

**Joint Legislative Committee on Performance  
Evaluation and Expenditure Review (PEER)**

Report to  
the Mississippi Legislature



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# **A Review of the Airport Multi-Modal Fund Committee's Selection Process for Distribution of Transportation Improvement Funds**

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The Airport Multi-Modal Fund Committee is responsible for selecting recipients of airport improvement funds through a fair and objective process. Such a process should help to ensure that all airports eligible to apply have an opportunity to compete for funding, the purpose of which is to improve airports in Mississippi. The process should be so transparent (i.e., easily followed or replicated) and defensible that there should be no question about why some projects are funded and some are not. In Fiscal Year 2007, \$3.4 million in transportation improvement funds will be available for distribution for approved airport improvement projects in Mississippi.

Because the Airport Multi-Modal Fund Committee does not use a transparent and objective process in determining which airports' projects will receive funds, the committee leaves itself vulnerable to allegations of bias in the selection process. PEER found that:

- The committee does not establish clear priorities and goals for distribution of each fiscal year's airport improvement funds and thus may not be directing funds to their highest and best use.
- The committee has not established objective criteria to use in conducting systematic evaluations of applications. Because the committee has no specific evaluation criteria, it does not have standards with which to train its members to judge applications consistently and uniformly.
- Since the committee does not use a formal Request for Proposals to solicit applications from all eligible airports, the committee has no assurance that its selection process is fair and competitive.

Also, the committee members' attempt to prevent bias by recusing themselves from ranking projects submitted by their own airports actually results in a higher priority score for such proposals.



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The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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November 14, 2006

Honorable Haley Barbour, Governor  
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Honorable Billy McCoy, Speaker of the House  
Members of the Mississippi State Legislature

On November 14, 2006, the PEER Committee authorized release of the report entitled **A Review of the Airport Multi-Modal Fund Committee's Selection Process for Distribution of Transportation Improvement Funds.**

A handwritten signature in black ink, appearing to read "R. White".

Senator Richard White, Chair

**This report does not recommend increased funding or additional staff.**



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# A Review of the Airport Multi-Modal Fund Committee's Selection Process for Distribution of Transportation Improvement Funds

## Executive Summary

### Introduction

Upon the recommendations of the Airport Multi-Modal Fund Committee, the Mississippi Department of Transportation (MDOT) distributes money from the Multi-Modal Transportation Improvement Fund for the improvement of airports in Mississippi.

The purpose of this review was to determine whether the Airport Multi-Modal Fund Committee has a defensible and unbiased selection process for distributing funds and, if so, whether it adheres to such process.

In conducting this review, PEER sought to:

- identify a model process for evaluating applications for funding;
- analyze the Airport Multi-Modal Fund Committee's application, evaluation, and approval process; and,
- evaluate the committee's process against the model process.

### Background

#### Membership and Responsibilities of the Airport Multi-Modal Fund Committee

State law provides for a Multi-Modal Transportation Improvement Fund, into which the Mississippi Department of Transportation allocates money from motor fuel taxes, truck/bus privilege taxes and permits, and tag fees. For FY 2007, MDOT allocated \$10 million to this fund. This money is to be spent "for the improvement of airports, ports, railroads and [public] transit systems in Mississippi"

(MISS. CODE ANN. § 65-1-703 [1972]). Each of the major transportation modes has a committee authorized by law to review applications for potential projects to be funded and to make recommendations for funding to the Transportation Commission, which makes the final decision on distribution of funds.

Regarding the Airport Multi-Modal Fund Committee, MISS. CODE ANN. § 65-1-705 (2) (a) (1972) states that the membership of the committee shall consist of:

- five directors of airports appointed by the President of the Mississippi Airports Association, or their designees, at least three of whom shall represent airports with commercial passenger service;
- the Executive Director of the Mississippi Development Authority (MDA), or his designee; and,
- the Executive Director of the Mississippi Department of Transportation (MDOT), or his designee.

CODE Section 65-1-705 (2) (b) (1972) requires that the committee meet to review and approve applications by no later than August 1 of each fiscal year.

## **Statutory Requirements for the Distribution and Use of Transportation Improvement Funds**

Regarding requirements for the distribution and use of transportation improvement funds, MISS. CODE ANN. § 65-1-707 (3) (1972) stipulates:

*. . .no application shall be approved or funds distributed pursuant to this article unless the expenditure of such funds shall be:*

- *directly related to capital improvements or the rebuilding or rehabilitation of basic infrastructure and not for routine maintenance, administrative or operational expenses;*
- *for a project or use directly related to the operation of the airport in its modal role; and*
- *for a purpose outside the normal operating budget of the airport.*

Also, CODE Section 65-1-707 (7) (1972) states:

*In addition to such other expenditures as may be deemed appropriate by MDOT or hereunder, money distributed from the fund may be used to meet federal matching fund requirements and for pre-construction studies, planning and design; personal property acquisition; real property acquisition, reclamation and related relocation costs; professional services; and construction.*

CODE Section 65-1-707 (3) (1972) directs the Airport Multi-Modal Fund Committee to develop appropriate criteria for the allocation of these funds.

## Model for Evaluating Project Applications and Description of the Committee's Current Selection Process

### Elements of a Fair and Objective Process for Selecting Projects for Funding

The Airport Multi-Modal Fund Committee has the responsibility of selecting recipients of airport improvement funds through a fair and objective process. Such a process should help to ensure that all parties eligible to apply have an opportunity to compete for funding, the purpose of which is to improve airports in Mississippi. The process should be so transparent (i.e., easily followed or replicated) and defensible that there should be no question about why some projects are funded and some are not.

PEER developed a model process for selecting recipients to receive funding for airport improvement projects. The model was based on principles adapted from the American Bar Association's *Procurement Code for State and Local Governments* and the Small Business Administration's interpretation of federal procurement procedures. PEER determined that the steps in a fair and objective process should be to:

1. *Establish goals for the program.* The committee should first set goals for what it wishes to achieve through funding projects for airport improvement.
2. *Determine criteria for the projects.* Based on the goals set for the program, the committee should then establish a set of specific criteria

that will serve as the guidelines for determining which projects should have priority for funding.

3. *Develop a formal request for proposals.* After members of the committee agree on the criteria by which they will evaluate proposals, they should translate these criteria into a formal request for proposals (RFP) and disseminate the RFP to eligible potential applicants.
4. *Create and utilize a scoring system to compare proposals objectively.* The members should also create a scoring system that assigns rating values for each criterion, making each one measurable or quantifiable.
5. *Ensure that members apply criteria consistently and uniformly in evaluating applications.* In order to ensure that committee members are assigning the same values to the criteria and scoring the applications consistently and uniformly, the committee should conduct practice evaluations to determine whether committee members' independent evaluations of applications yield similar results.
6. *Distribute funds based on systematic evaluation of applications.* Using the predetermined criteria published in the RFP and the scoring system described above, the committee should systematically evaluate the applications for project funding. The committee should then distribute funds based on scores representing how well the proposed projects meet the criteria.
7. *Document the committee's actions.* Throughout the process of selecting recipients for distribution of airport improvement funds, the committee should document its actions so that the process could be easily followed or replicated by a third party.

### **Description of the Airport Multi-Modal Fund Committee's Current Selection Process for Distributing Funds**

Currently, the first step in the Airport Multi-Modal Fund Committee's process for distributing airport improvement funds is to send a letter regarding available funding to all eligible airports. The committee includes with the letter an application for interested airports to complete and

return to the committee for funding consideration. The application requires the airports to complete justification statements as to why their projects meet the statutory guidelines set forth in subsection 3 of MISS. CODE ANN. Section 65-1-707 (1972).

The fund administrator sends copies of the airports' applications to each committee member to review and rank. The committee members independently evaluate the proposals based on the applicants' project justifications, using their own judgment as to how well they meet the statutory guidelines, and rank them. In an effort to prevent bias, those committee members that are airport directors do not rank their own airports' projects.

The committee members send their rankings back to the committee administrator, who consolidates the individual rankings into a composite ranking. When the committee meets, it uses this composite ranking to expedite discussions regarding project approval. The members begin with discussion of the top projects (as shown from the composite ranking), vote on the ones they believe they should fund, and then send the results of the vote to the Transportation Commission for final funding approval.

Once the commission approves the projects, the fund administrator sends letters of approval or disapproval to the airports, with instructions to the airports whose projects were approved for funding.

