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United States Government Accountability Office
Washington, DC 20548

May 25, 2007

The Honorable Patty Murray
Chairman
The Honorable Christopher S. Bond
Ranking Member
Subcommittee on Transportation, Housing,
Urban Development, and Related Agencies
Committee on Appropriations
United States Senate

Subject: Unified Motor Carrier Fee System: Progress Made but Challenges to Implementing New System Remain

The congressionally established unified carrier fee system was not implemented before its predecessor, the Single State Registration System, expired thereby preventing states from collecting fees from for-hire motor carriers and other related entities. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) mandated that a new unified carrier fee system replace the Single State Registration System, which expired on January 1, 2007.[1] The Single State Registration System annually provided 38 states with about $100 million in total fees collected from for-hire interstate motor carriers. States used revenue collected from this system to supplement general funds and conduct safety-related services. Unlike the Single State Registration System, the new system broadened the base of those expected to pay fees to include exempt for-hire motor carriers, private motor carriers, brokers, freight forwarders, and leasing companies.

To develop and administer this new fee system, Congress established a Board of Directors. This board is also tasked with administering a federal-interstate Unified Carrier Registration Agreement (UCRA), and issuing rules and regulations to govern this agreement. The Secretary of Transportation appoints the board, which consists of the Deputy Administrator of the Federal Motor Carrier Safety Administration (FMCSA) and representatives from participating states and the motor carrier industry. The Secretary also ultimately sets the fees and has delegated this responsibility to FMCSA.

You asked us to examine the progress that the board and the Department of Transportation have made in implementing the unified carrier fee system and any implications resulting from the status of its implementation. Specifically, we undertook this study to (1) describe steps taken to implement the unified carrier fee system and the current status of

[1]Current legislative proposals exist to temporarily reinstate the Single State Registration System.

implementation, (2) identify factors contributing to the delay in implementing the unified carrier fee system, and (3) identify any potential implications resulting from the delay in implementing the unified carrier fee system.

To describe the steps taken to implement the unified carrier fee system and to determine the status of its implementation, we attended five board meetings and reviewed drafts of the UCRA and other board documents, such as meeting minutes. To identify the factors contributing to a delay in implementing the unified carrier fee system, we interviewed key FMCSA officials and 7 of the 15 board members.[2] To identify potential implications resulting from a delay in implementing the unified carrier fee system, we surveyed the 37 states that are planning to participate in the new system. We asked the extent to which the delay in implementing the new system has hindered certain state operations on a 5-point scale, ranging from very greatly hindered to little or not at all. Twenty-eight states responded. We conducted our work from September 2006 through April 2007 in accordance with generally accepted government auditing standards.

On March 27, 2007, we briefed your staff and the staff from the Senate Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security on the results of our analysis. This report formally conveys and updates the information provided in that briefing (see app. I). In summary:

- The Board of Directors and FMCSA have taken a number of steps to implement the unified carrier fee system; however, certain key steps remain incomplete and a specific date for implementation is not yet clear. On May 12, 2006, the Department of Transportation completed its process to select board members and announced the board's composition. Since then the board has taken several steps to implement the new system. The board drafted procedures to govern the collection and distribution of fees paid by all entities covered under the new system. In addition, the board identified a state, Texas, to administer a Web site for registering all motor carriers during the initial year of the unified carrier fee system, until individual states can develop their own systems in subsequent years. On April 17, 2007, however, the Texas Department of Transportation informed the board that it would not host this Web site since handling the data for the states would result in an unacceptable level of liability to the state. Texas officials offered to transfer the development of its Web site to any other state that would be interested in hosting the registration system. Finally, the board developed a recommended fee structure. During this time, FMCSA provided the board with financial and technical assistance, such as preparing and posting official notices of board meetings in the *Federal Register*. A number of key steps, however, have not been completed, and no timeline for finalizing these steps has been set. The board has not designated a depository to hold revenues generated by the unified carrier fee system and distributes those revenues to participating states. In addition, the board has not yet completed development of a registration Web site. Finally, the Secretary of Transportation has not set fees. The board reported its recommended fee structure to the Secretary of Transportation on December 6, 2006. According to FMCSA officials, FMCSA sent the chair and vice-chair of the board a letter on December 21, 2006, that stated that the board's initial fee memorandum lacked information it viewed as essential for it to complete its rule-making process. In response, the board submitted a revised fee structure dated

[2]We sought to interview all 15 board members and 7 agreed to meet with us.

