

GAO

Report to the Ranking Minority Member,  
Subcommittee on Financial Institutions  
and Consumer Credit, Committee on  
Financial Services, House of  
Representatives

December 2006

## GSA FLEET

# Information on the Effect of Donating Cars to YouthBuild USA and Potential Benefits to Rural Youthbuild Participants



G A O

Accountability \* Integrity \* Reliability



# GSA FLEET

## Information on the Effect of Donating Cars to YouthBuild USA and Potential Benefits to Rural Youthbuild Participants

Highlights of [GAO-07-153](#), a report to the Ranking Minority Member, Subcommittee on Financial Institutions and Consumer Credit, Committee on Financial Services, House of Representatives

### Why GAO Did This Study

To assist youth who live in high poverty rural areas obtain and retain jobs, YouthBuild USA, a national nonprofit organization, has proposed providing donated used cars to selected low-income youth in rural communities. YouthBuild USA's proposed program hinges on receiving donations of used cars from the federal government's General Services Administration (GSA). This report discusses (1) the effect of donating 1 to 5 percent of selected GSA used cars on GSA's fleet vehicle sales operations, (2) what studies have shown with respect to the benefits that car ownership or access may hold for low-income individuals, and (3) what studies of selected low income car ownership programs and experiences of these programs have shown with respect to the benefits of participant car ownership.

In conducting this study, GAO examined auction data from GSA, reviewed academic studies on the benefits of car access in gaining employment, and interviewed officials of six existing low income car ownership programs.

### What GAO Recommends

GAO is making no recommendations in this report.

GAO provided a draft of this report to GSA for its review and comment. GSA stated that our report is accurate but expressed concerns with the use of its Fleet vehicles for car donations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-153](http://www.gao.gov/cgi-bin/getrpt?GAO-07-153).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

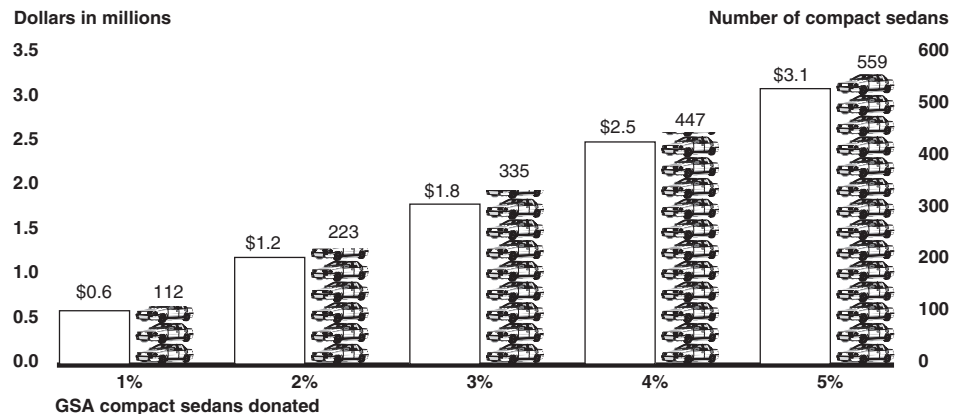
### What GAO Found

If GSA annually donated 1 to 5 percent of the compact sedans available for auction from its Fleet program (112 to 559 cars), its annual sales revenue would be reduced by \$600,000 to \$3 million (see fig.). To donate cars directly to YouthBuild USA, GSA would need new statutory authority to deviate from the existing process for disposing of surplus federal property. If it were given this authority, GSA would likely first seek appropriations to recover the loss in sales revenue from the donations but would also consider increasing its leasing rates for compact sedans. However, GSA would also require new legislative authority to increase its rates for this purpose because the current statute governing its Fleet program does not allow it to pass on these costs to the agencies that lease vehicles from it.

The seven studies GAO reviewed consistently found that owning a car or having access to one increases the likelihood that low-income individuals (such as rural Youthbuild participants) find a job. One reason for this is that a car allows a person to search for a job over a wider geographic area. Differences between the populations in these studies and rural Youthbuild participants did not allow GAO to use this research to identify the degree to which participants in YouthBuild USA's proposed program would benefit from having a car.

Six studies of low income car ownership programs and the experiences of those operating the programs indicated that participants got and retained jobs, earned higher wages, and spent more time with their families as a result of owning a car. However, it is difficult to project the results of these studies to rural Youthbuild participants because of limitations in the methodologies of the studies, differences between individuals served by the programs and YouthBuild USA, and differences in the designs of the existing programs and the YouthBuild USA proposal.

**Estimated Average Annual Reduction in Sales Revenue to GSA Fleet from Donating Compact Sedans Normally Sold at Auction**



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**Abbreviations**

GSA	General Services Administration
HUD	Department of Housing and Urban Development
LICO	Low Income Car Ownership
NEDLC	National Economic Development and Law Center
TANF	Temporary Assistance to Needy Families

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United States Government Accountability Office  
Washington, D.C. 20548

December 8, 2006

The Honorable Bernard Sanders  
Ranking Minority Member  
Subcommittee on Financial Institutions  
and Consumer Credit  
Committee on Financial Services  
House of Representatives

Dear Mr. Sanders:

Youth between the ages of 16 and 24 who live in high poverty areas can face significant obstacles to finding employment and receiving job training, including low levels of academic achievement, limited work experience, and a scarcity of jobs in their communities. In rural communities, these youth may face the additional challenge of a lack of transportation to get to available job opportunities because of scarce public transportation and, according to job training and other social service providers, having a car is often a necessity for obtaining and keeping a good job. To address this challenge, YouthBuild USA, a national nonprofit organization working to increase the number of youth transitioning out of poverty, has proposed providing donated vehicles to selected low-income youth in rural communities to travel to job training sites and to work. YouthBuild USA's proposed Rural Initiative Low Income Car Ownership (LICO) program hinges on receiving donations of used cars from the federal government's General Services Administration (GSA).

GSA purchases new vehicles and then leases them to federal agencies through its Fleet program. Each year, GSA sells at auction approximately 40,000 of these vehicles, most of which are 3 to 4 years old. The proceeds from these auctions help fund purchases of new vehicles for the Fleet program. Under its proposed LICO program, YouthBuild USA is seeking donations of 1 to 5 percent of the vehicles GSA auctions off annually, which it would then provide to participants in selected rural Youthbuild programs. Because GSA's Fleet program is currently self-sustaining and YouthBuild USA does not yet have experience operating a LICO program, you asked us to report on the implications of YouthBuild USA's proposal. Specifically, this report (1) assesses the effect of donating 1 to 5 percent of selected GSA used cars on GSA's fleet vehicle sales operations, (2) describes what studies have shown with respect to the benefits that car ownership or access may hold for low-income individuals, and (3) describes what studies

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of selected LICO programs and experiences of these programs have shown with respect to the benefits of participant car ownership.

To assess the effect on GSA's fleet vehicle sales operations from donating vehicles, we focused our analysis on GSA compact sedans to determine the average opportunity cost—the reduction in revenue for each compact sedan GSA would donate—and the total reduction in sales revenue GSA would face by donating 1 to 5 percent of its used compact sedans (112 to 559 cars) to YouthBuild USA's proposed Rural Initiative LICO program. To describe the results studies have shown with respect to benefits of car access (that is, owning a car or having access to one), we identified and reviewed academic studies that had been subject to a peer review and spoke with experts. To describe what some LICO programs have shown with respect to the benefits of participant car ownership, we identified six LICO programs that had been the subjects of external reviews of their programs' outcomes. We also met with officials from these LICO programs to learn about how their programs operated and how they reported outcomes. Appendix I provides additional details on our objectives, scope, and methodology. We conducted our work from May 2006 to November 2006 in San Francisco, California, and Washington, D.C., in accordance with generally accepted government auditing standards.

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## Results in Brief

GSA's annual sales revenue would be reduced by an estimated \$600,000 to \$3 million by donating 1 to 5 percent of the compact sedans from its Fleet program (112 to 559 cars) to YouthBuild USA each year. GSA receives no direct appropriations to operate the Fleet and sustains the program through the fees it charges to federal agencies for leasing vehicles and the proceeds from selling its used vehicles. GSA currently does not donate vehicles from its Fleet program. For GSA Fleet to donate cars directly to YouthBuild USA, GSA would need new statutory authority because such direct donations would deviate from the existing process for disposing of surplus federal property. To recover the reduction in revenues it would face from donating vehicles to YouthBuild USA, GSA officials indicated that the agency would seek appropriations and consider increasing the leasing rates it charges the federal agencies that lease vehicles from it. However, GSA would need additional statutory authority to increase its leasing rates to recover the costs of a donation program because presently its rates may only reflect the costs of operating and replacing its fleet. GSA officials also indicated they would consider keeping vehicles longer than the 3 to 5 years they currently do, which would result in an older fleet with higher maintenance costs.