## Evaluation of the Committee's Process for Distributing Airport Improvement Funds

**Because the Airport Multi-Modal Fund Committee does not use a transparent and objective process in determining which airports' projects will receive funds, the committee leaves itself vulnerable to allegations of bias in the selection process.**

### Comparison of the Committee's Process to the Model Process

PEER compared the Airport Multi-Modal Fund Committee's process for evaluating applications for funding to the model process and concluded the following:

- Because the committee does not establish clear priorities and goals for distribution of each fiscal year's airport improvement funds, the committee may not be directing funds to their highest and best use.
- The committee has not established objective criteria to use in conducting systematic evaluations

of applications. Because the committee has no specific evaluation criteria, it does not have standards with which to train its members to judge applications consistently and uniformly.

- Since the Airport Multi-Modal Fund Committee does not use a formal Request for Proposals to solicit applications for project funding, the committee has no assurance that its selection process is fair and competitive.
- In its selection process, the committee uses negotiated outcomes without adequate documentation for its final funding decisions, which further contributes to subjectivity in the selection of projects.

### **Lack of Information with Which to Provide Feedback to Applicants**

Because of the nature of the committee's selection process and the fact that the steps are not documented, the committee cannot provide constructive feedback to airport boards or staffs whose projects are not selected for funding and who request such feedback. Thus airports applying for airport improvement funds have no information to use in improving their applications or project proposals for future fiscal years.

### **Potential for Bias in Making Selections**

As noted on page viii, state law sets the membership of the Airport Multi-Modal Fund Committee. Five of the seven members are to be directors of airports appointed by the President of the Mississippi Airports Association, at least three of whom are to represent airports with commercial passenger service.

In an effort to prevent bias in selected projects to receive airport improvement funds, members of the committee who also serve as airport directors exclude themselves from ranking the projects of their own airports. However, the method that the committee uses to compile composite rankings of applications for potential projects has actually resulted in committee members' airports receiving a higher percentage of funds requested than those airports that do not have directors on the committee. For FY 2005 through FY 2007, 42.88% of dollars requested for projects of airports with a director on the committee were funded and 15.23% of dollars requested for projects of airports without a director on the committee were funded.

## Statutory and Policy Issues Regarding the Committee's Selection Process for Distribution of Airport Improvement Funds

### Terms of Airport Multi-Modal Fund Committee Members

**Because Airport Multi-Modal Fund Committee members serve unlimited terms, any biases in the committee's present evaluation process could continue indefinitely.**

MISS. CODE ANN. Section 65-1-705 (2) (a) (1972) does not indicate the lengths of terms for the Airport Multi-Modal Fund Committee members. In the absence of a specified term of appointment, appointing authorities may fail to reevaluate appointees and the service they are providing to the constituency represented.

### Conflicting Provisions Regarding Use of Transportation Improvement Funds

**Provisions in state law governing the distribution and use of transportation improvement funds appear to conflict.**

MISS. CODE ANN. § 65-1-707 (3) (1972) stipulates that the expenditure of multi-modal funds must be "directly related to capital improvements or the rebuilding or rehabilitation of basic infrastructure and not for routine maintenance, administrative or operational expenses." This section advances the policy of using multi-modal funds for capital improvement projects.

However, two provisions within MISS. CODE ANN. § 65-1-707 (7) (1972) appear to allow airports to expend transportation improvement funds on items not related to capital improvement projects and therefore would not be allowed under the provisions of MISS. CODE ANN. § 65-1-707 (3) (1972).

The effect of these apparent contradictions is that transportation improvement funds could become supplements to the operating budgets of airports rather than a source of funding for needed capital improvement projects with presumably greater economic benefits to the state.



## Reporting Incomplete Information to the Joint Legislative Oversight Committee

**MDOT's annual reports to the Joint Legislative Multi-Modal Fund Committee do not provide complete information on the projects receiving airport improvement funds.**

As state law requires, MDOT submits to the Joint Legislative Multi-Modal Fund Committee, the legislative committee with oversight responsibility for transportation improvement funds, an annual report on the administration of the fund. The reports MDOT submits include brief descriptions of all applications for funding received pertaining to the Multi-Modal Transportation Improvement Fund. They also indicate the status of all applications.

However, the reports include no specific criteria used to evaluate each application, no financial analysis of the return and benefits from funding projects, and no information on why projects received or did not receive funds. Thus the committee does not have ready access to the information it needs for overseeing the fund.

### Recommendations

1. Prior to soliciting applications for airport improvement project funds each year, the Airport Multi-Modal Fund Committee should establish clear priorities and goals for that fiscal year. The committee should decide the purposes for the funds in a budget cycle and the types of projects that would best serve those purposes.
2. The Airport Multi-Modal Fund Committee should establish criteria by which it will objectively evaluate proposals and should incorporate these criteria into a formal Request for Proposals.
3. The Airport Multi-Modal Fund Committee members should create operational definitions for the evaluation criteria and should assign values and scores to the criteria, using the scores to choose funding recipients.
4. In order to increase inter-rater reliability in selection outcomes, the Airport Multi-Modal Fund Committee should conduct practice evaluations to ensure that all members are using the same criteria and same scores.

5. The Airport Multi-Modal Fund Committee members should continue to recuse themselves from evaluating their own projects; however, they should account for fewer evaluators in total scores (i.e., use average scores).
6. The Airport Multi-Modal Fund Committee should use evaluation scores as the definitive method for choosing funding recipients. Reasons for denying project funding should always be documented.
7. Upon request, the Airport Multi-Modal Fund Committee should provide feedback to airports whose project requests are unfunded, explaining why they were not approved.
8. The Legislature should amend MISS. CODE ANN. § 65-1-705 (1972) to assign terms of service to non-ex officio members of all committees that approve applications for distributions from the Multi-Modal Transportation Improvement Fund.
9. In carrying out its responsibilities in the second recommendation listed above, the Airport Multi-Modal Fund Committee should establish criteria that clearly limit the acquisition of personal property and other expenditures made pursuant to subsection (7) of MISS. CODE ANN. § 65-1-707 (1972) to items that are directly related to a specific capital project. Further, the Legislature should monitor compliance with this recommendation and consider removing subsection (7) from MISS. CODE ANN. § 65-1-707 (1972) in the event that the Airport Multi-Modal Fund Committee does not take steps to ensure that all expenditures made pursuant to this subsection are for items that are directly related to a specific capital project.

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# A Review of the Airport Multi-Modal Fund Committee's Selection Process for Distribution of Transportation Improvement Funds

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## Introduction

### Authority

In response to a citizen's complaint, the PEER Committee reviewed the Airport Multi-Modal Fund Committee's selection process for distributing transportation improvement funds. PEER conducted the review pursuant to the authority granted by MISS. CODE ANN. § 5-3-51 et seq. (1972).

### Problem Statement

Upon the recommendations of the Airport Multi-Modal Fund Committee, the Mississippi Department of Transportation distributes money from the Multi-Modal Transportation Improvement Fund for the improvement of airports in Mississippi.

Recently, a member of a local airport board who had been directly involved in submitting an application for funds to the Airport Multi-Modal Fund Committee noted that the committee could not provide him with an assessment of the strengths and weaknesses of his airport's application subsequent to denial of the request for funds. The complainant also suggested that because some members of the Airport Multi-Modal Fund Committee are also directors of local airports (or their designees), the committee's distribution of funds might be biased toward those airports with directors among the committee's membership.

Because the complainant could not obtain information regarding the committee's evaluation of his airport's applications for funds, nor could he see any evidence of a defensible evaluation process, he requested that PEER determine whether the Airport Multi-Modal Fund Committee has a defensible, fair, and properly documented process for evaluating airports' applications for transportation improvement funds.

## Scope and Purpose

The purpose of this review was to determine whether the Airport Multi-Modal Fund Committee has a defensible and unbiased selection process for distributing money from the Multi-Modal Transportation Improvement Fund for airport improvements and, if so, whether it adheres to such process.

In conducting this review, PEER sought to:

- identify a model process for evaluating applications for funding;
- analyze the Airport Multi-Modal Fund Committee's application, evaluation, and approval process; and,
- evaluate the committee's process against the model process.

## Method

In conducting this review, PEER:

- reviewed MISS. CODE ANN. § 65-1-701 (1972) et seq. regarding the Multi-Modal Transportation Improvement Fund;
- reviewed the Airport Multi-Modal Fund Committee's general operation files (e.g., minutes, correspondence, financial/funding information, performance data);
- interviewed the Chair of the Senate Highways and Transportation Committee, the attorney representing the Mississippi Airports Association, and members of the Airport Multi-Modal Fund Committee; and,

- examined applications for airport improvement funds submitted to the Airport Multi-Modal Fund Committee for FY 2005 through FY 2007.