March 23, 2007. FMCSA accepted this revised fee structure on April 2, 2007, and is drafting a Notice of Proposed Rulemaking to formally set the fees.

- The amount of time taken for start-up actions left insufficient time to implement the unified carrier fee system before the Single State Registration System expired. In addition, the amount of time required to publish the proposed fees and issue final rules could cause further delays. SAFETEA-LU allowed 17 months—from August 2005 to January 2007—to implement the new system before the Single State Registration System expired. These 17 months included 90 days for the Secretary of Transportation to set fees. During the first 9 months (August 2005 to May 2006), the Secretary of Transportation appointed a Board of Directors. FMCSA officials told us it took time to identify potential board members and make sure there would be a balanced composition that complied with SAFETEA-LU requirements. During the following 7 months (May 2006 to December 2006), the board completed the analysis required to estimate the number of affected motor carriers and related entities[3] and developed a fee structure to generate about $106 million in needed revenues.[4] The board and FMCSA took additional time to resolve two fee-related issues related to implementing the new fee system. First, the board interpreted SAFTEA-LU as allowing them to charge unified carrier fees to all motor carriers, including those operating in nonparticipating states, but FMCSA did not determine until April 2 that SAFTEA-LU allows the board to charge fees to those motor carriers operating in nonparticipating states. Second, the board based its initial fee structure on the estimated number of power units operated by affected motor carriers, but FMCSA officials explained that SAFETEA-LU specifies that commercial motor vehicles be used as the basis for the fee structure.[5] The board's revised fee structure that FMCSA accepted in April uses commercial motor vehicles as its basis.[6] Lastly, now that the board and FMCSA agree on the fee proposal, the amount of time required to set the fees could cause further delays. SAFETEA-LU requires the Secretary of Transportation to obtain public comment before setting new registration fees. Under the Administrative Procedure Act, FMCSA would accomplish this by publishing a Notice of Proposed Rule Making, providing a period for allowing comments to the proposal, analyzing those comments, and adopting and publishing a final rule. Also, FMCSA officials told us that since the unified carrier fee system has an economic

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[3]The estimation of the number of affected entities required the board to filter data in FMCSA's Motor Carrier Management Information System to identify active motor carriers from which it could expect to collect a fee. The board found that this database contained over 700,000 motor carriers, but was unreliable in part because it included inactive motor carriers.

[4]The approximately $106 million in revenue is a sum of the $101 million entitled to participating states that were part of the Single State Registration System, $5 million for administrative costs, and $500,000 to Oregon for joining the new system.

[5]Power units are self-propelled motor vehicles and commercial motor vehicles are vehicles that are self-propelled or towed, such as trailers.

[6]FMCSA interpreted SAFETEA-LU as permitting it to delay starting the 90-day period allowed for fee setting until it believed the board provided a recommendation that sufficiently explains the basis for its fee proposal. It is unclear, however, if FMCSA's interpretation of the SAFETEA-LU 90-day fee-setting period is correct since SAFETEA-LU does not specifically authorize the Secretary of Transportation to delay this procedure. A 90-day period measured from when the board submitted its original fee recommendation on December 6, 2006, would have elapsed on March 6, 2007. FMCSA informed the board that the 90-day period for setting fees based on the revised recommendation began on April 2, 2007.

impact more than $100 million, the Office of Management and Budget (OMB) will have to review both the proposed and final rules. FMCSA officials acknowledge that it could be difficult to complete this procedure within the required 90 days.