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Taken as a whole, available studies consistently reported that car access increases the likelihood that individuals with low incomes (such as rural Youthbuild participants) obtained jobs. The research lists several reasons as to why having access to a car leads to better chances of finding a job, such as the possibility that a car allows an individual to search for a job over a wider geographic area. Differences between the individuals who were part of these studies and rural Youthbuild participants did not allow us to use the studies' results to identify the degree to which participants in YouthBuild USA's proposed LICO program would benefit from having a car. For example, the individuals in four of the studies analyzed were mainly urban welfare recipients who tended to be older, more educated, and more likely to be employed than the average participant in YouthBuild USA's proposed LICO program.

Similar to the studies on car access generally, six studies of LICO programs and the experiences of officials of these programs indicate that participants reaped benefits from owning a car, such as getting and retaining jobs, earning higher wages, and spending more time with their families. However, the studies themselves also had methodological constraints (such as low response rates in surveys of participants) that make it difficult to project from their results. For example, a study of one program reported that 75 percent of respondents said that they got a job that paid higher wages, and 55 percent reported obtaining better quality day care for their children as a result of securing a car through the program. The officials operating this LICO program noted that participants found jobs (and kept them longer) and improved their quality of life. However, researchers obtained responses from 38 percent of participants in the program, which is too low of a response rate to apply the results to all of the program's participants. LICO program officials also noted that their programs' designs were different than the YouthBuild USA proposal, which could also limit the applicability of the studies' outcomes. For example, most LICO programs we reviewed require participants to obtain a loan to purchase the car, while YouthBuild USA proposes to give cars to participants for a one-time fee of \$450. LICO program officials believe that the loan aspect of their programs requires participants to devote more resources and effort toward obtaining a car and, as a consequence, participants become more invested in achieving the goals of the programs. LICO program officials also noted that their programs provided participants additional support, such as financial literacy training and arrangements for covering car repair costs, that is not available under YouthBuild's proposed LICO program.

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We make no recommendations in this report. We provided a draft of this report to GSA for its review and comment. GSA found the report to be accurate as it pertained to the description of the GSA Fleet program but expressed concerns with the potential use of its Fleet for a car donation program.

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## Background

GSA purchases about 35,000 to 40,000 vehicles annually for its Fleet program and manages an inventory of almost 200,000 vehicles, including sedans, passenger vans, trucks (light, medium, and heavy), buses, ambulances, alternative fuel vehicles, and limited special purpose vehicles. GSA then leases these vehicles to 75 participating federal agencies<sup>1</sup> in the United States, Europe, and Puerto Rico.<sup>2</sup> As part of its leasing arrangement with these agencies, GSA provides maintenance, repairs, fuel, and management of accident claims and gets reimbursed for these costs by the participating agencies.<sup>3</sup> As part of a regular replacement schedule, GSA sells older vehicles in its fleet. The agency uses a nationwide network of commercial auction firms to dispose of and sell about 35,000 to 40,000 of its used vehicles annually. Federal agencies may dispose of property, such as GSA's vehicles, only in the manner authorized by statute. Specifically, GSA auctions vehicles from the Fleet program under the "exchange/sale" authority contained in the Federal Property and Administrative Services Act (Federal Property Act).<sup>4</sup> Under this authority, an executive agency may acquire personal property by exchanging or selling similar items and applying the exchange allowance or proceeds of sale, in whole or in part

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<sup>1</sup>GSA refers to these agencies as "participating" because they are not required to lease vehicles from GSA but choose to do so (rather than, for example, leasing from the private sector).

<sup>2</sup>GSA's current authority to operate its Fleet program is specified under the Federal Property Act, 40 U.S.C. § 602. Under this act, GSA has broad authority to establish, maintain, and operate (including servicing and storage) a fleet of motor vehicles for executive agencies to use for the transportation of property and passengers.

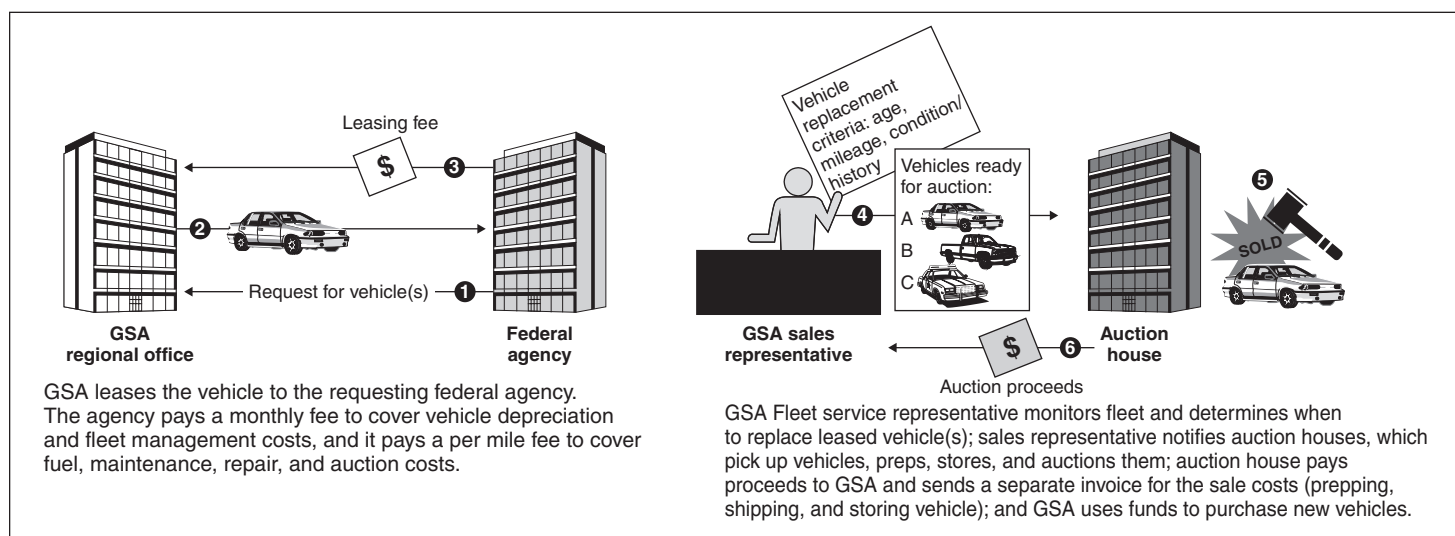
<sup>3</sup>The Federal Property Act specifies how GSA is to set prices to recover the costs of operating the fleet. GSA is to set prices "for furnishing motor vehicles and related services . . . to recover, as far as practicable, all costs of carrying out" the administration of the fleet program. GSA also may include an increment for estimated replacement costs of motor vehicles and related equipment and supplies.

<sup>4</sup>40 U.S.C. § 503.



payment, for the property acquired.<sup>5</sup> GSA uses the sales proceeds from these auctions to help purchase new vehicles.<sup>6</sup> Figure 1 illustrates GSA's process for leasing and subsequently auctioning vehicles.

**Figure 1: GSA Leasing and Auction Process**



Sources: GAO; Art Explosion (images).

<sup>5</sup>If a federal agency's personal property is not disposed of under the exchange/sale authority, then the agency may dispose of the property only in accordance with other statutory requirements. The general process for disposing of personal property is set forth in the Federal Property Act. Under the act, federal agencies may dispose of personal property only if (a) the property is not required to meet an agency's needs or responsibilities ("excess property") and (b) GSA determines the property is not required to meet the needs or responsibilities of all federal agencies (i.e., "surplus property"). See 40 U.S.C. §§ 102, 541–549. Surplus property may be donated, but only to state agencies pursuant to requirements in the act. 40 U.S.C. § 549.

<sup>6</sup>GSA has another internal organization, Property Management, which operates the Federal Surplus Personal Property Donation Program. According to GSA officials, because GSA Fleet's program is self-sustaining and needs to auction its used cars to remain so, it does not participate in this program. Under the surplus donation program, certain nonfederal organizations, including selected nonprofit educational and public health organizations, can obtain property from the federal government, through state agencies, including vehicles that GSA and many other federal agencies no longer need. The vehicles that are donated as part of this program tend to be older than Fleet's usual 3 to 4 years.

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Welfare reform experts contend that transportation is an important element in assisting former welfare recipients with finding employment.<sup>7</sup> However, they also contend that public transportation is not always convenient or accessible and, for some families receiving assistance, driving is the best option. To address this issue, several communities started LICO programs as highly individualized initiatives designed to meet local transportation needs. In 2002, the National Economic Development and Law Center documented at least 60 LICO programs across the country serving welfare recipients and the working poor by helping with the high costs associated with car ownership, including maintenance, repairs, and insurance.<sup>8</sup> Typically, these programs rely on older cars received through donations from individuals. They employ a number of strategies that include making affordable and reliable used vehicles directly available to customers or providing low-cost loans to enable individuals to buy vehicles. Today, there are over 160 documented programs across the country serving the car ownership needs of low-income individuals.

