FINANCIAL MANAGEMENT PERFORMANCE HIGHLIGHTS

DOT's budget is supported primarily by two types of revenue sources: trust funds and direct receipts and general funds. Trust funds derive from revenue from special fees, such as motor fuel taxes and airline ticket taxes. More than two-thirds of the Department's funding is derived from trust funds and other fees. The two largest trust funds, the Highway Trust Fund and the Airport and Airways Trust Fund, account for most of DOT's funding and support the Department's programs for maintaining and improving transportation infrastructure. General revenue funds are obtained from the general taxes of the United States.

TRANSPORTATION EQUITY ACT FOR THE 21ST CENTURY (TEA-21)

On June 9, 1998, the Transportation Equity Act for the 21st Century (TEA-21) was signed, authorizing highway safety, transit and other surface transportation programs for the next six years. TEA-21 builds on the initiatives established in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). TEA-21 combines the continuation and improvement of current programs with new initiatives to meet the challenges of improving safety as traffic continues to increase at records levels, protecting and enhancing communities and the natural environment while providing transportation, and advancing America's economic growth and competitiveness through efficient and flexible transportation.

Significant Features of TEA-21 include:

- Assurance of a guaranteed level of Federal funds for surface transportation through FY 2003.
- Extension of the Disadvantaged Business Enterprise program.
- Strengthening of safety programs across DOT.
- Continuation of the program structure established under the ISTEA legislation and addition of new programs.
- Investment in research and its application.
- Extension of the highway-user taxes through September 30, 2005, at the same rates in effect prior to TEA-21 enactment.

Significant features of TEA-21 financing include:

- ***Guaranteed Spending Levels*:** Highway and transit discretionary programs are guaranteed a floor (a minimum level of spending) by new budget categories which effectively establish a budgetary "firewall" between each of those programs and all other domestic discretionary programs.

- ***Authorizations and Investment:*** The minimum level of spending for highways is keyed to the projected receipts of the Highway Account of the Highway Trust Fund and will be adjusted as new receipt projections and actual receipts become available. The guaranteed funding for transit programs has a single component — the minimum level of spending amount — which is not keyed to Trust Fund receipts.

- ***Increases and Decreases:*** A portion of any increase in receipts to the Highway Account is reserved for the Federal-aid highway and highway safety construction programs allocated by the Secretary of Transportation — programs that are not apportioned by statutory formula. The remainder of the increase is distributed to the States proportional to their shares of apportionments from the Highway Account. Should a decrease be necessary, the reductions would be made in the succeeding fiscal year and applied proportionally to all Federal-aid highway and highway safety construction programs except Emergency Relief.

- ***Obligation Limitations:*** Spending limitations are applied to most programs. However, obligation limitations set aside each year for certain programs do not expire if not used by the end of the fiscal year, but can be carried over to future years.

WENDELL H. FORD AVIATION INVESTMENT AND REFORM ACT FOR THE 21ST CENTURY (AIR-21)

On April 5, 2000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) was signed into law, authorizing aviation programs of the FAA and elsewhere in DOT through FY 2003. The Act authorizes record amounts of Federal aviation capital and operations funding, enhances safety and consumer protection programs, and provides FAA management reforms that build on personnel and procurement reform legislation previously enacted in recent years.

Significant Features of AIR-21 include:

- AIR-21 provides substantial growth in funding for FAA — an increase of 39 percent (or $3.9 billion) by FY 2003 over FY 2000. The growth is in FAA's Airport Grants program (up 79 percent), FAA Facilities and Equipment (up 44 percent), FAA Research, Engineering and Development (up 59 percent by FY 2002, the last year AIR-21 authorizes this account), and FAA Operations (up 23 percent).

- Aviation safety will be enhanced by strengthening sanctions for the use of counterfeit parts in aircraft, providing whistleblower protections for FAA and aviation industry employees, increasing penalties for "air rage" incidents on passenger aircraft, and stating that ignorance of the law is no defense in cases of hazmat shipping violations.

- Environmental concerns are addressed by increased grant funding for noise mitigation measures around airports, and provisions for air tour management plans at national parks and tribal lands.