- Some state officials told us that the delay in implementation has hindered their ability to acquire revenues, and thus regulate motor carriers and improve safety. Twenty-five of 28 states that responded to our survey indicated that a delay in implementing the unified carrier fee system hindered their ability to acquire revenues, and 22 states indicated that this was a great or very great hindrance. Since the Single State Registration System expired and no new system took its place, states that collected fees under Single State Registration System have not yet been able to collect these fees during 2007. If implementation of the unified carrier fee system is not completed by the end of 2007, FMCSA officials said it is unlikely that states could recoup fees not collected to date. In addition, 23 of 28 states reported that the delay hindered their ability to regulate motor carriers, and 13 states indicated that this was a great or very great hindrance. For example, Washington state officials reported that it had to scale back its transportation regulation, such as safety audits of commercial motor vehicles, drivers, and companies, by approximately 20 percent. Finally, 19 of 28 states reported that the delay hindered their ability to improve safety programs, and 9 states indicated that this was a great or very great hindrance. Moreover, further delay could jeopardize safety and enforcement programs in certain states. For example, Michigan reported that if replacement funding is not secured by July 1, 2007, its entire enforcement program, including the federal Motor Carrier Safety Assistance Program, will likely shutdown.[7]

Prior to our March 27, 2007, briefing, we provided the Department of Transportation with the briefing document and incorporated technical comments at that time. Since then the Department of Transportation has reviewed the draft report and did not have any comments on it.

We are sending copies of this report to the Secretary of Transportation, appropriate congressional committees, and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov.

If your staff have any questions about this report, please contact me at (202) 512-2834 or brownke@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix I.

Kay E. Brown

Kay E. Brown,
Acting Director, Physical Infrastructure Issues

[7]The Motor Carrier Safety Assistance Program is a federal grant program that provides financial assistance to states to reduce the number and severity of accidents and hazardous materials incidents involving commercial motor vehicles.

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Unified Carrier Fee System: Progress Has Been Made, but Implementation Delays May Hinder States' Ability to Regulate Commercial Motor Vehicles

Briefing for

Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies and

Senate Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security

March 27, 2007

GAO Briefing

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Introduction

- The Single State Registration System annually provided 38 states with about $100 million in total fees collected from for-hire interstate motor carriers. Motor carriers paid these fees and provided information on insurance to states upon registering. States used revenue collected from this system to supplement general funds and conduct safety-related services.

- The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) mandated that a new unified carrier fee system replace the Single State Registration System, which expired on January 1, 2007.

- Unlike the Single State Registration System, the new system broadened the base of those expected to pay fees to include exempt for-hire motor carriers, private motor carriers, brokers, freight forwarders, and leasing companies. (See enclosure I for a definition of each entity).

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Introduction

- To develop and administer this fee system, Congress established a Board of Directors. This board will also administer a federal-interstate Unified Carrier Registration Agreement (UCRA), and issue rules and regulations to govern the UCRA.
- The Secretary of Transportation appoints the Board of Directors, which consists of a Federal Motor Carrier Safety Administration (FMCSA) representative and representatives from participating states and the motor carrier industry, and ultimately sets the fees.
- The Single State Registration System expired, but the unified carrier fee system was not implemented by January 1, 2007, preventing the collection and distribution of fees to states until the new system is in place.[1]

[1] Current legislative proposals exist to temporarily reinstate the Single State Registration System.

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Objectives

- Based on interest from the Senate Appropriations Committee, we began work on this issue. This briefing will:
  - describe steps taken to implement the unified carrier fee system and the current status of implementation,
  - identify factors contributing to the delay in implementing the unified carrier fee system, and
  - identify any potential implications resulting from the delay in implementing the unified carrier fee system.