YouthBuild USA, which to date has not operated its own LICO program, has proposed a Rural Initiative LICO program that would rely on 3- to 4-year-old vehicles donated by GSA to provide affordable and reliable transportation for rural youth. YouthBuild USA is a national nonprofit organization that provides staff training and technical assistance to the nationwide network of almost 200 local Youthbuild programs.<sup>9</sup> The local programs serve youth between the ages of 16 and 24 and focus primarily on providing training in

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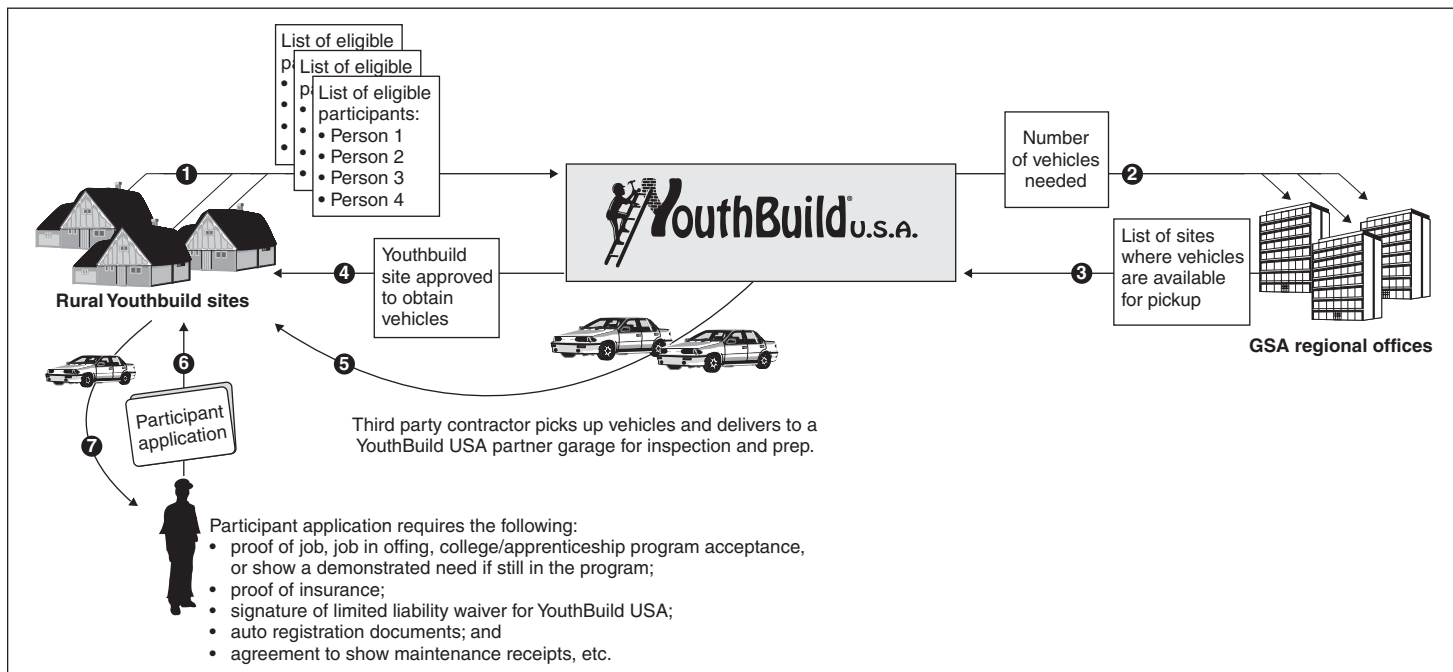
<sup>7</sup>The 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 Pub. L. No. 104-193 (1996), established the Temporary Assistance to Needy Families (TANF) block grant program, which, among other things, requires aid recipients to participate in work or work-related programs.

<sup>8</sup>According to the National Economic Development and Law Center, it facilitates and supports legal services and private lawyers to provide legal assistance to the hundreds of organizations working at the local level on community and economic development projects.

<sup>9</sup>Congress authorized the Youthbuild as the "Hope for Youth" program on October 28, 1992, under the Housing and Community Development Act of 1992. The Department of Housing and Urban Development (HUD) manages the federal Youthbuild program and awards funds as competitive grants to nonprofit organizations to assist economically disadvantaged youth between the ages of 16 to 24 to learn housing construction job skills and to complete their high school education. One of the purposes of the federal Youthbuild program is to "enable economically disadvantaged young adults to obtain the education and employment skills necessary to achieve self sufficiency." According to HUD officials, if a vehicle donation program were properly managed and had appropriate controls in place, providing a donated vehicle to these youth would likely be consistent with the purposes of the Housing and Community Development Act of 1992.

the building trades. YouthBuild USA is proposing to obtain donated vehicles directly from GSA Fleet and provide these vehicles to eligible youth so that they can continue in the job training program or have reliable transportation to work sites or college after they have graduated from the program. Under the proposal, YouthBuild USA will identify eligible rural Youthbuild programs and youth at these sites who would benefit from a donated vehicle. The program would have several requirements for participants, including possession of a valid driver's license, eligibility for insurance, good attendance in the Youthbuild program, and successful completion of a 6-week car ownership course. According to program officials, YouthBuild USA would hold the title of the car for 3 years, during which the participant would have to demonstrate a good track record for preventative maintenance in order to fully own the vehicle. Rural Youthbuild sites participating in the program would have to demonstrate financial stability and the capacity to administer and provide project oversight on the local level. Figure 2 presents a diagram of the proposed YouthBuild USA Rural Initiative LICO program.

**Figure 2: YouthBuild USA's Proposed Rural Initiative LICO Program**



Sources: GAO; YouthBuild U.S.A. (logo); Art Explosion (images).

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## GSA Fleet Would Face Reduced Revenues and Need Legislative Authority to Donate Cars

If GSA were required to donate 1 to 5 percent of its compact sedans to YouthBuild USA (112 to 559 cars), its annual sales revenue would be reduced by an estimated \$600,000 to \$3 million. GSA Fleet, which manages the agency's program, receives no direct appropriations and depends on the sale of these vehicles to sustain its operations. GSA does not currently donate Fleet vehicles. Furthermore, it would need new statutory authority to be able to donate them directly to YouthBuild USA because this would deviate from the existing process for disposing of excess federal property. If GSA were required to donate cars directly to YouthBuild USA, it would seek an appropriation to recover the reduction in revenues this would cause and consider increasing its leasing rates to federal agencies. However, GSA would need additional new statutory authority to allow it to increase its leasing rates for the purpose of recovering costs associated with donating cars.

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## GSA Faces Reductions in Revenues from Donating Cars It Would Normally Auction

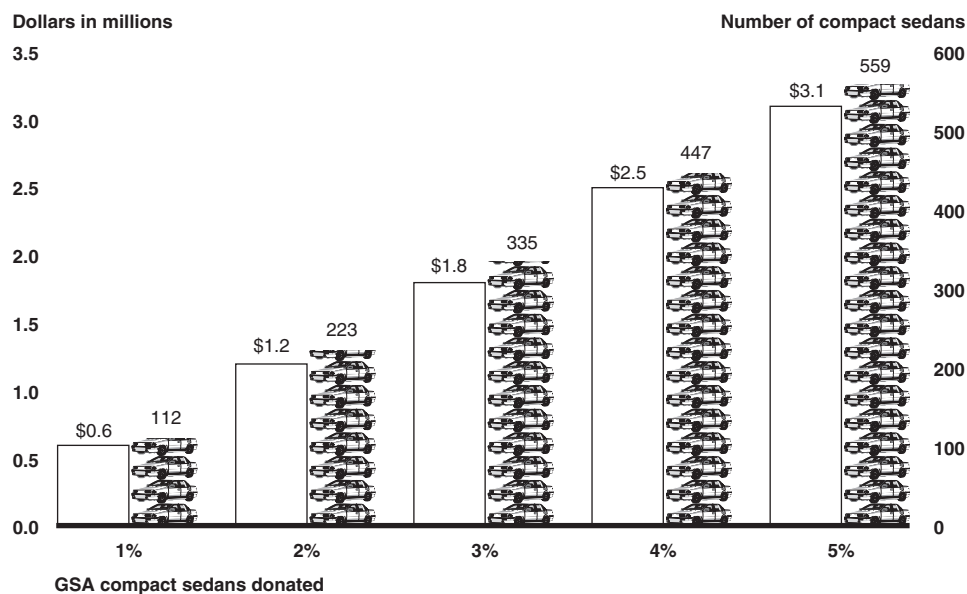
GSA would face reduced sales revenues of an estimated \$600,000 to \$3 million per year if it donated 1 to 5 percent of its used compact sedans from its Fleet program (112 to 559 cars) to YouthBuild USA's proposed Rural Initiative LICO program rather than sell these cars through selected auction houses around the country. From fiscal year 2002 through fiscal year 2006 (as of August 2006), GSA, on average, auctioned 11,171 compact sedans each year, with a mean sales price of \$5,511. GSA officials indicated that they base their decision to sell their used cars on a combination of factors intended to maximize their revenues. For example, they look at the expected sales proceeds of the vehicle based on its age and mileage to determine at what point they will get the maximum value for selling their used cars. They currently use the following age and mileage guidelines for selling their used cars:

- 3 years old and 36,000 or more miles, or
- 4 years old and any miles, or
- any age and 60,000 or more miles.