- The Act increases (from $3 to $4.50) the maximum Passenger Facility Charge (PFC) that an airport authority can impose on travelers. The PFC program raises about $1.5 billion annually for capital improvements at airports. Under AIR-21, DOT must find that a proposed project at a hub airport will significantly contribute to safety, security, competition among air carriers, or reduced congestion or noise before PFCs are raised above $3. Also, hub airports dominated by one or two air carriers must file competition-enhancing plans with DOT before imposing new PFCs or receiving FAA airport grants.

- The Act includes provisions that will increase air carrier competition and service, such as phasing out Federal slot controls at Kennedy, LaGuardia and O'Hare airports by 2002 and allowing additional flights at Reagan National Airport. A new pilot program is authorized (with $20-27.5 million per year) to assist smaller communities in attracting better air service.

- Civil penalties are increased for passenger rights violations, and rights for people with disabilities are extended to travel on foreign carriers. Increasing amounts of funds are authorized for consumer protection enforcement in the Office of the Secretary of Transportation.
- In the area of management reform, AIR-21 creates a five-member Air Traffic Services Subcommittee of FAA's Management Advisory Council, with oversight responsibilities for budget, procurement, personnel assignments and strategic planning. A chief operating officer for air traffic services would be appointed to focus on performance-oriented management practices.

- In terms of budgetary treatment, AIR-21 stipulates that each fiscal year, an amount equal to that year's excise tax revenues and interest into the Airport and Airway Trust Fund, as estimated in the President's Budget, shall be made available for the four major FAA appropriations accounts.

INNOVATIVE FINANCING

DOT builds on opportunities provided by transportation legislation by using innovative financing techniques that move construction projects ahead faster, cut red tape and supplement Federal funds with private and non-Federal public investment. The Transportation Infrastructure Finance and Innovation Act (TIFIA) of TEA-21 continues this practice, providing Federal assistance to major transportation projects of critical national importance, or which cross jurisdictions or traditional modal boundaries and sometimes have trouble getting funded despite their value.

TIFIA's purpose is to fill gaps in market funding or to leverage additional non-Federal resources. It does this through direct Federal loans, loan guarantees and standby lines of credit. Selection is based on the extent to which a project generates economic benefits, leverages private capital and promotes innovative technologies.

TIFIA's $530 million contract authority could support up to $10.6 billion of credit assistance for everything from roads and bridges to freight transfer facilities to MagLev systems. To qualify, a project must cost at least $100 million or 50 percent of a State's annual apportionment of Federal-aid funds, whichever is less; it must be supported in whole or in part from user charges or other non-Federal dedicated funding sources; and it must be included in a State's transportation plan.

Another major innovative financing initiative is State Infrastructure Banks (SIBs). SIBs use Federal seed capital to leverage private investment through loans and credit enhancement assistance, and are meant to serve as ongoing, revolving loan funds. As projects are implemented, loans are repaid to the SIB, and the proceeds are used for new projects in a continuing cycle. Thirty-nine States were authorized to capitalize SIBs using ISTEA funds. TEA-21 established a new SIB pilot program for four more States. These States may continue to capitalize the SIBs using TEA-21 funds. The previous capitalization limit, 10 percent of a State's Federal funds, was lifted, enabling these States to determine the level of funds they need to make their SIBs work. In addition, the kinds of projects SIBs can support are broader and more intermodal. One of the key aspects of SIBs, both under the ISTEA and TEA-21 pilot programs, is the flexibility the program provides States to direct resources toward locally high priorities, and assist with intermodal projects of regional significance.

YEAR 2000 (Y2K) DOT FIXES ITS FINANCIAL SYSTEMS

All critical Department-wide financial systems' application software was renovated and validated to be Y2K ready. These systems include: the Departmental Accounting and Financial Information System (DAFIS), the Consolidated Uniform Payroll System (CUPS), the Consolidated Personnel Management Information System (CPMIS) and the Integrated Personnel and Payroll System (IPPS).