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Scope and Methodology

- To describe the steps taken to implement the unified carrier fee system and to determine the status of its implementation, we attended four board meetings, and reviewed drafts of the UCRA and other board documents, such as meeting minutes.
- To identify the factors contributing to a delay in implementing the unified carrier fee system, we interviewed 7 of the 15 board members and key FMCSA officials.
- To identify potential implications resulting from a delay in implementing the unified carrier fee system, we surveyed the 37 states that are planning to participate in the new system. We asked the extent to which the delay in implementing the new system has hindered certain state operations on a 5-point scale, ranging from very greatly hindered to little or not at all. Twenty-eight states responded.
- We conducted our work from September 2006 through March 2007 in accordance with generally accepted government auditing standards.

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Note: After we provided this briefing, we continued our work through April 2007.

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Results in Brief

- The Board of Directors and FMCSA have taken a number of steps to implement the unified carrier fee system; however, certain key steps remain incomplete and a specific date for implementation is not yet clear.

- The time taken for start-up actions, such as appointing board members and recommending a new fee structure, left insufficient time to implement the unified carrier fee system on time. In addition, unresolved issues over key elements of the board's recommended fee structure and the time required to publish the proposed fees and issue final rules could cause further delays.

- The delayed implementation of the unified carrier fee system has hindered some participating states' ability to acquire revenues and thus, regulate motor carriers, and improve the quality of safety programs. According to state officials, further delay could jeopardize safety programs in some states.

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Note: After we provided this briefing, the board and FMCSA resolved the issues related to the board's recommended fee structure.

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Background: SAFETEA-LU Created a New System for Collecting Fees from Motor Carriers

- In August 2005, SAFETEA-LU replaced the Single State Registration System with a unified carrier fee system, requiring the motor carrier industry to pay fees to states that chose to participate.
- This new system was created to lower the burden on for-hire interstate motor carriers while ensuring that states receive their revenues by spreading registration fees to private motor carriers, brokers, freight forwarders, and leasing companies.
- Participating states that were part of the Single State Registration System are entitled to continue receiving the amount of fees they collected under the old system in registration year 2004, plus an allocation to cover expected intrastate registration fees.
- States that were not part of the previous system can receive up to $500,000 per year if they choose to participate under the new system.

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Background: FMCSA, States, and Motor Carriers Play a Role in the New System

- SAFETEA-LU specified that:
  - A 15-member Board of Directors governs the system.
  - The board is made up of a representative from FMCSA, and representatives from participating states, and the motor carrier industry.
- The board is charged with:
  - developing and administering an agreement among the parties,
  - developing and recommending a new fee structure, and
  - developing a method for distributing collected revenues to participating states.
- SAFTEA-LU charged the Secretary of Transportation with setting the fees and any subsequent changes to those fees within 90 days after receiving the board's recommendation—a responsibility the Secretary delegated to FMCSA.

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Background: New System Revenues to Be Used for Safety, Enforcement, or Administration

- SAFETEA-LU restricts participating states' use of revenues generated under the unified carrier fee system. These revenues may be used only for:
  - motor carrier safety programs,
  - motor carrier enforcement programs, or
  - administration of the unified carrier fee system.

- States may use these revenues as matching funds for federal commercial motor carrier safety purposes.

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Objective 1: FMCSA and the Board Have Taken Steps to Implement the New System

- On May 12, 2006, the Department of Transportation completed its process to select board members and announced the board's composition.
- Between June 2006 and March 2007, the board met almost monthly and:
  - Determined the amount of fees states participating in the Single State Registration System collected in registration year 2004 and established total state entitlement (referred to as the "cap"), as specified in SAFETEA-LU.
  - Estimated the number of motor carriers and other entities that are covered under the new system.
  - Identified states that would participate in calendar year 2007 (37 states).