In addition, GSA tracks the resale market to determine the high and low points of the market to help decide when to sell and what types of vehicles to sell. Finally, they look at events that could affect the used car market. For example, Hurricane Katrina increased the demand for used vehicles in parts of the country that were not affected by the hurricane.

If GSA donated to YouthBuild USA 1 percent of the compact sedans it normally sells at auctions, this would be about 112 cars with a total reduction in estimated sales revenues of about \$600,000. If GSA donated 5 percent of the compact sedans it normally auctions, this would be about 559 cars with a total reduction in estimated sales revenues of about \$3 million. Figure 3 shows the range of reduction in sales revenue from GSA donating 1 to 5 percent of its compact sedans to YouthBuild USA (112 to 559 cars).

**Figure 3: Estimated Average Annual Reduction in Sales Revenue to GSA Fleet from Donating Compact Sedans Normally Sold at Auction**



Source: GAO analysis of GSA data.

GSA Fleet, which manages the agency's program, does not receive direct appropriations from Congress; therefore, GSA officials indicated that GSA Fleet would need to replace the reduction in sales revenues from donating cars in order to continue to sustain its operations. Currently, to support its Fleet operations, GSA relies on the proceeds of its auction of used vehicles and the income it receives from the rates it charges agencies that lease vehicles from it. According to GSA officials, in setting its leasing rates, it is allowed to include an increment to these rates to cover inflation on its current inventory of vehicles, as well as to cover the estimated replacement

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cost of these vehicles to meet the demand of agencies that lease from the Fleet program. This increment is known as replacement cost pricing. GSA officials indicated that a revolving fund sustains the Fleet program, with the revenues it receives from auctioning and from leasing vehicles, offsetting the expenditures for operating the entire fleet of vehicles.

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### GSA Would Need Statutory Authority to Donate Vehicles Directly to YouthBuild USA

In order for GSA to donate cars from its Fleet program directly to YouthBuild USA, it would need new statutory authority to deviate from the existing process for disposing of surplus federal property.<sup>10</sup> GSA Fleet does not participate in this process. Specifically, under the process for disposing of surplus federal property, federal agencies must determine if any property under their control is excess, or no longer needed, within the agency. If this is the case, they must then report this to GSA, which first determines if any other federal agency needs the property. If no other agency needs it, GSA declares the property to be “surplus” and can dispose of it in a number of ways, such as by selling it or destroying it. GSA also has authority to donate this property but may not do so directly to specific private organizations, such as YouthBuild USA. Instead, it must donate the property through state agencies, which, in turn, donate it to public agencies or certain nonprofit educational or public health institutions or organizations.

According to GSA officials, if they were given the statutory authority explicitly allowing them to donate vehicles from their Fleet program to YouthBuild USA, they would likely first seek appropriations to the General Supply Fund to make up for the reductions in revenues associated with donating the vehicles.<sup>11</sup> In addition, they would consider increasing the rates they charge federal agencies to lease vehicles, in order to recover this reduction in revenues. However, GSA currently lacks authority to pass on the costs of donations to its client agencies. Specifically, the Federal Property Act specifies how GSA is to set prices to recover the costs of

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<sup>10</sup>The process for disposing of surplus federal property is set forth in the Federal Property and Administrative Services Act of 1949. See 40 U.S.C. §§ 541-549.

<sup>11</sup>GSA's Fleet program is financed through GSA's revolving General Supply Fund. The General Supply Fund is an intergovernmental revolving fund used to finance the acquisition of goods and services for federal agencies. It is managed by GSA's Federal Supply Service. The General Services Administration Modernization Act, Pub. L. No. 109-313, abolishes the General Supply Fund and the Information Technology Fund. Effective December 5, 2006, capital assets and balances remaining in the two funds are to be transferred to the new Acquisition Services Fund. The legislation also provides for a new Federal Acquisition Service to carry out functions related to the new Acquisition Services Fund.

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operating the fleet. The pricing formula (through which GSA sets its leasing rates) specifies that prices should cover the costs of operating the fleet and may include an increment for the cost of replacing fleet vehicles and related equipment.<sup>12</sup> Because the costs associated with donations of fleet vehicles would not be costs of operating or replacing the fleet and related equipment, statutory authority would be needed in order to increase the rates GSA charges its client agencies to recover the costs of donating cars to YouthBuild USA.

GSA officials indicated there are different ways they might consider raising leasing rates if given authority to do so but also expressed concerns about the effect such an increase might ultimately have on the viability of the Fleet program. For example, GSA could raise its rates only for those agencies that lease compact sedans; this would result in a 1 percent increase in order to recover the reduction of \$600,000 in sales revenue. To recover the reductions from donating 5 percent of its compact sedans (\$3 million in sales revenue), GSA might raise its leasing rates by about 5 percent. Another option GSA could pursue would be to raise its rates across all agencies that lease vehicles from it, regardless of car type. In this case, all agencies that lease vehicles from GSA Fleet (not just those leasing compact sedans) would subsidize the vehicle donations.

GSA officials indicated that if the agency raised its rates too high, this could affect the economic viability of the Fleet program. Nothing requires federal agencies to lease vehicles from GSA; they can lease from private companies if they choose to do so. GSA officials told us that the agency is currently less expensive than the private sector in terms of leasing rates. GSA officials indicated that, while raising the rate GSA charges to lease vehicles in order to recover the reduced sales revenue from donating 1 to 5 percent of its compact sedans to YouthBuild USA would probably not cause the federal agencies to stop leasing from GSA, the officials are more concerned that donating vehicles would inspire other nonprofit organizations to seek donations from GSA Fleet. According to GSA officials, they have received such requests in the past. If GSA were required to donate a greater percentage of its Fleet vehicles to nonprofit organizations, then GSA's leasing rates could eventually become higher than its competitors in the private sector and eventually drive GSA out of the leasing business.

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<sup>12</sup>40 U.S.C. § 605(b).

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Another option GSA officials cited does not require a legislative change. Specifically, GSA officials indicated that it could decrease the amount of funds it uses to buy new cars each year. Because GSA would have less sales revenue due to donating some of the cars it normally would sell, GSA would have less funds to buy new cars. According to GSA officials, to compensate for the purchase of fewer new cars, GSA would keep its cars in the Fleet program longer than the current 3- to 5-year time period. Furthermore, because these cars would be older than GSA's current fleet, they would require more maintenance, which would result in higher maintenance costs. Due to the prospective nature of a donation program, GSA officials indicated that they did not have sufficient information to give a precise estimate of the increased maintenance costs GSA would incur. Finally, GSA officials indicated that keeping cars longer might mean more downtime for some of these cars, which might also result in a reduction of revenues from leasing.

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## Available Research Suggests That Car Access Leads to Jobs and Other Benefits

Taken as a whole, the seven studies we reviewed consistently indicated that owning a car or having access to one increases the likelihood that low-income individuals (such as rural Youthbuild participants) get a job (see app. II for more information on each of the studies we reviewed).<sup>13</sup> According to recent research, this is because a car likely allows a person to search for a job over a wider geographic area and to work during hours when public transit is not available. While each of the studies had some methodological limitations, they all produced fairly consistent results on the effects of car access on employment and hours worked. Differences between the populations in these studies and rural Youthbuild participants did not allow us to use the studies' results to identify the degree to which participants in YouthBuild USA's LICO program would benefit from having a car.

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<sup>13</sup>We identified a large body of work on car access and employment that had produced similar results as our seven studies. We narrowed our scope to the seven we reviewed because these studies used more sophisticated statistical modeling techniques to control for the effects of other factors that could affect the likelihood that an individual found a job, such as education, age, and gender. We excluded studies that were based largely on anecdotes, quantitative research that did not control for other explanatory factors, and summaries of existing research. See appendix II for a more detailed summary of the studies we considered.