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# Background

## Membership and Responsibilities of the Airport Multi-Modal Fund Committee

The Legislature established the Multi-Modal Transportation Improvement Fund in 2001. MISS. CODE ANN. § 65-1-703 (1972) states that the Mississippi Department of Transportation (MDOT) shall expend money from the fund “for the improvement of airports, ports, railroads and [public] transit systems in Mississippi.” MDOT distributes money from the fund to ports, airports, railroads, or public transit systems that apply to their respective multi-modal fund committees (e.g., Port Multi-Modal Fund Committee, Airport Multimodal Fund Committee) for funding for specific projects. State law specifies that the committees decide which applications shall be approved and the amount of funding for each approved application. Although not specifically provided for in law, the practice of the Airport Multi-Modal Fund Committee is to submit its project and funding recommendations to the Transportation Commission, which makes the final decisions on the distribution of funds.<sup>1</sup>

Regarding the Airport Multi-Modal Fund Committee specifically, MISS. CODE ANN. § 65-1-705 (2) (a) (1972) states that the membership of the committee shall consist of:

- five directors of airports appointed by the President of the Mississippi Airports Association,<sup>2</sup> or their designees, at least three of whom shall represent airports with commercial passenger service;

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<sup>1</sup> MISS. CODE ANN. § 65-1-3 (1972) created the Mississippi Transportation Commission. The Transportation Commissioners are elected from the three Supreme Court districts of the state and have the authority and responsibility for the control and supervision of all modes of transportation in the state.

<sup>2</sup> According to *Mississippi Airports Association Bylaws*, “The purpose of the Association shall be to promote aviation and airport interests; to provide a medium for discussion of aviation and airport issues by its members; to support proper legislation in support of aviation and airports; to advise and give consultation to its members when requested; to cooperate with all organizations working for the general advancement and benefit of aviation and airports; and to generally represent the interests of aviation and airports in Mississippi.”

- the Executive Director of the Mississippi Development Authority (MDA), or his designee; and,
- the Executive Director of the Mississippi Department of Transportation (MDOT), or his designee.

CODE Section 65-1-705 (2) (b) (1972) requires that the committee meet to review and approve applications by no later than August 1 of each fiscal year.

## Source of Transportation Improvement Funds

Although MISS. CODE ANN. § 65-1-703 (1972) states that the Mississippi Department of Transportation is to expend money from the Multi-Modal Transportation Improvement Fund, the law does not specify the funding source for the Multi-Modal Transportation Improvement Fund.

According to the Airport Multi-Modal Fund administrator, the Legislature has not specifically appropriated money to the fund since its creation. In fiscal years 2005 and 2006, MDOT allocated \$5,000,000 for each of those fiscal years from its state funds—e.g., motor fuel taxes, truck/bus privilege taxes and permits, tag fees—to the Multi-Modal Transportation Improvement Fund. For Fiscal Year 2007, MDOT allocated \$10,000,000 of its state funds to the Multi-Modal Transportation Improvement Fund.

MISS. CODE ANN. § 65-1-707 (1972) states that the Airport Multi-Modal Fund shall receive 34% of the Multi-Modal Transportation Improvement Fund each year. Therefore, in fiscal years 2005 and 2006, the Airport Multi-Modal Improvement Fund received \$1.7 million in transportation improvement funds each year to be distributed among approved projects. According to the Director of the MDOT Aeronautics Division (who serves as the MDOT representative member and the administrator of the Airport Multi-Modal Fund Committee), the \$1.7 million allocations from MDOT for fiscal years 2005 and 2006 were not sufficient for full funding of airport projects approved by the committee during those years. The Airport Multi-Modal Fund Committee supplemented the funds provided by MDOT with funds earmarked for the MDOT Aeronautics Division, which consist of aviation fuel taxes and the sales tax collections on revenue from automobile parking lots on airport property. These additional funds amounted to \$202,701 in FY 2005 and \$350,475 in FY 2006, resulting in total revenues of \$1,902,701 and \$2,050,475, respectively, being available for airport projects approved by the committee.



Since its inception, the Airport Multi-Modal Fund Committee has only accepted applications from and awarded transportation improvement funds to publicly owned airports, with the exception of the Olive Branch Airport, which is a privately owned public use airport included in the National Plan of Integrated Airport Systems.<sup>3</sup> Thus of Mississippi's 243 airports--seventy-three publicly owned airports, 157 privately owned airports, seven privately owned public use airports, and six military airports—the committee considers seventy-four to be eligible to receive airport improvement funds.

## Statutory Requirements for the Distribution and Use of Transportation Improvement Funds

Regarding requirements for the distribution and use of transportation improvement funds, MISS. CODE ANN. § 65-1-707 (3) (1972) stipulates:

*. . .no application shall be approved or funds distributed pursuant to this article unless the expenditure of such funds shall be:*

- *directly related to capital improvements or the rebuilding or rehabilitation of basic infrastructure and not for routine maintenance, administrative or operational expenses;*
- *for a project or use directly related to the operation of the airport in its modal role; and*
- *for a purpose outside the normal operating budget of the airport.*

Also, CODE Section 65-1-707 (7) (1972) states:

*In addition to such other expenditures as may be deemed appropriate by MDOT or hereunder, money distributed from the fund may be used to meet federal matching fund requirements and for pre-construction studies, planning and design; personal*

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<sup>3</sup>The National Plan of Integrated Airport Systems identifies more than 3,300 airports that are significant to national air transportation and thus eligible to receive federal grants under the Airport Improvement Program. The Olive Branch Airport is included in the national plan because it petitioned the federal government and the state for inclusion, since it is a reliever airport for Memphis, Tennessee. Reliever airports are general aviation airports designated as having the primary function of relieving congestion by diverting from that airport general aviation traffic.

*property acquisition; real property acquisition, reclamation and related relocation costs; professional services; and construction.*

CODE Section 65-1-707 (3) (1972) directs the Airport Multi-Modal Fund Committee to develop appropriate criteria for the allocation of these funds.

Regarding matching funds for projects, MISS. CODE ANN. Section 65-1-707 (6) (1972) also requires that transportation improvement funds recipients provide, from either public or private sources, not more than ten percent of the total cost of the project or purpose for which the funds are to be spent. MDOT determines the percentage of matching funds required. In-kind contributions and expenditures for the following are credited toward the matching funds requirement:

- pre-construction studies, planning and design;
- personal property acquisition;
- real property acquisition, reclamation and related relocation costs;
- professional services; and,
- construction.

## Legislative Oversight of Transportation Improvement Funds

MISS. CODE ANN. Section 65-1-709 (1972) established the Joint Legislative Multi-Modal Fund Committee, which consists of the chairs of the following standing legislative committees (or their designees):

- the Senate Highways and Transportation Committee;
- the Senate Ports and Marine Resources Committee;
- the House Transportation Committee; and,
- the House Ports, Harbors and Airports Committee.

This committee's purpose is to oversee administration of the Multi-Modal Transportation Improvement Fund.

CODE Section 65-1-709 (1972) requires MDOT to prepare an annual report to the Joint Legislative Multi-Modal Fund Committee on administration of the fund that includes descriptions of all applications for funding received, the status of each application, the criteria used to evaluate each application, and an analysis of the return and benefits from funding projects.

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# Model for Evaluating Project Applications and Description of the Committee's Current Selection Process

## Need for a Fair and Objective Process for Selecting Recipients of Funding for Projects

**Because the money that the Airport Multi-Modal Fund Committee distributes ultimately comes from the public, the committee has the responsibility of selecting recipients of that money through a fair and objective process.**

Because the money that the Airport Multi-Modal Fund Committee distributes ultimately comes from the public (see page 5), the committee has the responsibility of selecting recipients of that money through a fair and objective process. Such a process should help to ensure that all parties eligible to apply have an opportunity to compete for funding, the purpose of which is to improve airports in Mississippi.

PEER attempted to identify a documented model process for distributing grants from public money in order to determine whether the Airport Multi-Modal Fund Committee has a fair and objective selection process. Because PEER could not locate generally accepted standards unique to selecting recipients for grant awards, PEER developed a model based on the following:

- elements of a fair and objective process for choosing personal service contractors (adapted from the American Bar Association's *Procurement Code for State and Local Governments*); and,
- the Small Business Administration's interpretation of federal procurement procedures.

The following section describes the elements of a fair and objective process for selecting recipients to receive funding for projects.

## Elements of a Fair and Objective Process for Selecting Projects for Funding

**The committee's process for selecting projects for funding should be transparent—i.e., easily followed or replicated.**

As noted above, the committee's distribution of transportation improvement funds should be based on an objective process whereby all parties eligible to apply have an opportunity to compete. The process should be so transparent (i.e., easily followed or replicated) and defensible that there should be no question about why some projects are funded and some are not.