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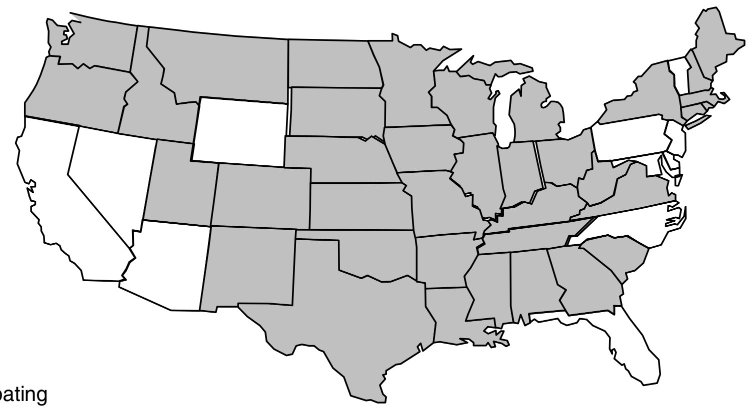
Objective 1: Most States Will Participate in the New System in 2007



Participating

Nonparticipating

Source: FMCSA.
Note: Alaska and Hawaii are not participating.
According to FMCSA, 41 states plan to participate in 2008.

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Objective 1: FMCSA and the Board Have Taken Steps to Implement the New System (cont'd)

The board also:

- Drafted procedures to govern the collection and distribution of fees paid by for-hire and private motor carriers, brokers, freight forwarders, and leasing companies.
- Identified a state to administer a Web site for registering all motor carriers during the initial year of the unified carrier fee system, until individual states can develop their own systems in subsequent years. Texas volunteered to develop this initial system.
- Developed an initial recommended fee structure, which it reported to the Secretary of Transportation on December 6, 2006, and a revised fee structure in March 2007. The board considered a number of factors in developing this structure such as equity among motor carrier entities with different fleet sizes.

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Note: After we provided this briefing, Texas officials informed the board that it would not host a registration Web site.

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Objective 1: FMCSA and the Board Have Taken Steps to Implement the New System (cont'd)

- The board formulated a fee structure to generate over $106 million in revenues. The approximately $106 million in revenue is a sum of the $101 million entitled to participating states that were part of the Single State Registration System, $5 million for administrative costs, and $500,000 to Oregon for joining the new system.

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Objective 1: FMCSA and the Board Have Taken Steps to Implement the New System (cont'd)

- During this time, FMCSA provided assistance to the board.
  - FMCSA provided approximately $60,000 in financial assistance to pay for meeting space and travel because the board does not have funding for its activities until fees are collected.
    - In January 2007, however, FMCSA informed the board it would no longer fund these costs given budget constraints. The March 2007 board meeting was held via teleconference. Until the board begins to collect fees, it has no specific funding for its administrative costs, such as travel and setting up an electronic fund transfer system.
  - FMCSA provided technical assistance and consultation in areas such as the board's responsibility to notify the public of its meetings and factors to consider when developing a fee structure.
  - FMCSA prepared and posted official notices of board meetings in the *Federal Register*.

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Objective 1: Key Steps Remain Incomplete and a Date for Implementation is Not Clear

- As of March 23, 2007, a number of key steps had not been completed:
  - The board had not designated a depository to hold revenues generated by the unified carrier fee system and distribute them to participating states.
  - The Texas Department of Transportation had not completed development of the registration Web site.
  - The Secretary of Transportation had not set fees. According to FMCSA, it sent the chair and vice-chair of the board a letter on December 21, 2006, that stated that the board's initial fee memorandum lacked information it views as essential for it to complete its rule-making process.[2] FMCSA asked the board for this information. The board had not yet submitted a new fee structure.
  - No timeline for finalizing these steps had been set.

[2] Some members of the board, however, told us that they were not aware of FMCSA's request for more information until the board's meeting in mid-January.

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Note: After we provided this briefing, FMCSA accepted a revised fee structure on April 2, 2007, and is drafting a Notice of Proposed Rulemaking to formally set the fees. In addition, the Texas Department of Transportation informed the board on April 17, 2007, that the state will not host the registration Web site.

