United States General Accounting Office
Washington, DC 20548

August 17, 2001

The Honorable Paul S. Sarbanes
Chairman
The Honorable Phil Gramm
Ranking Minority Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate

The Honorable Don Young
Chairman
The Honorable James L. Oberstar
Ranking Democratic Member
Committee on Transportation
and Infrastructure
House of Representatives

Subject: Welfare Reform: GAO's Recent and Ongoing Work on DOT's Access to Jobs Program

Without adequate transportation, welfare recipients face significant barriers in moving from welfare to work. Three-fourths of welfare recipients live in central cities or rural areas, while two-thirds of new jobs are located in the suburbs. For many of these new jobs, access to public transportation facilities, such as buses or subways, is limited or nonexistent. Transportation to these jobs is primarily by car, yet many welfare recipients do not have cars. To address this mismatch and as part of the welfare reform movement, the Transportation Equity Act for the 21st Century (TEA-21) authorized up to $750 million for fiscal years 1999 through 2003 to implement the Job Access and Reverse Commute (Job Access) program.

On June 8, 2001, we briefed staff of the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Transportation and Infrastructure on (1) our prior work, (2) our preliminary observations on the Department of Transportation's (DOT) implementation of the program in fiscal year 2001, and (3) our current plans for reporting on the program. We agreed to send you this letter describing the information we provided during the briefing.

The following summarizes the information we are providing.

- We previously reported on the Job Access program three times from May 1998 through December 2000. In May 1998 we found that the proposed Job Access program would support reform of the nation's welfare system by bringing additional resources to transport welfare recipients to work.[1] We made recommendations—reflected in TEA-21—intended to (1) enhance DOT's evaluation of the program; and (2) promote coordination among DOT, other federal agencies, prospective grantees, and other affected parties (such as local social service agencies). In November 1999[2] and December 2000,[3] we reported that DOT had implemented our recommendations and taken steps to refine its grant selection process.

- Our preliminary observations related to (1) DOT's proposal to use a formula for allocating grant funds to states, (2) the status of grant fund obligations, and (3) DOT's plans for reporting on the program to the Congress. First, DOT believed that allocating fiscal year 2002 Job Access funding to states via formulas would promote predictable funding of Job Access projects. The formula proposal was DOT's response to fiscal years 2000 and 2001 conference reports accompanying DOT's appropriations acts that directed Job Access funding to specific projects. However, in commenting on a draft of this letter, DOT said that because the Congress had rejected its formula proposal, DOT was considering another option. Second, according to DOT's comments on a draft of this letter, as of August 7, 2001, DOT had obligated 94 percent of the Job Access program's fiscal year 1999 appropriated funds, 67 percent of the program's fiscal year 2000 appropriated funds, and 20 percent of the program's fiscal year 2001 appropriated funds. Third, DOT missed its June 2000 statutory reporting deadline but expects to send the report to the Congress in September 2001.

- Regarding our ongoing work, we plan to issue a report on the Job Access program in December 2001, focusing on FTA's implementation of the program. In 2002, we expect to report on grantees' experiences in implementing their Job Access projects.

Background

TEA-21 authorized the Job Access program, through which DOT provides grants to local agencies, nonprofit organizations, transit authorities, and others to improve the mobility of welfare recipients and low-income individuals seeking employment. Within DOT, the Federal Transit Administration (FTA) is

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[1] *Welfare Reform: Transportation's Role in Moving from Welfare to Work* (GAO/RCED-98-161, May 29, 1998).
[2] *Welfare Reform: Implementing DOT's Access to Jobs Program in Its First Year* (GAO/RCED-00-14, Nov. 26, 1999).
[3] *Welfare Reform: DOT Is Making Progress in Implementing the Job Access Program* (GAO-01-133, Dec. 4, 2000).

responsible for implementing the program. DOT's two major goals for the program are to (1) provide transportation services in urban, suburban, and rural areas to assist welfare recipients and low-income individuals to gain access to employment opportunities; and (2) increase collaboration among such parties as transportation providers, human service agencies, employers, metropolitan planning organizations, states, and communities in providing access to employment.