PEER believes that the steps in such a process are to:

1. *Establish goals for the program.* The Airport Multi-Modal Fund Committee should first set goals for what it wishes to achieve through funding projects for airport improvement.
2. *Determine criteria for the projects.* Based on the goals set for the program, the committee should then establish a set of specific criteria that will serve as the guidelines for determining which projects should have priority for funding.
3. *Develop a formal request for proposals.* After members of the committee agree on the criteria by which they will evaluate proposals, they should translate these criteria into a formal request for proposals (RFP) and disseminate the RFP to eligible potential applicants.
4. *Create and utilize a scoring system to compare proposals objectively.* The members should also create a scoring system that assigns rating values for each criterion. In determining the values, the members should create operational definitions for the values—i.e., take something that is subjective and make it as objective as possible, making it measurable or quantifiable. They must decide for each factor what constitutes the values chosen. The members should agree on what each value means, so that they will be using the same criteria when making the evaluations. They should repeat this step for all evaluation factors and document the values that all evaluators will use.
5. *Ensure that members apply criteria consistently and uniformly in evaluating applications.* In

order to ensure that committee members are assigning the same values to the criteria and scoring the applications consistently and uniformly, the committee should conduct practice evaluations to determine whether committee members' independent evaluations of applications yield similar results. These practice evaluations should increase inter-rater reliability<sup>4</sup> in selection outcomes. If the practice evaluations show that committee members' evaluations are not similar, this could mean that the values assigned to certain criteria may not be as reliable as originally thought and the members may want to rethink the criteria they use to assess the proposals. Some judgment will always be involved in making the evaluations, but by using this process, the committee should reduce subjectivity as much as possible.

6. *Distribute funds based on systematic evaluation of applications.* Using the predetermined criteria published in the RFP and the scoring system described above, the committee should systematically evaluate the applications for project funding. The committee should then distribute funds based on scores representing how well the proposed projects meet the criteria.
7. *Document the committee's actions.* Throughout the process of selecting recipients for distribution of airport improvement funds, the committee should document its actions so that the process could be easily followed or replicated by a third party.

## Description of the Airport Multi-Modal Fund Committee's Current Selection Process for Distributing Funds

Currently, the first step in the Airport Multi-Modal Fund Committee's process for distributing airport improvement funds is to send a letter about available funding to all eligible airports (see discussion of eligibility on page 6). The committee includes with the letter an application for interested airports to complete and return to the committee for funding consideration (refer to Appendix A,

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<sup>4</sup> *Inter-rater reliability* is the extent to which two or more individuals (i.e., coders or raters) agree. Inter-rater reliability addresses the consistency of the implementation of a rating system.

page 27, for a copy of the application form). The application requires the airports to complete justification statements as to why their projects meet the statutory guidelines set forth in subsection 3 of MISS. CODE ANN. Section 65-1-707 (1972) (see the statutory requirements on page 6). Also, the application asks the applicant to “provide an analysis of the return and benefits to be derived from the project,” as well as any additional information for the committee to consider in the competition for approval and funding of projects.

**In an effort to prevent bias, those committee members who are airport directors do not rank their own airports’ projects.**

The fund administrator then sends copies of the airports’ applications to each committee member to review and rank. The committee members independently evaluate the proposals based on the applicants’ project justifications, using their own judgment and rank them in ascending order (with number 1 being the top priority).

In an effort to prevent bias, those committee members who are airport directors (see description of membership of the committee, page 7) do not rank their own airports’ projects. The members send their rankings back to the committee administrator, who consolidates the individual rankings into a composite ranking.

When the committee meets, it uses this composite ranking to expedite discussions regarding project approval. The members begin with discussion of the top projects (as shown from the composite ranking), vote on the ones they believe they should fund, and then send the results of the vote to the Transportation Commission (see footnote 1 on page 4) for final funding approval.

Once the commission approves the projects, the fund administrator sends letters of approval or disapproval to the airports, with instructions to the airports whose projects were approved for funding.

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## Evaluation of the Committee's Process for Distributing Airport Improvement Funds

**Because the Airport Multi-Modal Fund Committee does not use a transparent and objective process in determining which airports' projects will receive funds, the committee leaves itself vulnerable to allegations of bias in the selection process.**

As noted on page 6, MISS. CODE ANN. Section 65-1-707 (1972) requires that the Airport Multi-Modal Fund Committee distribute airport improvement funds for projects:

- *directly related to capital improvements or the rebuilding or rehabilitation of basic infrastructure and not for routine maintenance, administrative or operational expenses;*
- *for a project or use directly related to the operation of the airport in its modal role; and*
- *for a purpose outside the normal operating budget of the airport.*

According to the model process PEER developed (based on principles from the American Bar Association's *Model Procurement Code for State and Local Governments* and the Small Business Administration's interpretation of federal procurement procedures), the Airport Multi-Modal Fund Committee's process for selecting projects to receive airport improvement funds should be transparent, fair, and objective. As noted on page 10, PEER believes that the steps in such a process should be:

1. Establish goals for the program.
2. Determine criteria for the projects.
3. Develop a formal request for proposals.
4. Create and utilize a scoring system to compare proposals objectively.
5. Ensure that members apply criteria consistently and uniformly in evaluating applications.
6. Distribute funds based on systematic evaluation of applications.



7. Document the committee's actions throughout the process.

Because the committee does not incorporate all of the above-stated elements, its process for selecting recipients for airport improvement funds is not transparent and objective.

When questioned by PEER, the Airport Multi-Modal Fund Committee members acknowledged that the only guidelines the committee utilizes in selecting recipients to receive airport improvement funds are requirements of CODE Section 65-1-707 (1972).

### Comparison of the Committee's Process to the Model Process

***Because the committee does not establish clear priorities and goals for distribution of each fiscal year's airport improvement funds, the committee may not be directing funds to their highest and best use.***

A specific deficiency in the process the Multi-Modal Fund Committee uses to evaluate and approve projects for funding is that the committee does not establish clear goals and priorities for each fiscal year. The committee does not discuss the particular issues and needs facing airports in the state for that funding year, nor does it come to agreement prior to soliciting applications about how the money should be used, what the priorities should be, and what types of projects should be funded for that fiscal year.

**The effect of not having clear priorities and goals (beyond the general purposes stated in the statute) is that the committee does not have a formal plan for distributing funds based on the statewide needs and funds available for that particular year.**

The effect of not having clear priorities and goals (beyond the general purposes stated in the statute) is that the committee does not have a formal plan for distributing funds based on the statewide needs and funds available for that particular year, which in turn could be translated into specific evaluation criteria (see following section).

Compounding the problem of the committee's failure to establish clear priorities and goals are the contradictions in MISS. CODE ANN. Section 65-1-707 (1972) (see discussion on page 21), which further confuse the program's priorities. These contradictions are allowing the committee to approve projects such as the purchase of tractors and promotional videos (allowed under subsection 7), which may not be directly related to capital improvements as required under subsection 3.

***The committee has not established objective criteria to use in conducting systematic evaluations of applications. Because the committee has no specific evaluation criteria, it does not have standards with which to train its members to judge applications consistently and uniformly.***

The Airport Multi-Modal Fund Committee does not collectively discuss and document the criteria it uses to evaluate proposals. Committee members explained to PEER that they do have certain factors they each consider when they rank proposals; however, there is no overall agreement on them as a formal set of evaluation criteria. (See Appendix B on page 29 for a list of these factors. PEER did not verify whether all funded projects met the statutory criteria noted on page 6. )

**Since the committee does not predetermine the criteria to consider when evaluating projects, much less assign numerical scores to agreed-upon factors, it cannot ensure that members judge project applications consistently and uniformly.**

Since the committee does not predetermine the criteria to consider when evaluating projects, much less assign numerical scores to agreed-upon factors, it cannot ensure that members judge project applications consistently and uniformly. Ideally, the committee members would conduct practice evaluations using uniform criteria and then would compare the practice evaluations to determine inter-rater reliability in the ranking process. (See footnote 4 on page 11 regarding inter-rater reliability.)

The fund's administrator acknowledged that the members do not use any specific mechanisms to ensure inter-rater reliability among evaluators. PEER's statistical analysis confirmed that no evidence exists that all raters (i.e., committee members) use the same criteria when selecting projects to receive airport improvement funds or that statistically significant agreement exists among raters' evaluations.

