider refocusing surface transportation programs to address the issues discussed in this testimony.

To view the full product, including the scope and methodology, click on [GAO-08-744T](#). For more information, contact JayEtta Z. Hecker at (202) 512-2834 or [heckerj@gao.gov](mailto:heckerj@gao.gov).

# SURFACE TRANSPORTATION

## Principles Can Guide Efforts to Restructure and Fund Federal Programs

### What GAO Found

Since federal funding for the interstate system was established in 1956, the federal role in surface transportation has expanded to include broader goals, more programs, and a variety of program structures. Consequently, the goals of current programs are numerous and sometimes conflicting, and the federal role in these programs is unclear. For example, federal programs do not effectively address key transportation challenges, such as increasing congestion and freight demand. Many surface transportation programs are also not linked to performance of the transportation system or of the grantees, and programs often do not employ the best tools and approaches. Finally, the fiscal sustainability of the numerous highway, transit, and safety programs funded by the Highway Trust Fund is in doubt, because spending from the fund has increased without commensurate increases in revenues.

A number of principles can help guide the assessment of proposals to restructure and fund federal surface transportation programs. These principles include (1) ensuring goals are well defined and focused on the national interest, (2) ensuring the federal role in achieving each goal is clearly defined, (3) ensuring accountability for results by entities receiving federal funds, (4) employing the best tools and approaches to improve results and emphasize return on targeted federal investment, and (5) ensuring fiscal sustainability.

A range of options could be used to fund the growing demand for additional investment in the surface transportation system. There are two revenue sources for these additional investments: taxes and fees. Financing mechanisms, such as bonding and revolving funds, could also be used to fund transportation infrastructure projects when tax and user fee approaches are not sufficient to meet demands. However, these financing mechanisms are all forms of debt that ultimately must be repaid with interest by the general population through tax increases or reductions in government services. Each of these options has different merits and challenges, and the selection of any of them will likely involve trade-offs among different policy goals.

Highway public-private partnerships show promise as a viable alternative, where appropriate, to help meet growing and costly transportation demands. The highway public-private partnerships created to date have resulted in advantages from the perspective of state and local governments, such as the construction of new infrastructure without using public funding. However, highway public-private partnerships also entail potential costs and risks including the reality that funds from public-private partnerships are largely a new source of borrowed funds—a form of privately issued debt that must be repaid to private investors. Ultimately the extent to which public-private partnerships can be used to help meet the nation's transportation funding challenges will depend on the ability of states to weigh potential benefits against potential costs and trade-offs to determine whether public-private partnerships are appropriate in specific circumstances—and if so—how best to implement them and protect the public interest.