To award Job Access grants in fiscal years 1999 and 2000, DOT issued solicitations of applications in the *Federal Register* and, in response, received and reviewed project proposals. It selected projects for the program on the basis of four criteria:

(1) the degree of local coordination exhibited when a project was being designed,

(2) the demonstrated need of an area for Job Access services,

(3) a project's effectiveness in providing those services, and

(4) the ability of an applicant to obtain resources to continue operating a project after the Job Access grant ends.

After DOT had announced the selected proposals, the applicants were required to provide assurances and documentation of compliance with FTA's standard grant requirements, such as those concerning drug and alcohol testing, federal procurement standards, and state and regional transportation planning. TEA-21 requires that the Job Access grantees provide at least 50 percent matching funds from other sources, including other federal funds available for transportation services—for example, funds from the Temporary Assistance for Needy Families program.

TEA-21 authorized up to $150 million each year for fiscal years 1999 through 2003 for the Job Access program. For fiscal year 1999—the program's first year—the Department of Transportation and Related Agencies Appropriations Act provided $75 million for the Job Access program, and DOT announced competitive awards of about $71 million for 179 projects.

For fiscal year 2000, the Congress also provided $75 million for the program. However, the conference report that accompanied DOT's appropriations act directed DOT's distribution of $49.6 million of the $75 million to identified states, localities, and other organizations. In addition, DOT solicited proposals and competitively awarded about $29.6 million, including $25.4 million provided by the Congress for fiscal year 2000 and about $4.2 million carried over from fiscal year 1999. For fiscal year 2001, the Congress provided $100 million, and the conference report directed the distribution of about $75 million to identified states, localities, and other organizations. Like applicants for competitive grants, organizations and localities identified in the conference report had to provide project proposals that were consistent with the requirements of the program; moreover, they had to submit additional documentation that complied with the standard FTA grant requirements.

Prior Work on the Program

To date, we have issued three reports on the program: in May 1998, before the program was established; in November 1999; and in December 2000.

- In May 1998, we reported that the proposed Job Access program would support reform of the nation's welfare system by, among other things, providing additional resources to transport welfare recipients to work.[4] We recommended that DOT (1) establish specific objectives, performance criteria, and goals for measuring the program's progress; (2) require grantees to coordinate transportation strategies with local job placement and other social service agencies; and (3) work with other federal agencies to coordinate welfare-to-work activities. TEA-21 reflected these recommendations and required appropriate action by DOT.

- In November 1999, we reported on the implementation of the program in fiscal year 1999—its first year.[5] We found that DOT had implemented our second and third recommendations in carrying out TEA-21. DOT had also taken preliminary steps to implement our recommendation that it establish specific objectives, performance criteria, and goals for measuring the program's progress. However, we also found that DOT's process for selecting Job Access grant proposals was not consistent in fiscal year 1999, and the basis for some selections was unclear.

- Our December 2000 report examined DOT's implementation of the program in fiscal year 2000.[6] We found that DOT had taken steps to improve its process for selecting Job Access proposals. For example, to promote greater consistency in the evaluation and selection of grantees, DOT developed a standard format for reviewing Job Access proposals and provided more detailed guidance to its reviewers. Almost 90 percent of the fiscal year 1999 Job Access grantees that responded to a GAO survey were satisfied with the goals and intent of the program. However, 51 percent said it took too long to satisfy various standard FTA grant requirements—about 9 months, on average. As a result, about one-third of the respondents reported experiencing problems in obtaining matching funds. Also, seven projects were withdrawn (about 4 percent of Job Access projects) for varied reasons, including, in one case, the loss of matching funds. Also, DOT implemented our recommendation that it develop specific objectives, performance criteria, and measurable goals for the Job Access program by developing an evaluation plan

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[4]GAO/RCED-98-161.
[5]GAO/RCED-00-14.
[6]GAO-01-133.

and by requesting specific data from the grantees. DOT developed a goal to increase new employment sites by 4,050 in fiscal year 2000 and 8,050 in fiscal year 2001.[7]

Preliminary Observations on the Job Access Program

Our preliminary observations on the Job Access program fall into three areas—(1) DOT's proposed funding process, (2) FTA's obligation of grant funds, and (3) DOT's plan for evaluating the program.