***Since the Airport Multi-Modal Fund Committee does not use a formal Request for Proposals to solicit applications for project funding, the committee has no assurance that its selection process is fair and competitive.***

**Because the committee does not issue an RFP to all eligible airports, some of the eligible airports may not have an opportunity to compete for the funds.**

The committee does not use a formal Request for Proposals (RFP) in soliciting applications for project funding. Even if the committee included this step, because it does not establish specific, measurable criteria by which to evaluate proposals, it does not have criteria to include in a formal RFP.

Because the committee does not issue an RFP to all eligible airports, some of the eligible airports may not have an opportunity to compete for the funds. Thus the process is not fair and competitive for all of the airports eligible to receive funds.

***In its selection process, the committee uses negotiated outcomes in determining its final funding decisions, which further contributes to subjectivity in the selection of projects.***

**The committee's members may decide to fund or not fund projects for whatever reason via negotiated outcome/discussion, ignoring rankings, as long as all committee members agree. These discussions are not adequately documented.**

As described on page 12, although the committee uses a ranking process in making its selections, this ranking is not the committee's definitive method of selecting projects. Committee members also use negotiated outcome to make final funding decisions. The members may decide to fund or not fund projects for whatever reason via negotiated outcome/discussion, ignoring rankings, as long as all committee members agree. These discussions are not adequately documented.

The arbitrary method of approving projects through negotiated outcome and the lack of a sound, substantiated scoring method by which rankings could be attributed are examples of the significant weakness of the Airport Multi-Modal Fund Committee's selection process for distribution of airport improvement funds. A third-party reviewer would be unable to replicate the process to yield the same outcomes or rankings.

### **Lack of Information with Which to Provide Feedback to Applicants**

***Because of the nature of the committee's selection process and the fact that the steps are not documented, the committee cannot provide constructive feedback to airport boards or staffs whose projects are not selected for funding and who request such feedback.***

The above-cited weaknesses also prevent the Airport Multi-Modal Fund Committee from being able to provide airports that are not approved to receive airport improvement funds with defensible explanations as to why their project proposals were not approved, should they request such information.

Sometimes airports' project requests that are denied may appear similar in nature to others that are funded. For example, in FY 2007, nine airports requested funds ranging from \$175,000 (Panola County Airport) to \$936,786 (Picayune Municipal Airport) to construct t-hangars.<sup>5</sup> (Picayune's request was in conjunction with a

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<sup>5</sup> A *hangar* is a metal, wooden, or concrete structure designed to hold aircraft in protective storage. A *t-hangar* is a single long structure that is partitioned into side-by-side individual hangars, in the general shape of a "T" (the shape of an aircraft when viewed from above) and facing in opposite directions, for maximizing the number of small aircraft to be sheltered in the available space. T-hangars are highly desired by aircraft owners because they not only protect

**A third party would not find it evident in the applications' written justifications why some projects were funded and others were not.**

request for associated taxiways.) However, only two airports received funding: Cleveland Municipal Airport received \$255,000 and Magee Municipal received \$297,000.

(See Appendix C on page 32 for a list of all approved projects for FY 2005 through FY 2007.)

A third party would not find it evident in the applications' written justifications why some projects were funded and others were not. Also, the letters provided by the committee to applicants do not discuss reasons why projects are accepted or rejected for funding. Thus airports applying for airport improvement funds have no information to use in improving their applications or project proposals for future fiscal years.

## Potential for Bias in Making Selections

***The recusal method currently used by members of the Airport Multimodal Fund Committee that was intended to prevent bias by excluding members from ranking the projects submitted by their own airports is not effective. Because recusals are not actually removed from the composite scores, the process actually results in a higher priority score for such proposals.***

As noted previously, in an effort to prevent bias, members of the Airport Multi-Modal Fund Committee who also serve as airport directors (see page 4 for state law's requirements for committee membership) exclude themselves from ranking the projects of their own airports.

**Under the recusal process, committee members' projects should receive fewer rankings than non-committee members' projects and composite rankings should be adjusted accordingly by calculating the average ranking.**

The intent of this recusal is to address the concern that airport directors serving on the Multi-Modal Fund Committee should not be allowed to use their ranking to increase the priority score for their projects, thus creating an appearance of bias. Under the recusal process, committee members' projects should receive fewer rankings than non-committee members' projects and composite rankings should be adjusted accordingly by calculating the average ranking.

However, PEER determined that recusal alone has not alleviated the source of potential bias. The fund administrator totals all the rankings to get composite rankings, but does not adjust them by taking an average. This results in committee members' airports actually receiving lower composite rankings and helps those airports receive more funding, since the lower the composite score, the higher the priority for a project.

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the aircraft from the elements, but also give them protection from being damaged in a hangar with other aircraft.

## Impact of Committee Membership on Selection of Projects for Funding

*For FY 2005 through 2007, 42.88% of dollars requested for projects of airports with a director on the committee were funded and 15.23% of dollars requested for projects of airports without a director on the committee were funded.*

PEER used Airport Multi-Modal Fund Committee project data to calculate the proportion of requested to approved funds for fiscal years 2005 through 2007. Overall, PEER determined that 20.57% of the dollars requested were approved. Airports without a member on the Airport Multi-Modal Fund Committee received more total dollars (\$4,542,186) than airports with a member on the board (\$3,059,834).

However, broken down by total funds requested from airports with a member on the Airport Multi-Modal Fund Committee and airports without a member on the committee, the proportions were as follows:

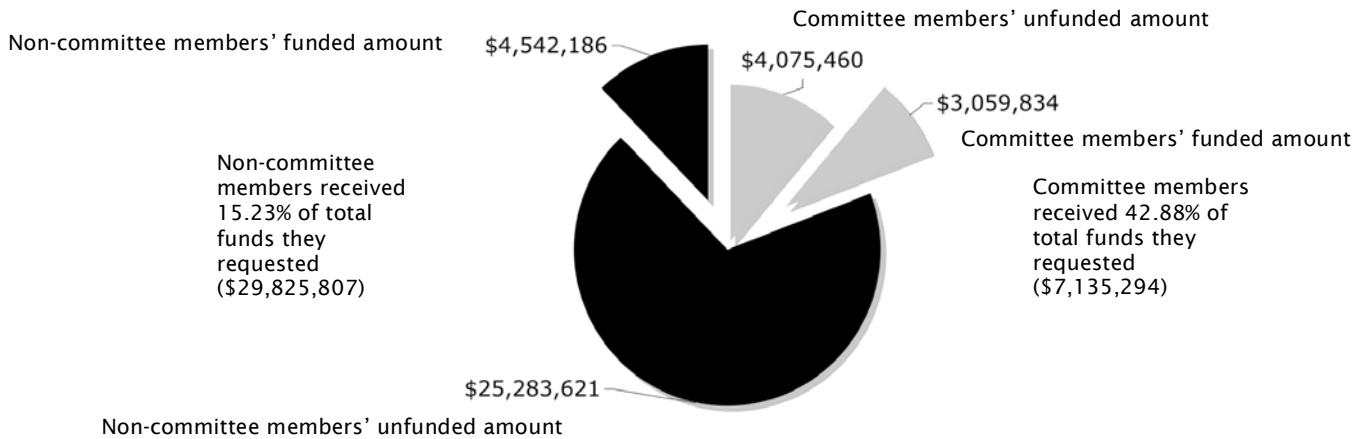
- for airports with a member on the committee: \$3,059,834 of \$7,135,294, or 42.88%, of requested funds were approved; and,
- for airports that did not have a member on the committee: \$4,542,186 of \$29,825,807, or 15.23%, of requested funds were approved.

(See the Exhibit on page 19 for a representation of funding percentages.)

The disparity in the proportion of requested dollars funded for Multi-Modal Fund Committee member-related and non-member-related requests is a cause for concern and prompted PEER to conduct additional analyses regarding this potential source of bias.

**Exhibit: Airport Multi-Modal Committee and Non-Committee Members' Requested and Approved Funds: Fiscal Years 2005–2007**

Total Airport Multi-Modal funds requested: \$36,961,101



SOURCE: Airport Multi-Modal Fund Committee approved projects data.

**Analysis of Disparate Funding for Committee-Member-Related Airports**

*A statistical analysis of funding for committee-member-related airports versus non-committee-member related airports yields a statistically significant disparity between observed and expected funding levels for committee-member-related airports, especially for projects \$200,000 and over in value. The observed condition is that the committee-related airports receive significantly more funding than would be statistically predicted, thus providing an appearance of bias that should be addressed by the committee. Further, lack of transparency in the selection process does not allow external reviewers to refute the possibility of bias in this case.*

To test whether the method committee members use to choose projects results in an appearance of bias for committee members' projects in grant selection, PEER performed a Chi Square analysis. The Chi Square test is designed to assess the statistical significance of a difference between observed and expected values for a critical variable.