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Objective 2: The Time Taken for Start-up Activities Left Insufficient Time to Finalize the New System

- The length of time taken to complete certain key start-up activities contributed to not having an implemented unified carrier fee system by January 1, 2007. (See enclosure II for a timeline of key events).
- SAFETEA-LU allowed 17 months to implement the new system before the Single State Registration System expired—from August 2005 to January 2007. This time frame included 90 days for FMCSA to set fees.
- During the first 9 months (August 2005 to May 2006), the Secretary of Transportation appointed a Board of Directors. FMCSA officials told us it took time to identify potential board members, make sure there would be a balanced composition that complied with SAFETEA-LU requirements, and invite members to participate.
- During the following 7 months (May 2006 to December 2006), the board estimated the number of affected motor carriers and related entities and recommended a new fee structure.

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Objective 2: The Time Taken for Start-up Activities Left Insufficient Time to Finalize the New System (cont'd)

- Estimating the number of motor carriers and related entities required several steps:
  - The board used FMCSA's Motor Carrier Management Information System (MCMIS) database to estimate the number of active motor carriers from which it could expect to collect a fee. This included determining both the overall population of motor carriers and their fleet size.
  - The board found that FMCSA's MCMIS database that contained 712,837 motor carriers was unreliable in part because it included inactive motor carriers. As a result, the board used MCMIS to identify as active those interstate motor carriers that had some roadside or audit activity (roadside inspections, reportable crashes, or a safety review) within a 30 month period. In response to FMCSA concerns about this number, the board worked with FMCSA to identify additional fields in MCMIS to ultimately identify about 350,700 motor carriers.
  - From that subset, the board added 14,575 active brokers and freight forwarders in FMCSA's License and Insurance System database.
  - Ultimately, the board estimated that states might be able to collect fees from about 365,000 companies.

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Objective 2: Unresolved Issues Regarding the Fee Structure May Contribute to Further Delay

- Given its legal responsibility to set the fee, FMCSA officials explained that SAFTEA-LU states that the Secretary of Transportation also has the responsibility to review the basis for the fees and consider the same factors that the board considered to ensure compliance with the law.

- The board and FMCSA have not completely resolved two fee-related issues:
  - Carriers in nonparticipating states paying fees:
    - The board interpreted SAFTEA-LU as allowing them to charge unified carrier fees to all motor carriers. Under the Single State Registration System, states collected fees from all for-hire interstate motor carriers.
    - As of March 19, 2007, FMCSA had not yet determined whether SAFTEA-LU allows the board to charge fees to motor carriers operating in nonparticipating states.

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Objective 2: Unresolved Issues Regarding the Fee Structure May Contribute to Further Delay

- Fees based on power units:
  - The board based its initial fee structure on the estimated number of power units operated by affected motor carriers since power units were used as the basis for the Single State Registration System. Power units are self-propelled motor vehicles.
  - FMCSA officials explained that SAFETEA-LU specifies that commercial motor vehicles be used as the basis for the fee structure. The law defines commercial motor vehicles as those vehicles that are self-propelled or towed. These vehicles include self-propelled vehicles and accompanied towed vehicles, such as trailers.
  - Thus, the board developed a revised fee structure based on the number of self-propelled and towed vehicles in the fleet. On March 15, 2007, the board met and voted on this new recommended fee structure and plans to submit this revised fee structure soon.

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Note: After we provided this briefing, the board and FMCSA resolved these issues. When FMCSA accepted the revised fee structure on April 2, 2007, it recognized that the board could charge fees to motor carriers operating in nonparticipating states.

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Objective 2: Unresolved Issues Regarding Fees May Contribute to Further Delay (cont'd)

- The board's revised fee structure recommendation:

	Fleet size	Percent of industry	Fee	Revenue
• Bracket 1	0-2	50.0%	$ 39	$7,128,498
• Bracket 2	3-5	20.0	116	8,457,560
• Bracket 3	6-20	20.0	231	16,893,030
• Bracket 4	21-100	7.7	806	22,524,476
• Bracket 5	101-1,000	2.1	3,840	29,548,800
• Bracket 6	1,001+	0.2	37,500	22,762,500
Total		**100.0%**		**$107,314,864**

Source: Unified carrier fee system Board of Directors.