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## Studies Reported Employment Benefits from Car Access

Taken as a whole, the seven studies we examined consistently indicated that owning a car or having access to one increased the likelihood that someone would get a job. For example, a 2005 study surveyed about 2,000 urban and rural welfare recipients in Tennessee starting in January 2001.<sup>14</sup> Researchers interviewed the same people every 6 months and asked questions about car access and employment. The study indicated that individuals with access to a car increased their chance of finding a job and leaving welfare by about 59 percent. Another study obtained data from a survey of a random sample of Alameda County, California, residents who received welfare benefits in fiscal years 1992 to 1993.<sup>15</sup> Researchers surveyed these same individuals again in fiscal years 1994 and 1995 and reported that private automobiles were more effective than increased public transit in moving participants from welfare to work. Another study estimated that owning a car increased the likelihood of being employed by about 20 percent.<sup>16</sup>

Three of the seven studies reported that car access led to more work hours (the other four studies did not address this issue). For example, one study examined the effects of car access on weekly hours worked and estimated that access to a car increased the number of hours worked by nearly 9 hours per week.<sup>17</sup> Two other studies, focusing on car ownership, estimated increases of 5 to 11 hours per week in the number of hours those they studied worked.<sup>18</sup>

The literature gives several explanations for these results. For example, a car likely allows a person to search for a job over a wider geographic area, expanding the number of employment opportunities and the chances he or she will find a job. Also, a car likely allows a person to work hours that are

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<sup>14</sup>Gurley and Bruce, "The Effects of Car Access on Employment Outcomes for Welfare Recipients," *Journal of Urban Economics* 58: 250-272 (2005).

<sup>15</sup>Cervero et al., "Transportation As a Stimulus of Welfare-to-Work-Private Versus Public Mobility," *Journal of Planning Education and Research* 22: 50-63 (2002).

<sup>16</sup> Raphael and Rice, "Car Ownership, Employment and Earnings," *Journal of Urban Economics* 52: 109-130 (2002).

<sup>17</sup>Gurley and Bruce, 250-272.

<sup>18</sup>Ong, Paul, "Work and Car Ownership Among Welfare Recipients," *Social Work Research* 2 (4): 255-262 (1996) and Raphael and Rice, 109-130.

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not traditionally supported by public transit, increasing not only the hours he or she can work, but the job openings that may be considered.<sup>19</sup>

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### Studies Could Not Be Used to Estimate How Much Youthbuild Participants Would Benefit from Having a Car

Because there are several major differences between the individuals that the researchers studied and those in the rural Youthbuild population, we could not extrapolate from this research to identify the degree to which the rural YouthBuild USA population would benefit from having a car. For example, the studies generally reviewed welfare recipients who tended to be older and better educated than the rural Youthbuild population. Research has shown that older, more educated individuals are more likely to find employment (with or without a car) than younger and less educated individuals.

In addition, four of the studies we reviewed were based on data from mainly urban populations, while two others used national data without controlling for urban/rural locations. Controlling for differences such as urban and rural populations would be necessary to extrapolate from these studies for the Youthbuild population because of various differences between the two groups. For example, we have reported in the past that rural residents generally have fewer public transportation options and live in less densely populated areas than urban residents, making them more dependent on car access or ownership.<sup>20</sup> Consequently, the effect of car access in rural areas may be more difficult to discern and different than in urban areas because rural residents have fewer transportation options from which to choose. Also, rural unemployment rates are higher on average than urban areas; as a result, the effect of increasing car access on new employment may be substantially different than in urban areas. Consequently, the research that did not distinguish rural and urban populations did not allow us to gauge whether the rural YouthBuild USA population would experience greater, equal, or lesser benefits than the studies reported.

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<sup>19</sup>Each of the seven studies we reviewed had methodological limitations. However, collectively the studies have used varying methodologies to address each of these limitations, leading to our assessment that, taken as a whole, they indicate specific benefits from car access. For more details on the limitations, see appendix II.

<sup>20</sup>GAO, *Welfare Reform: Rural TANF Programs Have Developed Many Strategies to Address Rural Challenges*, GAO-04-921 (Washington, D.C.: Sept. 10, 2004). This report found that many rural TANF recipients cannot afford to own or operate a reliable private vehicle, and public transportation is often not available.

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## LICO Programs Report Positive Results, but Limitations Restrict Projecting Results to YouthBuild USA's Program

Six studies of LICO programs, as well as the managers of these programs, reported that participants were able to get a job or retain their current jobs, received higher wages, and spent more time with their families as a result of getting a car through the LICO programs. However, determining the extent that Youthbuild participants would benefit from such a program is not possible because of limitations in the methodologies of these studies, differences between individuals served by these programs compared with YouthBuild USA, and differences in the designs of the existing programs and the YouthBuild USA proposal. For example, most of the studies had low response rates from the participants, which prevented us from projecting their results to all participants. In addition, in terms of program design, the LICO programs studied are largely loan programs that provide additional tools to aid participants, such as financial literacy training, whereas YouthBuild USA proposes to donate cars and does not envision additional support services. As a result, managers of the existing LICO programs believed their participants' outcomes may be different than YouthBuild USA's because the loan commitment, the financial literacy training, and the low-risk profile of their participants altogether increase the likelihood of success.

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## Studies and Experiences of Six LICO Programs Report Positive Results for Participants

Six LICO programs that had been subject to an external formal evaluation study and officials of these programs reported that participants found jobs, retained their current ones, or increased their income as a result of obtaining a car through the program. For example, one of the studies reported that 60 percent of the participants found a job after getting the car, and another study reported that 97 percent of the participants surveyed attributed their ability to find a job or retain their current one to the car they obtained through the program. With respect to increasing participant income, all six of the studies reported gains in earnings, and four of the six studies reported that from 72 to 80 percent of the LICO program participants secured or reported receiving higher wages. These studies reported that participants believed that their increased wages were attributable to the vehicle they received from the LICO program. Another study reported that the participants experienced annual average income increases from nearly \$5,500 to \$7,900 after getting a car. Additionally, officials of the LICO programs told us their participants reported that having a dependable and affordable car helped them find or retain their jobs, helped them receive higher wages and work more hours, or find better jobs.

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The LICO program studies and the LICO officials reported that the program participants benefited from an improved quality of life as a result of obtaining a car through the LICO programs. According to the studies, participants reported that having a car enabled them to improve their education and training, find better quality day care for their children, and spend more time with their families. One official of a LICO program added that participants stated that having a car was a life transforming event, increasing their financial stability and allowing them to obtain better housing or become homeowners. Other LICO program officials stated that participants reported that the car had a positive effect on their self-esteem or gave them hope for the future. LICO program studies and officials stated that their participants reported that the car they got through the program allowed them to shop at discount centers rather than nearby more expensive convenience stores.

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### Limitations in Studies Do Not Allow for Outcomes to Be Projected to YouthBuild USA's Proposed LICO Program

Limitations in the methodologies in the six studies, such as low survey response rates, restrict applying their employment outcomes to the entire populations of the LICO programs studied or to participants in YouthBuild USA's proposed LICO program. For example, three studies reported positive outcomes for participants, but these outcomes were based on low response rates from LICO program participants.<sup>21</sup> Specifically, these studies reported the following:

- A study of one LICO program that helps its participants obtain low-interest loans to purchase a used car reported that, among the participants surveyed, 75 percent said that they found a job that paid higher wages, and 55 percent reported obtaining better quality day care for their children as a result of obtaining a car through the program. Officials of this LICO program noted that participants found jobs (and kept them longer) and improved their quality of life as a result of obtaining a car from the LICO program. However, while the study of this program attempted to contact the 90 participants, it only received responses from 34 participants (38 percent). This raises the possibility

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<sup>21</sup>Low response rates in surveys may lead to estimates that cannot be projected if survey respondents have different characteristics than nonrespondents on the variables being studied. No one figure is an acceptable minimum response rate for all surveys, but rates below 70-80 percent are normally considered problematic. See GAO Applied Research and Methods Guidance: *Sample Size Estimates for Attribute Sampling and also Calculating and Reporting Response Rates and Addressing Nonresponse Issues*, December 10, 2003.

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that the 56 nonrespondents, nearly two-thirds of those in the program, may have had different experiences from the 34 who responded.

- Another study of a LICO program that relied on data on participants' earnings and employment reported that 63 percent retained their jobs for 12 months after obtaining a car loan. However, data were not available for all participants for the time periods of interest to the researchers, and the study had to rely on samples of the 511 for whom data were available. For example, there were only data on 131 program participants that went back a full year before their loans were issued, which raises the possibility that those for whom data was not available had different outcomes from those for whom data was available.
- Another study of a LICO loan program reported that 339 out of 353 participants surveyed experienced an improved quality of life in that they were able to spend more time with their families. However, these 353 respondents were drawn from a pool of 2,200 that the study authors created because they anticipated very high nonresponse rates, which raises the possibility that the participants surveyed experienced very different outcomes from those that were not surveyed.

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### Differences in Design and Participants the Programs Serve Also Limit Application of Study Results to YouthBuild USA's Proposed Program

Officials of the LICO programs studied also told us that differences in program design and population served to restrict the extent to which their outcomes could be applied to YouthBuild USA's proposed LICO program. One of the major differences between the design of the LICO programs studied and YouthBuild USA's proposal is that most LICO programs we consulted require participants to obtain a loan to purchase the car, while YouthBuild USA proposes to give cars to participants for a one-time fee of \$450. Four of these six programs require participants to obtain a low-interest loan to purchase a car, while YouthBuild USA proposes donating cars to participants. The other two programs obtain used cars, repair them (if necessary), and then sell them to the participants at the cost of repairs or at a very low cost. One of these two programs may also assist the participants in obtaining a loan,<sup>22</sup> and the other requires the participants to make payments for the purchase of the car. In order to qualify for the loans, the programs require participants to have adequate income to support car

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<sup>22</sup>One of the LICO programs that obtains, repairs, and sells cars to participants at low cost also donates cars to recipients of public assistance and receives a small fee from the state for doing so.