First, regarding DOT's funding process, according to DOT's Internet Web site, "in fiscal year 2000 the Congress earmarked approximately 66 percent of the funds for specific projects; in fiscal year 2001, about 75 percent." In DOT's view, as a result of these funding designations, "There were many highly worthy applicants that were not designated for an earmark, and the limited…funds remaining for national competition resulted in many of these worthy applicants not being funded."[8] In response, for fiscal year 2002, DOT proposed to allocate funds to the states and the District of Columbia via a formula rather than to individually selected projects. This proposal, according to FTA, would have promoted more predictable funding that could have been continuous over a period of several years for a Job Access project. DOT also notes that by making funding available to the states earlier than under the existing selection process and by enhancing the certainty of funding, the formula proposal would have allowed funds to be obligated earlier. At the national level, the formula would have allocated 60 percent of the funds to areas with populations exceeding 200,000 and 40 percent of the funds to smaller areas. The total funds allocated to states would have considered the number of low-income residents.

In its comments on a draft of this letter, DOT states that the Congress did not accept the formula proposal. DOT also states that it is considering an option of soliciting proposals in the fiscal year prior to funding availability and sharing its scoring of proposals with appropriations committees in order to accelerate the timing of obligations. DOT adds that it has provided applicants with "pre-award authority," making it possible for applicants to initiate service prior to the final obligation of Job Access funding.

Second, regarding DOT's obligations of grant funds, as of August 7, 2001, FTA had not obligated significant portions of the funds that had been appropriated for Job Access grants since fiscal year 1999. Specifically:

[7] An employment site is considered accessible if it is located within ¼ mile of services provided by the grantee.
[8] We do not address here FTA's assertion that the funding designations, which were contained in the conference reports accompanying the DOT appropriations acts for fiscal years 2000 and 2001, precluded it from awarding grants to worthy applicants. In addition, we have not assessed the effects of these funding designations on the implementation of the program.

- For at least 7 of the 174 projects[9] selected for grants in fiscal year 1999, funds had not been obligated. Five of these projects were in the Chicago, IL, area; one in the Dallas, TX, area; and one in Schoharrie County, NY. The total value of the grants for these projects was about $2.7 million, and the grants ranged in dollars to be obligated from about $119,000 to $1 million.

- The Congress provided about $75 million for projects in fiscal year 2000—according to DOT, about 67 percent of this amount had been obligated.

- FTA had obligated about 20 percent of the $99.8 million appropriated for Job Access program grants for fiscal year 2001. For fiscal year 2001 funding, rather than solicit applications for competitive grant awards for the approximately $25 million that was not directed to specific organizations in the conference report, FTA decided to grant these funds to proposals submitted in fiscal year 2000 that it considered "meritorious" but was previously unable to fund.

DOT is waiting to solicit grant proposals for fiscal year 2002 until after a decision is reached on its proposal to allocate funds via formula.

According to DOT officials and as explained in our December 2000 report, DOT's process for awarding grants is a two-track process, consisting of one track for soliciting, evaluating, and selecting projects, and a second track in which prospective grantees must satisfy standard FTA grant requirements. This process results in grantees often receiving funds in the fiscal year after the Congress provided them. However, Job Access funds remain available from one fiscal year to the next for obligation.

Third, DOT has developed a plan for evaluating the program but has not yet sent a progress report to the Congress. TEA-21's reporting deadline was June 2000. DOT plans to send a report to the Congress by September 2001.

Our Ongoing Work on the Program

The objectives for our ongoing review of the Job Access program will focus on FTA's implementation of the program. We plan to issue a report in December 2001 and publish a more extensive report in 2002 on the challenges experienced by grantees in implementing their Job Access projects.

