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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

AUG 11 1976

Mr. Norbert T. Tiemann
Administrator, Federal Highway 63
Administration
Department of Transportation

Dear Mr. Tiemann:

During our survey of the [use of Federal-aid Urban System funds for mass transit], we noted some matters in the States' allocations of funds to the urbanized areas and the subsequent suballocations of funds to municipalities within the areas which warrant your attention. Although we plan a report to the Congress concerning the limited use of Urban System funds for transit, we are presenting this information separately for your consideration and appropriate actions

2 We conducted our survey at the headquarters offices of the Federal Highway and the Urban Mass Transportation Administrations and at their field offices, State highway departments, and selected local organizations in five States--California, Illinois, Nevada, New Jersey, and New York 230

ALLOCATIONS TO URBANIZED AREAS

The Federal-aid Urban System is located in each urbanized area and other urban areas designated by State highway departments and consists of arterial and collector routes, but does not include urban extensions of the Federal-aid Primary System. Urban System funds can be used for highway projects on the system or for transit projects.

Section 157 of the Federal Aid Highway Act of 1973 (23 U.S.C. 150), requires States to allocate Urban System funds to urbanized areas of 200,000 or more population by either (1) a fair and equitable formula developed by the State and approved by the Secretary of Transportation or (2) a population ratio.

In February 1974, the Illinois Department of Transportation proposed to allocate the State's Urban System apportionment, except for a 10 percent discretionary reserve, to each urbanized area according to proportional population. The Highway Administration disapproved the formula in July 1974

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because the cities and urbanized areas of 200,000 or more population were not assured of receiving fair and equitable treatment in the distribution of the 10 percent reserve fund.

Despite the Highway Administration's disapproval, the State implemented the formula. In January 1976, we noted that about \$12.3 million of funds attributable to urbanized areas of 200,000 or more population had been withheld in a reserve fund. We brought this matter to the attention of the Highway Administration's Illinois Division officials and the State reallocated the funds to urbanized areas in accordance with the population ratio

We did not perform a detailed review of the Highway Administration's system for monitoring the States' activities under the program, nor did we look for other examples of States failing to apply the approved allocation formula. However, we noted that the National League of Cities and the United States Conference of Mayors in a November 1975 preliminary study for the Urban Mass Transportation Administration, questioned the appropriateness of a formula adopted by the State of Washington.

We believe the implementation of an allocation formula without the Highway Administration's knowledge indicates a weakness in the administration of the program and that other States may also have failed to allocate funds in accordance with the act.

SUBALLOCATION OF URBANIZED
AREA FUNDS TO MUNICIPALITIES
OF 200,000 OR MORE

Section 157 of the 1973 Act also requires incorporated municipalities of 200,000 or more population within an urbanized area to be given fair and equitable treatment in the expenditure of allocated funds. The Highway Administration has not issued regulations to insure proper implementation by the States nor have they monitored the funds distributed to such municipalities.

In planning the implementation of this provision of the act, the Highway Administration proposed that funds allocated to urbanized areas also be distributed to the municipalities of 200,000 or more population either by an approved State formula or by proportional population. The Highway Administration and the Urban Mass Transportation Administration included this proposed requirement in their August 1974 draft joint regulations for allocating Urban System funds. The Urban Mass Transportation Administration is involved in the allocation of Urban System funds because

it administers transit projects using these funds. Because of problems in obtaining a consensus of opinion within the Highway Administration and with the Urban Mass Transportation Administration on various aspects of the regulations, the notice of proposed rulemaking has not yet been issued. The current issues being considered are (1) whether funds allocated to one urbanized area may be transferred to another and (2) whether an urbanized area's allocations should be suballocated to jurisdictions within the area other than incorporated municipalities of 200,000 or more population

The Highway Administration does not maintain records of amounts suballocated to municipalities nor of amounts obligated by them, however, at our request, it obtained the amounts suballocated by the States to the municipalities of 200,000 or more population. Of the 34 States with such municipalities, 8 States did not suballocate any funds to the municipalities. The information also showed that three States had provided municipalities amounts less than what the proportional population would provide

It appears that in the absence of guidance from the Federal Agencies as to what constitutes a fair and equitable distribution of funds to municipalities, the States have adopted individual guidelines. As a result, the Highway Administration does not have any assurance that the intent of the act is being met

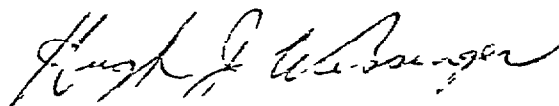
RECOMMENDATIONS

To improve the administration of the Urban System program, we recommend that you

- improve the monitoring of State allocations to urbanized areas of 200,000 or more population to assure such allocations are made in accordance with 23 U.S.C. 150,
- issue guidance to the States on the allocation and suballocation of apportioned funds as soon as possible,
- routinely obtain information showing the amounts suballocated to, and obligated by, incorporated municipalities of 200,000 or more population.

We appreciate the courtesy and cooperation extended to our staff during the survey. We shall appreciate being informed of the actions you take on our recommendations.

Sincerely yours,



Hugh J. Wessinger
Associate Director