In this case, the relationship being tested was membership on the Airport Multi-Modal Fund Committee and funding for committee-member-related airports. (See Appendix D,

page 35, for the Chi-Square analysis of the distribution of FY 2005 through FY 2007 airport improvement funds by project connection to committee membership.)

**The significance of earlier observations on the lack of transparency and objectivity in the selection process leaves the Airport Multi-Modal Fund Committee vulnerable to allegations of bias, since possible impropriety suggested by PEER's Chi Square analysis cannot be refuted by an outside reviewer through a review of actual selection records.**

Based on this analysis, PEER determined that committee-member-related airports were being funded at a statistically higher than expected level, specifically for project requests valued at or over \$200,000. The analysis suggests the possibility of bias, but does not constitute final proof. As previously explained on page 13, because the selection process lacks transparency, external reviewers cannot refute allegations of bias.

The significance of earlier observations on the lack of transparency and objectivity in the selection process leaves the Airport Multi-Modal Fund Committee vulnerable to allegations of bias, since possible impropriety suggested by the Chi Square analysis cannot be refuted by an outside reviewer through a review of actual selection records. Again, the primary problem is that the current selection procedure does not leave a sufficient, objective record to allow an independent assessment of the fairness of the ultimate selection decisions.

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# Statutory and Policy Issues Regarding the Committee's Selection Process for Distribution of Airport Improvement Funds

## Terms of Airport Multi-Modal Fund Committee Members

**Because Airport Multi-Modal Fund Committee members serve unlimited terms, any biases in the committee's present evaluation process could continue indefinitely.**

MISS. CODE ANN. Section 65-1-705 (2) (a) (1972) does not indicate the lengths of terms for the Airport Multi-Modal Fund Committee members. Therefore, one could assume that the members are serving unlimited terms. In the absence of a specified term of appointment, appointing authorities may fail to reevaluate appointees and the service they are providing to the constituency represented. This practice could result in committee members serving for extended periods without the Mississippi Airports Association determining whether the appointee is serving in the best interest of airports. Also, under a defined term of service, members might feel freer to act independently to fulfill their duties without the prospect of arbitrary removal.

Because MISS. CODE ANN. Section 65-1-705 (2) (a) (1972) does not indicate a term limit for Airport Multi-Modal Fund Committee members, any biases in the committee's present evaluation process could continue indefinitely.

## Conflicting Provisions Regarding Use of Transportation Improvement Funds

**Provisions in state law governing the distribution and use of transportation improvement funds appear to be in conflict**

As noted on page 6, MISS. CODE ANN. § 65-1-707 (3) (1972) stipulates that the expenditure of multi-modal funds must be "directly related to capital improvements or the rebuilding or rehabilitation of basic infrastructure and not for routine maintenance, administrative or operational expenses." This section advances the policy of using multi-modal funds for capital improvement projects. In the absence of state funding from this source, such projects may not otherwise be funded and built.



However, MISS. CODE ANN. § 65-1-707 (7) (1972) provides: “In addition to such other expenditures as may be deemed appropriate by MDOT or hereunder, money distributed from the fund may be used to meet federal matching fund requirements and for pre-construction studies, planning and design; personal property acquisition; real property acquisition, reclamation and related relocation costs; professional services; and construction.”

**The effect of the apparent contradictions in MISS. CODE ANN. Section 65-1-707 (1972) is that transportation improvement funds could become supplements to the operating budgets of airports rather than a source of funding for needed capital improvement projects with presumably greater economic benefits to the state.**

Two provisions within MISS. CODE ANN. § 65-1-707 (7) (1972) appear to allow airports to expend transportation improvement funds on items not related to capital improvement projects and therefore would not be allowed under the provisions of MISS. CODE ANN. § 65-1-707 (3) (1972). The language in the opening clause of MISS. CODE ANN. § 65-1-707 (7) (1972) broadly allows MDOT to approve any other expenditure of the transportation improvement funds that it deems appropriate, which could presumably include items not related to capital improvement. This subsection also specifically allows for the funds to be expended on the acquisition of personal property, which could be an operational or administrative expense prohibited by MISS. CODE ANN. § 65-1-707 (3) (1972).

The effect of these apparent contradictions is that transportation improvement funds could become supplements to the operating budgets of airports rather than a source of funding for needed capital improvement projects with presumably greater economic benefits to the state.

## Reporting Incomplete Information to the Joint Legislative Oversight Committee

**MDOT’s annual reports to the Joint Legislative Multi-Modal Fund Committee do not provide complete information on the projects receiving airport improvement funds.**

**Without the evaluation criteria and financial analysis of return and benefit for funded projects, the Joint Legislative Multi-Modal Fund Committee does not have all of the information it needs to oversee effectively the administration of the distribution of transportation improvement funds.**

As MISS. CODE ANN. Section 65-1-709 (1972) requires (see page 8), MDOT submits to the Joint Legislative Multi-Modal Fund Committee an annual report on the administration of the fund. The reports MDOT submits include brief descriptions of all applications for funding received pertaining to the Multi-Modal Transportation Improvement Fund. They also properly indicate the status of all applications (approved/funded or not approved/not funded).

However, the reports include no specific criteria used to evaluate each application (because the Airport Multi-Modal Fund Committee has not developed evaluation criteria; see page 15) and no financial analysis of the return and

benefits from funding projects. The legislative oversight committee does not receive any specific information on why projects received or did not receive airport improvement funds.

Without the evaluation criteria and financial analysis of return and benefit for funded projects, the Joint Legislative Multi-Modal Fund Committee does not have all of the information it needs to oversee effectively the administration of the distribution of transportation improvement funds.

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## Recommendations

1. Prior to soliciting applications for projects to receive airport improvement funds each year, the Airport Multi-Modal Fund Committee should establish clear priorities and goals for that fiscal year. The committee should decide the purposes for the funds in a budget cycle and the types of projects that would best serve those purposes.
2. The Airport Multi-Modal Fund Committee should establish criteria by which it will objectively evaluate proposals and should incorporate these criteria into a formal Request for Proposals.
3. The Airport Multi-Modal Fund Committee members should create operational definitions for the evaluation criteria and should assign values and scores to the criteria, using the scores to choose funding recipients.
4. In order to increase inter-rater reliability in selection outcomes, the Airport Multi-Modal Fund Committee should conduct practice evaluations to ensure that all members are using the same criteria and same scores.
5. The Airport Multi-Modal Fund Committee members should continue to recuse themselves from evaluating their own projects; however, they should account for fewer evaluators in total scores (i.e., use average scores).
6. The Airport Multi-Modal Fund Committee should use evaluation scores as the definitive method for choosing funding recipients. Reasons for denying project funding should always be documented.
7. Upon request, the Airport Multi-Modal Fund Committee should provide feedback to airports whose project requests are unfunded, explaining why they were not approved.
8. The Legislature should amend MISS. CODE ANN. § 65-1-705 (1972) to assign terms of service to non-ex officio members of all committees that approve applications for distributions from the Multi-Modal Transportation Improvement Fund.

9. In carrying out its responsibilities in the second recommendation listed above, the Airport Multi-Modal Fund Committee should establish criteria that clearly limit the acquisition of personal property and other expenditures made pursuant to subsection (7) of MISS. CODE ANN. § 65-1-707 (1972) to items that are directly related to a specific capital project. Further, the Legislature should monitor compliance with this recommendation and consider removing subsection (7) from MISS. CODE ANN. § 65-1-707 (1972) in the event that the Airport Multi-Modal Fund Committee does not take steps to ensure that all expenditures made pursuant to this subsection are for items that are directly related to a specific capital project.





**JUSTIFICATION**

(Responses may be provided as an attachment to this application.)

1. Describe how the project is directly related to capital improvements or the rebuilding or rehabilitation of basic infrastructure.
2. Describe how the project or use of funds directly relates to the operation of the airport.
3. Describe how the purpose of the project is outside the normal operating budget of the airport.
4. Provide an analysis of the return and benefits to be derived from the project.
5. Any additional information the applicant would like for the Committee to consider in the competition for approval and funding of projects.