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Objective 2: Unresolved Issues Regarding Fees May Contribute to Further Delay (cont'd)

- FMCSA interprets SAFETEA-LU as permitting it to delay starting the 90-day period allowed for fee setting until it believes the board provides a recommendation that sufficiently explains the basis for its fee proposal.
- FMCSA officials told us they have authority to set fees without regard to the board's recommendations; however, the officials said they would prefer to resolve any issues collaboratively with the board.
- It is not clear that FMCSA's interpretation of the SAFETEA-LU 90-day fee-setting period is correct. SAFETEA-LU does not specifically authorize the Secretary of Transportation to delay this procedure.
- A 90-day period measured from when the board submitted its original fee recommendation on December 6, 2006, would have elapsed on March 6, 2007.

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Note: After we provided this briefing, FMCSA informed the board that the 90-day period for setting fees based on the revised recommendation began on April 2, 2007.

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Objective 2: Rule-making Requirements Are Likely to Contribute to Further Delay

- According to FMCSA, the need to follow the Administrative Procedure Act in finalizing the new system fees may contribute to further delay.
  - SAFETEA-LU required the Secretary of Transportation to obtain public comment before setting new registration fees.
  - Under the Administrative Procedure Act, FMCSA would accomplish this by publishing a Notice of Proposed Rule Making, providing a period for allowing comments to the proposal, analyzing those comments, and adopting and publishing a final rule.
  - Also, because the unified carrier fee system has an economic impact more than $100 million, FMCSA officials believe the Office of Management and Budget (OMB) will have to review both the proposed and final rules.
  - FMCSA officials said it would be difficult to complete this procedure within the required 90 days. They said OMB review alone usually takes 90 days.

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Objective 3: State Officials Told Us the Delay Has Hindered Their Ability to Acquire Revenues, and Thus Regulate Motor Carriers and Improve Safety Programs

- The delay has hindered states' ability to acquire revenues and thus regulate motor carriers and improve safety programs, according to state officials we surveyed.

- **Acquire revenues** - Twenty-five of 28 states that responded to our survey indicated that a delay in implementing the unified carrier fee system hindered their ability to acquire revenues, and 22 states indicated that this was a great or very great hindrance. Because the old system expired and no new system took its place, states that collected fees under the old system have not yet been able to collect these fees during 2007.

    - For example, as of January 2007, Illinois had collected $129,211 in fiscal year 2007 motor carrier receipts, although normally it would have collected over $2 million by this time.

    - If implementation of the unified carrier fee system is not completed by the end of 2007, FMCSA officials said it is unlikely that states could recoup fees not collected to date.

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Objective 3: **State Officials Told Us the Delay Has Hindered Their Ability to Acquire Revenues, and Thus Regulate Motor Carriers, and Improve Safety Programs (cont'd)**

State officials reported that this delay in receiving motor carrier fee revenue has also affected the ability to regulate motor-carrier activities and improve safety programs.

- **Regulate motor carriers** - Twenty-three of 28 states reported that the delay hindered their ability to regulate motor carriers, and 13 states indicated that this was a great or very great hindrance.
    - Washington state officials reported that Washington state has had to scale back its transportation regulation such as safety audits of commercial motor vehicles, drivers, and companies by approximately 20 percent.
- **Improve safety programs** - Nineteen of 28 states reported that the delay hindered their ability to improve safety programs, and 9 states indicated that this was a great or very great hindrance. States also reported that the delay has moderately hindered their ability to improve the quality of safety programs.
    - Michigan officials stated that as a result of a projected shortfall of $4.2 million, state police had to curtail commercial motor vehicle safety and enforcement programs.