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payments and meet creditworthiness standards. Once they obtain the car, participants must make the loan payments for the term of the loan. Because of these requirements, as well as participants' greater reliance on their own resources, officials of these LICO programs told us that they believe that their participants have greater incentives toward ensuring that they realize the benefits of car ownership than do individuals who receive a donated vehicle. Additionally, they believe that their participants become more invested in getting jobs and achieving other results that are consistent with the programs' goals than would participants in a car donation program such as what YouthBuild USA proposes.

These LICO programs provide additional support to their participants, such as financial literacy training and car repair assistance, which might also limit the application of the studies' results because YouthBuild USA's proposal does not presently envision providing such services. Officials of these LICO programs stated that, before allowing participants to obtain a loan, it was important for them to understand how to budget their money and deal with credit responsibly. They indicated that the financial literacy training and subsequent counseling was an essential component of their programs and tied to the success of participants fulfilling their obligations on their loans, as well as getting or keeping their jobs.

Furthermore, most of the LICO programs implemented various arrangements for costs of repairs as part of their programs. For example, two programs developed plans to enable participants to cover the costs of minor repairs by establishing accounts to which participants make small monthly deposits, which they later may use for repair costs. Also, one of these programs required participants to contribute a one-time fee of \$250 to a pool that could later be used to cover the costs of major repairs above \$700. Additionally, an official of one LICO program told us that it addressed the issue of budgeting for repair costs by securing favorable rates in advance at specific auto shops and requiring participants to go to these specific vendors for repairs.

Finally, similar to the studies we reviewed related to car access in general, the differences between the populations served by these LICO programs and those YouthBuild USA proposes to serve also might limit the extent to which the outcomes of these LICO programs could be applied to YouthBuild USA's proposal. Our reviews of the participants' profiles of the LICO programs studied found that more than half of the participants were single women in their mid-20s to 30s, with children, and with some education beyond high school. In contrast, participants in YouthBuild USA's

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LICO program would primarily be men between the ages of 16 and 24 who would have not completed high school upon entering the Youthbuild program. Officials of the LICO programs believed that the demographics of a LICO program can influence the programs' outcomes. For example, these officials indicated that participants who have responsibilities, such as those with children, are more likely to have a lower risk profile and be motivated toward getting a job and reaching other goals consistent with those of the LICO programs.

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## Agency Comments and Our Evaluation

We provided GSA a draft of this report for its review and comment. In a letter from the Assistant Commissioner for the Office of Vehicle Acquisition and Leasing Services (see app. III), GSA described our report as accurate as it pertains to our description of the GSA Fleet program. GSA expressed concerns with the potential use of its Fleet for a car donation program—namely, that the revenue lost would require direct appropriations from the Congress or cost increases to its customer agencies in the form of higher lease rates, potentially affecting the viability of the GSA Fleet program. Additionally, GSA stated a concern that creating a donation program to YouthBuild USA could lead other organizations to seek donated vehicles as well.

GSA also stated that the report does not clearly address the question as to why YouthBuild USA should receive donated GSA vehicles over other worthy charitable organizations. In our review, we focused on the effect of donating 1 to 5 percent of selected GSA cars on GSA's fleet vehicle sales operations and the potential benefits to rural Youthbuild participants from such donations. We did not, however, evaluate the merits of providing vehicles to other charitable organizations.

GSA officials also provided a number of technical clarifications to our report, which we have incorporated, as appropriate.

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We are sending copies of this report to the Chairman of the Subcommittee on Financial Institutions and Consumer Credit of the House Committee on Financial Services and other interested congressional committees. We also are sending copies to the Administrator of GSA. We also will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

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If you or your staff have any questions regarding this report, please contact me at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@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 major contributions to the report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink that reads "William B. Shear". The signature is written in a cursive style with a large, prominent 'W' and 'S'.

William B. Shear  
Director, Financial Markets  
and Community Investment



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# Objectives, Scope, and Methodology

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The objectives of this report were to (1) assess the effect of donating 1 to 5 percent of selected General Services Administration (GSA) used cars on GSA's fleet vehicle sales operations, (2) describe what studies have shown with respect to the benefits that car ownership or access may hold for low-income individuals, and (3) describe what studies of selected Low Income Car Ownership (LICO) programs and experiences of these programs have shown with respect to the benefits of participant car ownership.

To assess the effect on GSA's fleet vehicle sales operations from donating vehicles, we obtained data from GSA on the total number of compact sedans its Fleet program sold and the average sales proceeds for these vehicles for fiscal years 2001 through 2005 and for 2006 (up to August 2006). We focused our analysis on GSA compact sedans sales because this is the type of vehicle YouthBuild USA officials told us that they would primarily need for their proposed Rural Initiative LICO program. We used GSA's data from fiscal years 2002 through 2006 to calculate the average opportunity cost—the reduction in revenue for each compact sedan GSA would donate—and the total reduction in sales revenue GSA would face by donating 1 to 5 percent of its compact sedans.<sup>1</sup> To determine how much GSA might increase the rate it charges federal agencies that lease compact sedans from it (in order to recover the reduction in sales revenues from donating 1 to 5 percent of its compact sedans), we obtained data from GSA on the number of compact sedans it currently leases and revenues it receives from leasing these vehicles. This data allowed us to calculate the amount (percentages) GSA would need to increase the rate it charges federal agencies to make up the reduction in sales revenues from donating 1 to 5 percent of its compact sedans. We obtained written descriptions on GSA's computer systems and procedures for ensuring that the agency has verified Fleet transactions. In addition, the agency provided us with a written description of how GSA Fleet handles any discrepancies found in the data in its system. Based on this information, we determined that the data that GSA provided to us were sufficiently reliable for the purposes of this report. In addition, we obtained information on the options the agency might pursue to make up for the reduction in revenues from interviews with GSA officials. To determine the legal issues that would be involved in a car donation program, we reviewed the legislation that establishes GSA's authority to operate the Fleet program and for it to set prices to recover its

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<sup>1</sup>We decided not to use the data from fiscal year 2001 because the number of compact sedans sold that year was smaller than the average number of compact sedans sold from fiscal years 2002 through 2006 (up to August 2006).

program costs. We also reviewed the legislation that established the General Supply Fund and the purposes for which the fund can be used and discussed these and related legal issues with officials from GSA's General Counsel.

To describe what studies have shown with respect to the benefits that car ownership or access may hold for low-income individuals, we conducted a literature search of relevant studies, reviewed a list of studies from the Web site of the National Economic Development and Law Center (NEDLC), and interviewed two individuals who had conducted research on this issue. Based on these efforts, we identified a large body of research on car access and employment. We limited our review to seven studies that used more sophisticated economic models that distinguished between car access and several other factors that could affect the likelihood that an individual found a job, such as education, age, and gender.<sup>2</sup> Our review of these seven studies included an analysis of study methodologies, the individuals that were studied, study results with respect to car access and employment, and study limitations. In order to address the issue of the extent to which the results of these studies could be applied to YouthBuild USA's proposed LICO program, we compared the individuals reviewed in these studies with rural Youthbuild participants. For a more detailed summary of our review of these seven studies, see appendix II.

To determine what studies of selected LICO programs have shown with respect to the benefits of participants' car ownership, we spoke with experts in the field of LICO programs about the nature and extent of existing studies of LICO programs. These experts identified several LICO programs that had been subject to an independent evaluation of their outcomes. Additionally, to identify other LICO programs that had been subject to an independent evaluation and were located in rural areas, we reviewed about 140 LICO programs listed on the NEDLC Internet Web site<sup>3</sup> and contacted those LICO programs on the NEDLC listing that appeared to

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<sup>2</sup>Subsequent to the publication of one of the studies, one of its authors became a GAO employee. She participated in our review of the other car access studies but not in the review of, or any analysis of, our report on her research ("The Effects of Car Access on Employment Outcomes for Welfare Recipients," *Journal of Urban Economics* 58: 250-272 (2005). Rather, a GAO Economist and Senior Methodologist reviewed this study independently and developed the information we present on it. We chose to retain this study in our review because, according to experts in LICO programs and car access research, its results are current and relevant to addressing our objectives.