**AUTHORIZED REPRESENTATIVE**

Name	
Title	Phone Number: ( )- - , Ext
Signature	Date Signed:

Submit **10 copies** of the application to: Elton E. Jay, P.E., Director  
Aeronautics Division, MDOT  
P.O. Box 1850  
Jackson, MS 39215-1850  
Phone (601)359-7850  
Fax (601)359-7855  
Email [ejay@mdot.state.ms.us](mailto:ejay@mdot.state.ms.us)

**Appendix B: Factors Individual Multi-Modal Fund Committee Members Consider when Evaluating and Ranking Projects**

Factor	Member 1	Member 2	Member 3	Member 4	Member 5	Member 6	Member 7	Total
Economic impact on airport and/or community (e.g., builds capital; provides additional tax revenue; generates revenue for airport)		√		√		√	√	4
If project or request really makes sense/is pertinent to airport's needs				√	√	√	√	4
Whether airport has any other funding options for project (e.g., federal grants, airport money)			√	√		√	√	4
Whether it provides service for customers (e.g., safer, more accommodating)		√		√		√		3
Appropriateness of amount requested for project (too much or too little to do project)		√			√			2
History of receiving Multi-Modal grant money	√	√						2
If airport plans ahead/sees big picture (e.g., Is airport still trying to pay for project it started w/previous Airport Multi-Modal grant funds? Did it know project would need additional phases to complete? Does airport complete projects it starts? Is it realistic about what it takes to complete projects?)	√	√						2



Factor	Member 1	Member 2	Member 3	Member 4	Member 5	Member 6	Member 7	Total
If project ties city & county together/whether airport has local participation (e.g., Does it have matching funds from community? Will grant money help to complete funding for entire project?)	√						√	2
Other airport projects being considered (want to spread out grants among airports)				√			√	2
The impact of project on flyers/number of citizens impacted						√	√	2
The number of planes based at airport			√			√		2
Whether project is a capital project (i.e., construction project, improves airport site)		√					√	2
Compliance with Airport Multi-Modal Fund statutory requirements*			√					1
Cost of project in relation to other projects (is it too expensive as to limit funding other projects?)				√				1
The functionality of an airport for approaches (e.g., if airplane can land there in low clouds)			√					1
The number of operations (take-offs and landings)			√					1
The reasonableness for airport to do project				√				1
The value and impact of project on state as a whole			√					1

<b>Factor</b>	<b>Member 1</b>	<b>Member 2</b>	<b>Member 3</b>	<b>Member 4</b>	<b>Member 5</b>	<b>Member 6</b>	<b>Member 7</b>	<b>Total</b>
Whether funds are for matching share for federal grant						√		<b>1</b>
Whether project would have long-term, positive impact on airport and community/if it is part of long-range improvement program	√							<b>1</b>

SOURCE: Interviews with Airport Multi-Modal Fund Committee members.

**Appendix C: Airport Multi-Modal Fund Approved Projects - Fiscal Years 2005 - 2007**

<b>Fiscal Year</b>	<b>Location</b>	<b>Airport</b>	<b>Project Purpose</b>	<b>Amount Awarded</b>	<b>Member's Airport</b>
2005	Bay St. Louis	Stennis International	Closed Circuit TV; Electric Gates	\$30,000	No
2005	Booneville	Booneville-Baldwyn	Construction of a fuel facility	\$118,729	Yes
2005	Cleveland	Cleveland Municipal	Purchase tractor & electronic fence gate	\$57,000	No
2005	Columbus	Golden Triangle Regional	Construct an aircraft support facility/hangar	\$251,835	No
2005	Greenwood	Greenwood-Leflore	Matching funds for Airport Improvement Program project (which expands the general aviation area for businesses to build hangar space)	\$18,628	No
2005	Greenwood	Greenwood-Leflore	Prepare promotional/informational video	\$22,500	No
2005	Gulfport	Gulfport-Biloxi International	New General Aviation area utilities (water, power, sewer)	\$208,080	Yes
2005	Gulfport	Gulfport-Biloxi International	Fire suppression water storage tank	\$254,688	Yes
2005	Jackson	Jackson International	Land use planning and site certification	\$50,000	Yes
2005	Meridian	Meridian Regional	Purchase Fixed Based Operation equipment/assets	\$300,000	Yes
2005	Natchez	Natchez-Adams County	Renovate hangar	\$217,516	Yes
2005	Oxford	University-Oxford	Expansion of existing fuel farm	\$128,725	No
2005	Tupelo	Tupelo Regional	Expansion of automobile parking lot	\$245,000	No
2006	Bay St. Louis	Stennis International	Removal of underground storage tanks	\$30,000	No
2006	Bay St. Louis	Stennis International	Electronic security gate access controls	\$30,000	No
2006	Booneville	Booneville-Baldwyn	Purchase tractor	\$18,900	Yes
2006	Cleveland	Cleveland Municipal	Construct apron	\$78,372	No

<b>Fiscal Year</b>	<b>Location</b>	<b>Airport</b>	<b>Project Purpose</b>	<b>Amount Awarded</b>	<b>Member's Airport</b>
2006	Columbus	Golden Triangle Regional	Operations Facility - Phase 2	\$183,846	No
2006	Greenville	Mid-Delta Regional	Air Service Study	\$42,500	No
2006	Greenwood	Greenwood-Leflore	Business & Marketing Plan	\$100,000	No
2006	Gulfport	Gulfport-Biloxi International	Construct new General Aviation Area Utilities, Phase 2	\$348,454	Yes
2006	Hattiesburg	Hattiesburg-Laurel Regional	Airline market study	\$19,500	No
2006	Hattiesburg	Hattiesburg-Laurel Regional	Expand parking lot	\$91,500	No
2006	Jackson	Jackson-Evers International	Construct access road	\$332,460	Yes
2006	Meridian	Meridian Regional-Key Field	Renovate Fixed Based Operation - Phase 2	\$125,000	Yes
2006	Meridian	Meridian Regional-Key Field	Remove Old Fuel Farm	\$200,000	Yes
2006	Olive Branch	Olive Branch	Construct Air Traffic Control Tower	\$131,943	No
2006	Raymond	John Bell Williams	Install access control system, to include gates and fencing	\$70,000	No
2006	Tupelo	Tupelo Regional	Construct Commercial Air Service Fueling Facility	\$248,000	No
2007	Aberdeen	Monroe County	Fuel truck and automated gate	\$122,000	No
2007	Bay St. Louis	Stennis International	Construct access road and parking for hangars	\$125,000	No
2007	Cleveland	Cleveland Municipal	Construct T-hangars	\$255,000	No
2007	Columbus	Golden Triangle Regional	Replace doors on 8 hangars	\$442,540	No
2007	Crystal Springs	Copiah County	Install fuel system	\$80,000	No
2007	Greenville	Mid-Delta Regional	Purchase fuel tanks	\$65,500	No
2007	Greenwood	Greenwood-Leflore	Survey airport property lines & excavate drainage ditch	\$64,155	No
2007	Hattiesburg	Bobby L. Chain Municipal	Construct sewer lift station	\$109,000	No
2007	Hattiesburg	Hattiesburg-Laurel Regional	Construct aircraft hangar	\$456,000	No
2007	Houston	Houston Municipal	Tractor and bush hog	\$46,000	No

<b>Fiscal Year</b>	<b>Location</b>	<b>Airport</b>	<b>Project Purpose</b>	<b>Amount Awarded</b>	<b>Member's Airport</b>
2007	Jackson	Jackson-Evers International	Acquire main deck loader	\$400,000	Yes
2007	Magee	Magee Municipal	Construct T-hangars and apron	\$297,000	No
2007	Meridian	Meridian Regional-Key Field	Fuel Farm	\$300,000	Yes
2007	Natchez	Natchez-Adams County	Construct medivac helipad	\$186,007	Yes
2007	Pascagoula	Trent Lott International	Purchase and install emergency generators	\$103,000	No
2007	Starkville	George M. Bryan Field	Construct/install fuel facility	\$220,800	No
2007	Tupelo	Tupelo Regional	Priority 1 - Reopen closed runway; Retire Mississippi Development Authority Airport Revolving Revitalization Loan debt	\$201,842	No
2007	Winona	Winona-Montgomery	Construct fuel farm	\$175,000	No

SOURCE: The Airport Multi-Modal Fund Committee's annual reports to the Joint Legislative Multi-Modal Fund Committee.