DOT identified and tracked the progress of DAFIS major feeder and extractor systems to ensure timely completion of their renovation or replacement work. All 54 major interfacing systems were Y2K ready. Major interfacing systems included both mission critical and non-mission critical from an agency perspective.

COST ACCOUNTING SYSTEM (CAS)

The Federal Aviation Reauthorization Act of 1996 (P.L. 104-264) directed the FAA to develop a cost accounting system that adequately and accurately reflects investments, operating and overhead costs, revenues, and other financial measurement and reporting aspects of operations. The system will help track the cost of agency services, support the collection of user fees, and meet the mandate of the legislation.

The system is being implemented in a phased approach by line of business or staff office. The initial focus has been on Air Traffic Services, the line of business with more staffing and funding than any other FAA organization. FY 1999 costs were used as the basis for overflight fees, which FAA began charging in August 2000. In September 2000, flight services were implemented and cost reports produced on a quarterly basis. Air Traffic Services was to be fully implemented in November 2000, receiving cost reports on a monthly basis.

AUDITED FINANCIAL STATEMENTS

Nine years of *extensive* work by the Department on behalf of improving financial management reporting resulted in all DOT FY 1999 financial statements receiving unqualified opinions. Departmental financial statements audited included the DOT Consolidated, the Highway Trust Fund, the Federal Aviation Administration (FAA), and the Saint Lawrence Seaway Development Corporation.

While the Highway Trust Fund received an unqualified opinion for FY 1996, this was the first unqualified opinion received since then. In the intervening years, the General Accounting Office and the OIG worked with the Department to resolve problems encountered in regard to trust fund revenues and investments at the Department of the Treasury.

This was the first time that FAA received an unqualified opinion since the implementation of the audited financial statement initiative. In order to accomplish this milestone, FAA spent a number of years and extensive resources in the validation and valuation of their property, plant and equipment and inventory balances. FAA’s corrective actions required the participation and coordination of both FAA headquarters and field facilities to resolve the weaknesses in these areas.

In order for the DOT Consolidated Financial Statement to receive an unqualified opinion, it was necessary to correct material audit findings relating to the Highway Trust Fund and to the FAA. In addition, material weaknesses in other DOT entities, such as property, plant and equipment and inventory problems in the Coast Guard and the Maritime Administration, had to be corrected. Successful validations and valuations of property, plant and equipment and inventory had to be completed to correct long-standing material internal control weaknesses associated with these assets. Asset management problems were corrected through the execution of detailed corrective action plans extending over multiple years and involving numerous offices.

Financial Statement Progress

	FY 93	FY 94	FY 95	FY 96[2]	FY 97	FY 98	FY99
Financial Statements							
Prepared	9	9	8[1]	4	4	4	4
Audited	5	9	8	4	4	4	4
Results of Audits							
Opinions: Unqualified	1	2	4	2	1	2[3]	4
Qualified	1	2	3	--	1	--	--
Disclaimed	3	5	1	2	2	2	--

[1]Only eight FY 1995 statements were prepared and audited because, in FY 1994, Washington Metropolitan Area Transit Authority refinanced its debt eliminating any federal liability and reporting responsibility.

[2]Coverage of DOT accounts changed from FY 1995 to FY 1996 with the Government Management Reform Act requirement that financial statements, beginning with FY 1996, be prepared and audited for all DOT activities instead of limiting coverage to trust, revolving and commercial funds. Except for three stand-alone statements, the FY 1996 Consolidated Financial Statement replaced most individual statements reducing the number of statements from eight to four.

[3]The Highway Trust Fund received an unqualified opinion on three of five financial statements. The remaining two new statements received a disclaimer.

DAFIS FINANCIAL STATEMENTS MODULE (FSM 2000)

DOT has contracted with User Technology Associates to produce a DAFIS Financial Statements Module. This application automates the preparation of an Adjusted Trial Balance Report with an accompanying Audit Transaction Report and provides an efficient means of preparing financial statements to ensure the accuracy and integrity of data. Presently, the Department is developing within FSM 2000 the capability of generating the Federal Agencies' Centralized Trial-Balance System (FACTS) II Account Groupings Worksheets that are required for the CFO verification of summarized FACTS data. This data is used as input to the Governmentwide Financial Statements.