Agency Comments

We provided DOT with a draft of this letter for review and comment. The department, through FTA's Associate Administrator for Administration, provided

[9]The total number has grown to 194 because some organizations chose to have their own grants rather than participate as subgrantees under consolidated grants, and other proposals were consolidated.

us with written comments, which are attached as enclosure II. We revised our letter in response to those comments as appropriate.

DOT suggested that our letter should explain that the competitive selection and obligation process is a two-step process that is initiated only after the Congress appropriates funds under the program. According to DOT, information about appropriations generally becomes available in the first quarter of the fiscal year, at which time DOT begins to solicit proposals for the program. DOT normally announces selections later in the fiscal year; however, even after being selected, applicants are still required to address standard FTA requirements. This dual track process, states DOT, would result in obligations being incurred most frequently in the fiscal year after the funding is made available. We agree that the two-track process results in obligations occurring in the fiscal year after funding was made available and incorporated this information into this letter.

DOT provided information about its proposal to allocate Job Access funds on a formula basis. DOT states that although the formularization proposal would have made funding available earlier than under the existing two-track selection and obligation process, the Congress did not approve the proposal. Instead, DOT is considering soliciting proposals in the fiscal year prior to funding availability and then sharing its ranking of proposals with congressional appropriations committees in hopes of allowing obligations to be made in the same year as the appropriation. We revised our letter to include this new information.

The Department also provided new information on the percent of funds it has obligated for the Job Access program. For example, by June 1, 2001, DOT had obligated 91 percent of the funds that were appropriated in fiscal year 1999; but by August 7, 2001, DOT had obligated 94 percent of those funds. We revised our letter to include this new data.

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We are sending copies of this letter to the cognizant congressional committees; the Secretary of Transportation; the Administrator, Federal Transit Administration; and other interested parties. The letter will also be available on GAO's home page at http://www.gao.gov. If you have any questions about this letter, please call me at (202) 512-2834 or E-mail me at heckerJ@gao.gov.

JayEtta Z. Hecker
Director, Physical
Infrastructure Issues

Slides Presented at June 8, 2001 Briefing

GAO
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Review of Access to Jobs Program

Briefing to Committee Staff:
U.S. Senate Committee on Banking, Housing, and Urban Affairs
House Committee on Transportation and Infrastructure

June 8, 2001

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Background

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- TEA-21 authorized the Job Access program.
- DOT's Federal Transit Administration (FTA) makes grants to local agencies, nonprofits, transit authorities, and others to improve the mobility of welfare recipients to the workplace.
- In FY 1999, the Congress provided $75 million for the program, and DOT competitively granted $71 million.
- In FY 2000, the Congress provided $75 million, but directed the distribution of about $49.6 million. DOT awarded about $29.6 million, including about $4 million carried over from fiscal year 1999.
- In FY 2001, the Congress provided $100 million, but directed the distribution of about $75 million.

Prior GAO Work

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- In May 1998, we reported that the proposed Job Access program would bring additional resources to transport welfare recipients to work, and we made 3 recommendations for the implementation of the program. Specifically, DOT should

  1) establish objectives, criteria, and goals to evaluate the progress of the program,

  2) require grantees to coordinate transportation strategies with various job placement and other social welfare agencies,

  3) work with other federal agencies to coordinate welfare-to-work activities.

Prior GAO Work

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- In November 1999, we reported:

FTA had implemented the 2nd and 3rd recommendations of our May 1998 report.

However, FTA's grant selection process was inconsistent.

Also, FTA had not begun to evaluate the program.

- In December 2000, we reported:

FTA had improved its grant selection processes and developed an evaluation plan.

Most FY 1999 grantees were pleased with DOT's efforts to help them meet standard FTA grant requirements, but half said it took too long to satisfy them.

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PROPOSAL FOR FORMULA FUNDING

DOT has proposed a formula to allocate Job Access grant funds in FY 2002.

- The proposal considers population levels and numbers of low-income people.

Program Implementation

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PROJECT FUNDING STATUS - FY 1999-2001

At least 7 FY 1999 projects still unfunded: 5 in the Chicago area, 1 in Texas, and 1 in New York.