## Appendix D: A Chi-Square Analysis of the Distribution of FY 2005-2007 Airport Multi-Modal Funding by Project Connection to Airport Multi-Modal Fund Committee Membership

PROJECT FUNDING STATUS	OBSERVED vs EXPECTED FREQUENCY COUNTS, CELL CHI-SQUARE STATS, and RELEVANT PERCENTAGES	Does the project have Airport Multi-Modal Fund Committee connections?		Total
		No	Yes	
Projects Not Funded	Number of Observed Projects	89	17	106
	Number of Expected Projects	84.523	21.477	
	Cell Chi-Square	0.2372	0.9333	
	Percent of Total Projects	58.17	11.11	69.28
	Row Percentage	83.96	16.04	
	Column Percentage	72.95	54.84	
Projects Funded at \$1-\$99,999	Number of Observed Projects	15	2	17
	Number of Expected Projects	13.556	3.4444	
	Cell Chi-Square	0.1539	0.6057	
	Percent of Total Projects	9.80	1.31	11.11
	Row Percentage	88.24	11.76	
	Column Percentage	12.30	6.45	
Projects Funded at \$100,000-\$199,999	Number of Observed Projects	9	3	12
	Number of Expected Projects	9.5686	2.4314	
	Cell Chi-Square	0.0338	0.133	
	Percent of Total Projects	5.88	1.96	7.84
	Row Percentage	75.00	25.00	
	Column Percentage	7.38	9.68	
Projects Funded at \$200,000 and Over	Number of Observed Projects	9	9	18
	Number of Expected Projects	14.353	3.6471	
	Cell Chi-Square	1.9964	7.8567	
	Percent of Total Projects	5.88	5.88	11.76
	Row Percentage	50.00	50.00	
	Column Percentage	7.38	29.03	
Total		122	31	153
		79.74	20.26	100.00

Statistic	Degrees of Freedom	Value	Probability
Chi-Square	3	11.9500	0.0076
Likelihood Ratio Chi-Square	3	10.1186	0.0176
Mantel-Haenszel Chi-Square	1	9.0807	0.0026
Phi Coefficient		0.2795	
Contingency Coefficient		0.2692	
Cramer's V		0.2795	

### Fisher's Exact Test

Table Probability (P)	1.149E-04
Pr <= P	0.0115

Sample Size = 153

SOURCE: PEER Analysis of FY 2005-2007 Airport Multi-Modal Fund Applications

# Agency Response

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Chief Engineer

Brenda Znachko  
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November 7, 2006

Dr. Max K. Arinder, Ph.D., Director  
PEER Committee  
P. O. Box 1204  
Jackson, Mississippi 39215-1204

Re: PEER Review of the Airport Multi-Modal Fund Committee's Selection Process for  
Distribution of Transportation Improvement Funds

Dear Dr. Arinder:

Thank you allowing the Mississippi Department of Transportation ("MDOT") an opportunity to review the draft of the above referenced report (the "PEER Report"). As the PEER Report confirms, MDOT distributes money to airports in Mississippi from the Multi-Modal Transportation Improvement Fund (the "Multi-Modal Fund") based on recommendations from the Airport Multi-Modal Fund Committee, as required by Section 65-1-705 of the Mississippi Code. Prior to filing this response, MDOT consulted with the Airport Multi-Modal Fund Committee and the leadership of the Mississippi Airport Association, and they join in and agree with this response.

The Airport Multi-Modal Fund Committee is comprised of (i) five directors of airports appointed annually by the President of the Mississippi Airport Association, three of whom must represent airports with commercial passenger service; (ii) the Executive Director of the Mississippi Development Authority, or his designee; and (iii) the Executive Director of the Mississippi Department of Transportation, or his designee.

No general fund monies have been appropriated to the Multi-Modal Fund. MDOT, through the approval of the Mississippi Transportation Commission, provided \$5 Million to the Multi-Modal Fund in each of Fiscal Years 2005 and 2006 and \$10 Million to the Multi-Modal Fund in Fiscal Year 2007. Thirty-four percent of those funds have been distributed by MDOT, upon recommendation of the Airport Multi-Modal Fund Committee, to 23 airports for 47 separate projects.

The Multi-Modal Fund has become a model for state transportation authorities committed to a fully integrated, intermodal transportation system involving highways and roads, ports, airports, railroads and public transit. The positive impact of the Multi-Modal Fund in Mississippi and, in



particular, the positive impact of distributions from the Multi-Modal Fund to Mississippi airports was not questioned by the PEER Report, nor did the PEER Report recommend that the program be discontinued.

MDOT and the members of the Airport Multi-Modal Fund Committee have worked hard and in good faith to award grants from the Multi-Modal Fund based on the statutory requirements, and take exception to any allegation of bias in the distribution of funds.

However, MDOT and the Airport Multi-Modal Fund Committee have considered the recommendations of the PEER Report and hereby agree to address the concerns expressed in the PEER Report as follows.

The primary recommendation of the PEER Report is that the Airport Multi-Modal Fund Committee should adopt a process for selecting grant recipients that parallels the model set out in the PEER Report. MDOT and the Airport Multi-Modal Fund Committee accept this recommendation, and will develop a new process for selecting airports to receive funding from the Multi-Modal Fund. The new process will comply with the recommendations in the PEER Report as follows:

1. Goals will be established for the grant program, as recommended in the PEER Report.
2. Specific criteria will be established as guidelines for determining which projects will be funded (the "New Grant Guidelines"), as recommended in the PEER Report.
3. The criteria for selection and scoring value of each factor will be set out in a letter inviting proposals, which will be sent to all eligible airports in the state at the beginning of each grant cycle, as recommended in the PEER Report.
4. A rating value will be assigned to each criterion, as recommended in the PEER Report.
5. Prior to each annual selection process, the Airport Multi-Modal Fund Committee will meet to discuss the granting process and conduct practice evaluations, as recommended in the PEER Report.
6. Using the selection criteria and scoring system described above, the Airport Multi-Modal Fund Committee will systematically evaluate all applications and score each application based on the criteria and scoring system, as recommended in the PEER Report.
7. The Airport Multi-Modal Fund Committee will document its evaluations and provide copies of the applications and scoring of each application to any party requesting such information, thereby documenting the selection process, as recommended in the PEER Report.

MDOT and the Airport Multi-Modal Fund Committee do not agree with the PEER Report recommendation that the Legislature should amend Section 65-1-705 of the Mississippi Code to assign terms of service to the non-ex officio members of the Airport Multi-Modal Fund Committee, i.e., to the airport directors who are members of the Airport Multi-Modal Fund



Committee. The pool of eligible members for the Airport Multi-Modal Fund Committee is small. For example, three (3) members of the Airport Multi-Modal Fund Committee must represent airports with commercial passenger service, and there are only seven (7) commercial airports in the state. In addition, experience on the Airport Multi-Modal Fund Committee increases familiarity with the process and competency in evaluating applications, a goal shared by the PEER Report, MDOT and the Airport Multi-Modal Fund Committee. So long as airport director members of the Airport Multi-Modal Fund Committee recuse themselves from evaluating their own projects, and the granting process is otherwise objective and transparent, as PEER should agree the new process will be, there is no reason to limit the terms of the airport directors who are members of the Airport Multi-Modal Fund Committee. However, in order to address PEER's concern, MDOT and the Airport Multi-Modal Fund Committee agree to include in the New Grant Guidelines a specific statement recognizing that airport directors can be appointed to the Airport Multi-Modal Fund Committee for a term of only one (1) year at a time.

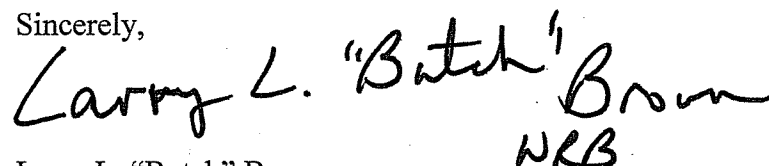
Members of the Airport Multi-Modal Fund Committee shall continue to recuse themselves from evaluating their own projects. An adjustment will be made to ensure that their recusal will have no relative impact on the scoring of their projects, as recommended in the PEER Report.

MDOT and the Airport Multi-Modal Fund Committee agree with the recommendation in the PEER Report that, under subsection (7) of Section 65-1-707 of the Mississippi Code, Multi-Modal Funds should be utilized for the acquisition of personal property and the other purposes set out in subsection (7) only when those expenditures are directly related to a capital improvement project, and will confirm that interpretation in the New Grant Guidelines.

MDOT recognizes that the recommendations set out in the PEER Report are also applicable in part to grants from the Multi-Modal Fund to ports, public railroads and public transit systems. MDOT will review the procedures used by the respective committees which distribute Multi-Modal Funds to those modes in light of the PEER Report and this response. As a first step in that process, MDOT has discussed the recommendations in the PEER Report and this response with the Port Multi-Modal Fund Committee, and the Port Multi-Modal Fund Committee has agreed to work with MDOT to establish new grant guidelines and procedures consistent with those to be adopted by MDOT and the Airport Multi-Modal Fund Committee.

Thank you again for the opportunity to review and comment on the draft PEER Report.

Sincerely,

Larry L. "Butch" Brown  
NRB

Larry L. "Butch" Brown  
Executive Director

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