<sup>3</sup>See <http://www.nedlc.org/>.

be located in rural and mixed rural-urban areas.<sup>4</sup> From our discussions with the experts and contacts with the LICO programs, we identified and selected the following six LICO programs that had been subject to an independent evaluation:

- Good Wheels, Augusta, Maine
- Good News Garage, Burlington, Vermont
- West CAP JumpStart, Glenwood City, Wisconsin
- New Leaf Services, Inc., Decatur, Georgia<sup>5</sup>
- Ways to Work, Inc., Milwaukee, Wisconsin
- Working Wheels, Seattle, Washington

Three of these programs were located in rural areas, two in urban areas, and one in a mixed rural-urban area. Four of the six LICO programs were loan programs, one was a car-donation and car-sales program, and the other was a car sales program. We obtained and analyzed copies of the studies for the six LICO programs in order to identify the reported outcomes and potential limitations with these studies. Where possible, we reviewed information from the LICO program Web sites to obtain information on how these programs operate, what types of individuals they serve, and how many cars they provide to their participants. We also interviewed LICO program officials about their studies to gain a better understanding of the reported outcomes and limitations with the studies. During these interviews, we also obtained more background information about the LICO programs' designs, populations served, and challenges the officials faced in running these LICO programs. We also obtained the views of LICO program officials on the extent to which they believe their programs' reported outcomes could be applied to participants in YouthBuild USA's proposed LICO program.

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<sup>4</sup>Among the 172 LICO programs listed on the NEDLC Web site, we excluded 32 Individual Development Account LICO programs because these programs were substantially dissimilar to YouthBuild USA's proposed LICO program and the loan and car ownership programs listed on the NEDLC Web site. Individual Development Account programs assist participants in establishing accounts for the purpose of purchasing cars.

<sup>5</sup>New Leaf Services, Inc., no longer operates as a LICO program.

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**Appendix I**  
**Objectives, Scope, and Methodology**

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We conducted our work from May 2006 to November 2006 in San Francisco, California, and Washington, D.C., in accordance with generally accepted government auditing standards.

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**Appendix I**  
**Objectives, Scope, and Methodology**

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# Summary of Studies on the Effect of Car Access on Employment

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Author/title	Purpose and scope	Data
<p>Gurley, Tami and Donald Bruce.</p> <p>“The Effects of Car Access on Employment Outcomes for Welfare Recipients.”</p> <p><i>Journal of Urban Economics</i> 58: 250-272 (2005).</p>	<p>To assess how car access affects employment outcomes (e.g., employment, weekly hours worked, and hourly wages).</p> <p>Urban and rural welfare recipients, as of January 2001, from Tennessee.</p>	<p>Researchers from the state of Tennessee and the University of Tennessee surveyed a random sample of welfare recipients (as of January 2001) in two waves. During the first wave, they sampled 1,935 welfare recipients, and during the fourth wave they sampled 1,919 of these individuals. The researchers achieved a response rate of over 70 percent.</p> <p>The first wave respondents had the following characteristics: they were, on average, 29 years old; had a high school education; and had, on average, 2.28 children under 18 living in household. In addition, 34 percent lived in rural counties, and 10 percent were married.</p>

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**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

Principal findings	Limitations	Empirical method(s) used
Car access generally increases the probability of welfare recipients getting a job, working more hours, getting a higher paying job, and leaving welfare.	<p>Car access was measured by whether anyone in the household had a car, which could somewhat overstate a person's ability to use the car for work.</p> <p>There may be some bias in the results because the study was based on surveys done over two time periods, and some of the welfare recipients who were part of the initial survey did not participate in the second survey.</p> <p>Data only from one state—Tennessee—which could have different demographics and welfare systems than other states.</p>	<p>The researchers used multinomial logits<sup>a</sup> and “Heckman selection” regressions<sup>b</sup> for employment and program participation models.</p> <p>Selection models were used to estimate the effect of car access on hours and wages.</p> <p>Panel data were used to mitigate simultaneity concerns— that is, the possibility that car access and employment outcomes might be determined at the same time and depend on each other.</p> <p>The study accounted for differences between urban and rural welfare recipients and areas.</p>

<sup>a</sup>Logit analysis is a regression technique used to address outcomes where there are two possible categories, such as employed or not employed. The multinomial logit is an extension of the logit method to cases where there are more than two outcomes.

<sup>b</sup>“Heckman selection” models are a regression technique used to address concerns about obtaining biased estimates in cases where an outcome is not observed unless a given event occurs. For example, hours and wages are not observed unless someone is employed. Therefore, nonworkers given greater access to jobs may not have the same outcome as someone who is already employed.

**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Author/title</b>	<b>Purpose and scope</b>	<b>Data</b>
<p>Raphael, Steven and Lorien Rice.</p> <p>“Car Ownership, Employment, and Earnings.”</p> <p><i>Journal of Urban Economics</i> 52: 109-130 (2002).</p>	<p>To assess whether the positive relationship of car ownership on employment outcomes (e.g., employment, weekly hours worked, and hourly wages) observed in past research are causal—that is, whether owning a car was the reason for the positive employment benefits.</p> <p>Nationally representative sample of the U.S. population from ages 16 to 65 with no work-preventing disabilities.</p>	<p>Data on employment, car ownership, and basic demographics were from the 1992 and 1993 “Surveys of Income and Program Participation,” Wave 4, which is a U.S. Bureau of the Census survey. Authors restricted sample to civilians 16-65 years of age with no work-preventing disabilities.</p> <p>The wage sample was restricted to those with complete information.</p> <p>As a proxy for car ownership, data on state gasoline taxes were obtained from the American Petroleum Institute and data on state-level auto insurance premiums were obtained from the National Association of Insurance Commissioners.</p> <p>The study was based on a maximum sample size of 47,244. The respondents had the following characteristics: 52 percent were female; they were, on average, 36 years old; 55 percent were married; and they averaged more than a high school education.</p>



**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Principal findings</b>	<b>Limitations</b>	<b>Empirical method(s) used</b>
<p>Owning a car increases the likelihood that someone finds a job and works more hours. However, owning a car leads to lower wages.</p>	<p>The study only observed the employment outcomes for those individuals who work, which could introduce some bias because the characteristics of those who work could be different from that of those who do not.</p>	<p>The researchers used a two-stage least squares model<sup>a</sup> to estimate car ownership in the first stage and employment outcomes estimated in the second stage.</p>
<p>Researchers found similar results for individuals with access to a car.</p>	<p>The study was based on a national sample but did not control for individuals in urban and rural areas. This could partially explain the negative wage results.</p>	
	<p>The researchers used data from the early 1990s, prior to when welfare reform was implemented, which has stricter requirements for participants to find a job than under the old welfare system. Thus, the effect of owning a car on current welfare participants may be greater because they have stricter requirements (and greater incentives) to find a job.</p>	

<sup>a</sup>The two-stage least squares model is a regression technique used to address concerns about simultaneity bias. For example, the concern that car access may result from having a job rather than the job resulting from car access.

**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Author/title</b>	<b>Purpose and scope</b>	<b>Data</b>
Blumenburg, Evelyn. "On the Way to Work: Welfare Participants and Barriers to Employment." <i>Economic Development Quarterly</i> 16 (4): 314-325 (2002).	To assess the effects of employment barriers, including transportation, on the employment levels of welfare participants. Welfare recipients, as of 1996, from California.	Data are from a 1996 job-readiness survey of California welfare participants conducted by the California Department of Social Services in May, June, and July 1996. The sample size of 1,319 represents a 68 percent response rate (total sample of 1,622). The respondents had the following characteristics: 80 percent were female; 50 percent had less than a high school diploma; 27 percent relied on public transportation, and 48 percent had two or more young children.

**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Principal findings</b>	<b>Limitations</b>	<b>Empirical method(s) used</b>
<p>Reliance on public transportation (rather than car access<sup>a</sup>) is one of the barriers welfare recipients face in finding a job. In addition, the more barriers present in the lives of welfare participants, the harder it is to find a job.</p>	<p>The study did not control for factors such as age, which is a factor in whether someone is employed.</p> <p>The study did not attempt to address the potential simultaneity of employment and car decisions. That is, the possibility that the car and employment decisions might be made at the same time.</p> <p>As in the prior study (Raphael and Rice), researchers used data from the early 1990s prior to welfare reform.</p> <p>Data only from one state—California—which could have different demographics and welfare systems than other states.</p>	<p>The researcher used a logit model<sup>b</sup> to assess the probability of employment, controlling for barriers to employment, such as transportation and child care.</p> <p>A transportation barrier to employment was defined as typically traveling by public transit.</p>

<sup>a</sup>Although “car access” is not specifically mentioned in this study, the public transportation “barrier” would be removed by “car access.”

<sup>b</sup>Logit analysis is a regression technique used to address outcomes where there are two possible categories, such as employed or not employed. The multinomial logit is an extension of the logit method to cases where there are more than two outcomes.