- Significant FY 2000 and FY 2001 funds not obligated:
  - $75 million provided for FY 2000, but only half obligated as of June 1, 2001.
  - Only 1% of FY 2001 funds obligated as of June 1, 2001.
  - DOT has not solicited FY 2002 grants pending the decision on its formula distribution proposal.
- FY 2001 funds awarded to prior-year applicants: DOT granted $24.5 million to previously unfunded or partially funded applications.

Program Implementation

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PROGRAM EVALUATION EFFORTS

- DOT did not send report in June 2000 to the Congress.
  - Most report relevant data are now more than a year old, and some data were found to be inaccurate.
  - DOT plans to update the data and send a report to the Congress in September 2001.
  - 13,000 new employment sites are to be reached (DOT's objective was to reach 4,000).

Ongoing Work

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- Met with Senate and House Committees to discuss our work in April and May 2001.
- For a December 2001 report, we will examine how DOT is implementing the Job Access program and how grantees are implementing their projects.
- For a 2002 report, we will send out an extensive questionnaire on project implementation.

Comments From the Department of Transportation

Memorandum

U.S. Department
of Transportation
Federal Transit Administration

Subject: **ACTION:** GAO Draft Report, "Welfare Reform: GAO's Recent and Ongoing Work on DOT's Access to Jobs Program"

Date: AUG - 9 2001

From: Dorrie Y. Aldrich
Dorrie Y. Aldrich
Associate Administrator for Administration

Reply to Attn. of:

To: Martin Gertel
Departmental Audit Liaison, OST

The attached GAO draft report was reviewed by the Federal Transit Administration's (FTA's) Office of Research, Demonstration, and Innovation. FTA has the following comments on the characterization of our obligation rate:

1. GAO reports that "As of June 1, 2001, FTA had not obligated significant portions of the funds that had been appropriated … since 1999" and that "These funds remain available for obligation..." Without further explanation, this leads the reader to suspect that there is some significant problem with obligations. GAO needs to explain that the competitive selection and obligation process is a two-step process that was initiated only after Congress appropriated funds under the program. This appropriation information becomes known in the first quarter of the fiscal year. At that time, FTA begins to solicit proposals. The selection process generally is not completed until much later in the fiscal year (FY 99 - May 2000, FY 00 - October 2000 [*FY 01*] and FY 01 - January 2001). Upon selection, grantees are notified and are asked to submit an application addressing standard FTA Section 5307 terms and conditions as required by TEA-21. Given the nature of this process, it would be expected that obligations would occur most frequently in the fiscal year after funding is made available.

   To improve this process, FTA has proposed to formularize the program. This strategy would make funding available to states early in the fiscal year. Since funding is predictable under this allocation method, states could begin to obligate before the beginning of the new fiscal year to collect and analyze applications. This action would permit states to obligate funds early in the fiscal year in which funds are appropriated. Since Congress has rejected this proposal, FTA is considering an option to solicit proposals from applicants in the fiscal year prior to funding availability. The project demand and the scoring of proposals would be shared with the Congressional appropriations committees. This option would likewise make it possible to make obligations within the fiscal year in which the appropriation is made, thus accelerating the timing of obligations.

Additionally, FTA has issued pre-award authority to earmarked and selected applicants. This makes it possible to initiate service and commit funding prior to final obligation of FTA funding.

2. Our review of obligation rates shows that as of June 1, 2001:

FY Year	Funding Appropriated	Funding Obligated	Percent Obligated
FY 99	$75m	$68.1.m	91%
FY 00	$75m	$44.3m	58%
FY 01	$99.78m	$ 4.6m	5%

3. Our review of obligation rates shows that as of August 7, 2001:

FY Year	Funding Appropriated	Funding Obligated	Percent Obligated
FY 99	$75m	$70.4m	94%
FY 00	$75m	$51.2	67%
FY 01	$99.78m	$20m	20%

Please call Sylvia L. Marion at X66680, if you have any questions.

Attachment

(544005)