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Objective 3: State Officials Told Us the Delay Has Hindered Their Ability to Acquire Revenues, and Thus Regulate Motor Carriers, and Improve Safety Programs (cont'd)

- Moreover, further delay could jeopardize safety and enforcement programs in certain states.

- For example:
  - Illinois has projected that it will not be able to pay for 64 highway safety employees if it does not receive its fiscal year 2007 revenues.
  - Louisiana officials stated that if replacement funding is not obtained within the next few months, the state will have to begin layoffs of highway enforcement agents.

- Some states are more affected than others.
  - Michigan reported that if replacement funding is not secured by July 1, 2007, its entire enforcement program, including the federal Motor Carrier Safety Assistance Program, will likely shutdown.

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Enclosure I: Motor Carrier Industry Entity Definitions

- **Motor carrier** - A person who operates a commercial motor vehicle in the interstate transportation of goods or passengers for compensation.
- **Exempt for hire** – A person who operates a commercial motor vehicle in the transportation of property or passengers exempt from economic regulation by the FMCSA, such as cotton and figs, for compensation.
- **Motor private carrier** - A person who uses a commercial motor vehicle to provide interstate transportation of property in which it has a property interest, including an owner, lessee, for the purpose of sale, lease, or rent or to further a commercial enterprise.
- **Broker -** A person, other than a motor carrier or an employee or agent of a motor carrier, who sells, offers for sale, negotiates for, or holds itself out for selling, providing, or arranging transportation by motor carrier for compensation.
- **Freight forwarder** - A person other than a carrier who provides transportation of property for compensation in the ordinary course of business. Freight forwarders assemble and consolidate shipments, assume responsibility for shipments from receipt to destination, but they use the services of others to provide actual carriage.

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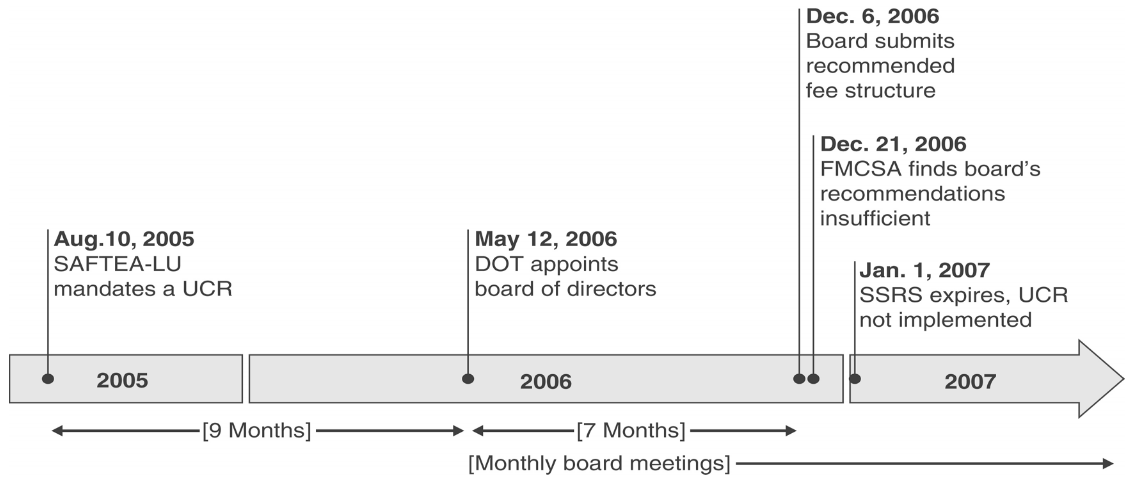
Enclosure II: Timeline of Key Events



Source: GAO analysis of board and FMCSA data.

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Note: After we provided this briefing, FMSA accepted the board's revised fee recommendation and informed the board that the 90-day period for setting fees based on the revised recommendation began on April 2, 2007.

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