**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Author/title</b>	<b>Purpose and scope</b>	<b>Data</b>
<p>Cervero, Robert, Onésimo Sandoval, and John Landis.</p> <p>“Transportation as a Stimulus of Welfare-to-Work-Private Versus Public Mobility.”</p> <p><i>Journal of Planning Education and Research</i> 22: 50-63 (2002).</p>	<p>To assess the relative importance of private and public transportation in obtaining employment.</p> <p>Alameda County, California, residents who received welfare benefits in fiscal years 1992 and 1993.</p>	<p>Data are from a survey of a random sample of Alameda County, California, residents who received welfare benefits in fiscal years 1992 and 1993. Survey data were compiled again for the same individuals in 1994-95.</p> <p>The study had 466 respondents with complete information (response rates not reported based on initial random sample).</p> <p>Respondents' characteristics included: 99 percent were women; they were 36 years old, on average; 48 percent were married; the average highest grade completed was 9.5; 54 percent spoke English; and, they had an average of 2.6 children younger than age 20 living at home.</p>

**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Principal findings</b>	<b>Limitations</b>	<b>Empirical method(s) used</b>
Car ownership and educational attainment significantly increased the probability that the individual moved from welfare to work.	The study was based on a small number of individuals (66) who found employment. The study further separated individuals into employed on welfare, and employed off welfare categories; thus, the sample sizes in the most relevant categories were quite small.	The researchers used a multinomial logit model <sup>a</sup> to predict the probability that someone found a job and left welfare as a function of car ownership, transit service quality, regional job accessibility by different transportation modes, human-capital factors, and various control variables, such as age and education.
Public transportation (compared with car access) did not have a significant effect on helping individuals move from welfare to work.	As in the prior two studies, researchers used data from the early 1990s prior to welfare reform.	
	Data only from one state—California— which could have different demographics and welfare systems than other states.	

<sup>a</sup>Logit analysis is a regression technique used to address outcomes where there are two possible categories, such as employed or not employed. The multinomial logit is an extension of the logit method to cases where there are more than two outcomes.

**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Author/title</b>	<b>Purpose and scope</b>	<b>Data</b>
<p>Ong, Paul.</p> <p>“Work and Car Ownership Among Welfare Recipients.”</p> <p><i>Social Work Research</i> 2 (4) : 255-262 (1996).</p>	<p>To assess the role of car ownership in facilitating employment.</p> <p>Recipients of public assistance in urban California.</p>	<p>The data are from a survey sponsored by California’s Department of Social Services. A total of 2,214 interviews were completed, but only 1,112 met the criteria of healthy, adult aged, female-headed households (White, Latino, or African-American), that were receiving welfare at the time of the study.</p> <p>Information on car ownership is based on the following question: "Do you own a reliable car?" Over a quarter (27 percent) of the sample responded positively to this question.</p>

**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Principal findings</b>	<b>Limitations</b>	<b>Empirical method(s) used</b>
<p>The probability of finding a job and working more hours was higher for those individuals with a car.</p> <p>There was no effect on wages after controlling for demographic variables such as age and education.</p> <p>Both age and education had positive effects on employment outcomes.</p>	<p>The survey was administered under the Aid to Families with Dependent Children program, which did not have as many employment incentives as the current Temporary Assistance for Needy Families program.</p> <p>Selection models were not used for hour and wage regressions to account for the fact that these outcomes are only observed for those gaining employment.</p> <p>The study did not address the potential simultaneity of employment and car decisions. That is, the car and employment decisions might be made at the same time.</p> <p>Data only from one state—California—which could have different demographics and welfare systems than other states.</p>	<p>The researcher used a multinomial logit model<sup>a</sup> to assess the effect of employment and welfare participation, based on car ownership and other variables.</p>

<sup>a</sup>Logit analysis is a regression technique used to address outcomes where there are two possible categories, such as employed or not employed. The multinomial logit is an extension of the logit method to cases where there are more than two outcomes.

**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

Author/title	Purpose and scope	Data
<p>Raphael, Steven and Michael Stoll.</p> <p>"Can Boosting Minority Car-Ownership Rates Narrow Inter-Racial Employment Gaps?"</p> <p><i>Brookings-Wharton Papers on Urban Affairs</i> 99-145 (2001).</p>	<p>To assess whether boosting minority car-ownership rates would narrow inter-racial employment rate differentials. The analysis first addresses whether car effects are greater for more segregated groups and then addresses whether these differences are more pronounced in more decentralized locations.</p> <p>Nationally representative sample of the U.S. population from ages 16 to 65 with no work-preventing disabilities.</p>	<p>The data to address whether the car effect differs by race or ethnicity are from 1992 and 1993 "Surveys of Income and Program Participation," Wave 4, which is a U.S. Bureau of the Census survey. Authors restricted sample to civilians 16-65 years of age, with no work-preventing disabilities.</p> <p>Data for 242 U.S. Primary Metropolitan Statistical Areas were from the 1990 5 percent Public Use Microdata Sample. This data was used to address whether the car effects are greater in more decentralized areas.</p>



**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Principal findings</b>	<b>Limitations</b>	<b>Empirical method(s) used</b>
Owning a car has a positive effect on employment.	The study did not control for urban and rural areas.	The researchers used a linear probability model <sup>a</sup> to test whether car ownership accounted for the observed differences in employment between races and ethnicities.
The effects of car ownership on unemployment are largest when individuals are more isolated from job opportunities.	<p data-bbox="570 653 1031 787">As in some of the prior studies, this one used data from the early 1990s prior to welfare reform and did not attempt to address the potential simultaneity of employment and car decisions.</p> <p data-bbox="570 814 1031 974">Households with four or more cars were eliminated from the sample because ownership was not observable for the fourth or more car. This represents 6 percent of the observations, and it is likely that these households are disproportionately rural.</p>	

<sup>a</sup>A linear probability model is a regression technique that is used to estimate the probability that someone is in one of two categories—for example, employed or not employed. This approach is less desirable for categorical outcomes than logit analysis because the latter has more desirable statistical characteristics that increase the precision of regression estimates.

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**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

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<b>Author/title</b>	<b>Purpose and scope</b>	<b>Data</b>
Holzer, Harry, Keith Ihlandfedlt, and David Sjoquist.  “Work, Search, and Travel Among White and Black Youth.”  <i>Journal of Urban Economics</i> , 35: 320-345 (1994).	To assess the effects of the use of a car on employment, periods of unemployment, and wages.  Black and White youth.	The data are from the National Longitudinal Survey Youth Cohort for 1981 and 1982 and the 1980 census of population.

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**Appendix II**  
**Summary of Studies on the Effect of Car**  
**Access on Employment**

<b>Principal findings</b>	<b>Limitations</b>	<b>Empirical method(s) used</b>
Use of own car reduced periods of unemployment by about 11 percent.	As in some of the prior studies, this research did not address simultaneity concerns.	Regression equations were used to examine the determinants of travel costs and the effects of travel costs on job search, commute distance, the duration of unemployment spells, and wages.
Use of own car raised wages by about 12 percent.	<p>The authors assumed that the unobserved factors that influence travel cost, unemployment, and wages are not related.</p> <p>A selection model (that would account for the fact that wages are only observed for those who are employed) was not used to estimate wages.</p>	

# Comments from the General Services Administration



GSA Federal Acquisition Service

NOV 28 2006

Mr. William B. Shear  
Director, Financial Markets and  
Community Investments  
U.S. Government Accountability Office  
441 G Street N.W.  
Washington, DC 20548

Dear Mr. Shear,

The General Services Administration (GSA) thanks you for the opportunity to respond to the U. S. Government Accountability Office (GAO) draft report entitled "GSA Fleet: Information on the Effect of Donating Cars to YouthBuild USA and Potential Benefits to Rural Youthbuild Participants" (GAO-07-153). While we found the report to be accurate as it pertains to the GSA Fleet program, we do not concur with the report results.

GSA Fleet is a non-mandatory source of leased vehicles and must offer cost-effective services to minimize Government spending. Revenue lost due to vehicle donations would have to be made up through direct appropriations from Congress or the cost would have to be passed on to our customer agencies in the form of higher lease rates. Not only would other Federal agencies be forced to bear the cost of the donation program, but the viability of the GSA Fleet program would be at risk.

In addition, the report does not clearly address the question as to why Youthbuild USA should receive donated GSA vehicles over other worthy charitable organizations. Furthermore, we are very concerned that the donation of even a few vehicles to one organization will lead other organizations to seek donated vehicles as well. The report does not adequately address this possibility, and it does not address the impacts of this at all.

We believe that the proper way to fund a vehicle donation program is through direct appropriations where the true costs are clearly known and visible to all.

Sincerely,

A handwritten signature in black ink, appearing to read "Barney L. Brasseux".

Barney L. Brasseux  
Assistant Commissioner for  
Office of Vehicle Acquisition and Leasing Services

U.S. General Services Administration  
2200 Crystal Drive  
Arlington, VA 20406-0003  
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# GAO Contact and Staff Acknowledgments

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## GAO Contact

William B. Shear, (202) 512-8678, or [shearw@gao.gov](mailto:shearw@gao.gov)

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## Staff Acknowledgments

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