

IG Report Highlights Challenges on Spending

- The Inspector General of the Department of Transportation criticized the Obama administration's oversight of the TIGER infrastructure grant program today.
- The practical effect of the 28-page report is to increase the difficulty level of creating an infrastructure bank or other program to disburse grant money.
- Although the current Highway Bill will last for two more years, Congress must revisit TIGER funding in March. Whichever party controls the U.S. Senate following the elections may indicate the fate of the program then.

'Vulnerabilities Exist in Program Oversight'

There is no smoking gun in the report (28 pages, [here](#)). Instead, the IG argues that the Office of the Secretary of Transportation needs to tighten up oversight both over and through subordinate agencies such as the Federal Railroad Administration and the Federal Highway Administration. These subordinate agencies themselves manage relationships with grantees.

Critics, particularly Republicans, will argue the IG report adds to the contention that spending under the 2009 ARRA/stimulus legislation was mishandled. House Oversight and Government Reform Chairman Darrell Issa (R-CA) has repeatedly charged the administration with insufficient oversight of grant programs, the dark implication being that businesses and unions allied with Democrats have benefited from overly-friendly grant awards.

What It Means for Federal Infrastructure Funding

The tenor of the report underscores the difficulty a divided Congress will have in future infrastructure initiatives. There is simply too little trust between the parties to agree on a mechanism for new spending such as an infrastructure bank. This will not mean a reduction in current spending levels, or even an inability to pass a new Highway Bill. However, it does suggest that large new initiatives of the sort major industry stakeholders and academic studies have recommended will be very difficult.

About the Whole IG Thing

The DOT Inspector General is one of nearly 100 within the executive branch, each with an agency or agencies under its purview for managing complaints and investigations. IG offices typically can't have funding revoked without congressional acquiescence, and they hire their own staff. IGs are initially appointed and confirmed by the President and the U.S. Senate, but unlike other presidential appointments, such as cabinet officials or non-Senate-confirmed positions such as White House staff, IGs can only be removed for cause. While IGs still occasionally get caught up in politics, their status in not being at-will employees of the President in theory grants them a certain level of insulation.

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CUB, ASTE, VMI, MLM, VMC, GVA, CAT, MTW, DE, SHAW, NUE, URS, ACM, KBR, TPC, TEX, IR, OSK, GLDD, and KEX

Previous Notes on This Topic

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- [Infrastructure/Agriculture: Thoughts on the Democratic Convention and a 2nd Obama Term](#) - September 7, 2012
- [Infrastructure/Agriculture: GOP Convention Thoughts](#) - August 31, 2012
- [Transpo Tax Pummeled in Georgia; Tolling/Reg Reform More Promising Elsewhere](#) - August 2, 2012

Relevant Stocks

CUB, ASTE, VMI, MLM, VMC, GVA, CAT, MTW, DE, SHAW, NUE, URS, ACM, KBR, TPC, TEX, IR, OSK, GLDD, and KEX. Relevant industries: Construction & Engineering, Industrials & Materials, Electrical Equipment, Construction Machinery, Transportation Infrastructure, Environmental & Diversified Services, and Dredging.

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