FSM 2000 will provide the DOT entities with an automated system, which produces efficient and accurate data that will greatly increase the capability of meeting the Government's financial reporting requirements. The system will decrease the time required to produce the statements, which will allow more time for review and audit by the DOT entities and the OIG.

GOVERNMENTWIDE SMALL PURCHASE CREDIT CARD

DOT has achieved substantial dollar savings and other benefits by using the

Governmentwide Small Purchase Credit Card Program (IMPAC card) as a cost effective and efficient means of acquiring products and services, as compared to processing paper-based purchase orders. Use of the card, mostly for purchases under $2,500, has helped DOT to save significant amounts in administrative processing costs for small purchases. In FY 2000, DOT saved more than $46 million over the use of paper-based purchase orders, at a savings of nearly $57 per transaction. For added administrative efficiencies, cross servicing payment processing is also used within the Department.

INTERNET PAYMENT

Harnessing the opportunities provided by the Internet, DOT is integrating the use of Internet applications into financial management business practices. The first of these options involves providing DOT customers with the capability to provide payment for registration, filings, and debts over the Internet with a credit card or automated clearing house (ACH) bank account withdrawals. DOT collects fees for professional certificates, licenses, penalties, fines, and training courses. Since many of the payments received by DOT involve a wide range of dollar amounts, it is appropriate that these payment methods are available. By using the Internet, DOT customers gain 24-hour access to DOT and may pay at their convenience. From the DOT perspective, the vulnerabilities associated with paper checks and forms disappear: checks will not be lost; multiple data re-entry can be avoided; DOT data entry errors are eliminated; and forms no longer are misplaced or separated from checks.

In FY 1999, the FHWA brought the initial payment site on-line. The site offers customers three payment services: certificate registration, insurance, and fines/penalties. In FY 2000, sites were made available to process payments for FAA, USCG, RSPA, MARAD, FRA and NHTSA, covering more than a dozen payment programs. As the Internet payment process matures, it is envisioned that DOT will expand to all appropriate payment areas.

WEB-BASED TRAVEL SERVICES

DOT is streamlining government travel to reduce costs, increase service, and make the entire travel process more efficient. Recognizing the power of Internet technology to enhance our business practices, DOT spearheaded efforts to procure a self-booking supplier, which would provide a web-based system to enable Federal travelers to book travel electronically with or without the help of a travel agent. The new system will allow federal travelers to book tickets, change and cancel itineraries, access fares, conduct a low-fare search and choose seats at any hour.

The implementation of the web site for Government travel will provide benefits to Government agencies, the end user (traveler or travel arranger), and travel industry suppliers. The new travel management system will reduce booking fees by about 50 percent compared to traditional booking methods. DOT's overall objective is to make available a utility by which Federal travelers can book all travel requirements through an electronic process. Supporting objectives include: minimizing travel processing costs for the Government and, ultimately, the taxpayer; insuring consistent high-quality reservation service for Federal travelers; maximizing the access to travel planning and negotiating information for Federal travelers, the General Services Administration (GSA), Federal agencies, and other travelers whom DOT deems eligible; enhancing the Government's ability to establish new travel supplier relationships to enhance quality and reduce costs; and enhancing and supporting the GSA program for Government travel management.

A travel and expense (T&E) service will be selected to process travel orders and vouchers on the web. The T&E service will also provide value added receipt management using imaging and voucher examination services. Web T&E service is expected to reduce travel processing costs, since travelers, approvers, accounting staff and others will no longer spend endless frustrating (and expensive) hours preparing and processing travel authorizations and vouchers. It will provide convenience and efficiency by being available 24 hours a day, seven days a week, 365 days a year. Reimbursement will be quick, since travelers will be paid within 24-48 hours, long before their credit card bills come due. Processing will be paperless, since receipts will be imaged and stored electronically along with authorizations and vouchers. Approvals will be electronic also.

Fees will be reduced as transaction volume increases, as DOT plans to make this service available to other Federal agencies as well as DOT. There is potential for significant savings with extensive use of the service by Federal entities.