

**STATEMENT OF
THE HONORABLE RAY LAHOOD
SECRETARY OF TRANSPORTATION**

BEFORE THE

**COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND
URBAN DEVELOPMENT, AND RELATED AGENCIES
UNITED STATES SENATE**

June 18, 2009

Madam Chairman, Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the Administration's fiscal year 2010 budget request for the U.S. Department of Transportation. The President's request totals \$73.2 billion in budgetary resources, which will support major investments in transportation nationwide that are vital to the health of our economy and the American way of life.

The President's Budget continues record level investments in our Nation's transportation infrastructure. At the same time, the Budget reflects the growing recognition that traditional gasoline taxes and airline ticket taxes, two of the major sources of funding for the Department's surface transportation and aviation programs, respectively, are outdated and not adequate to support 21st Century transportation needs.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009. I want to thank Congress for providing more than \$48 billion in vital transportation funding to both help bring about economic recovery and make lasting investments in our Nation's infrastructure. This is both an investment in our transportation infrastructure and in jobs for Americans. The resources made available from the General Fund for transportation infrastructure in the Recovery Act will help to rebuild, retool, and revitalize the vast network of roads, tunnels, bridges, rail systems, airports, and waterways that we have long depended on to keep the economy moving and growing. I am very proud of our TIGER Team effort in implementing the provisions in the Recovery Act. By working across organizational boundaries, the Team has been successful in meeting the Congressional deadlines.

America's transportation systems are the lifeblood of our economy, and when properly maintained can be a catalyst for economic growth. These systems allow people to get to jobs and allow businesses to access wider pools of labor, suppliers, and customers. The ability to move freight efficiently will be critical to our economic recovery. Without efficient transportation routes, economies stagnate. We need to protect, preserve, and invest in our transportation infrastructure to ensure that it can meet our present and future demands.

Above all, we must make our transportation systems safe; where public safety is concerned there is no room for compromise. Over \$18.5 billion, or one-quarter of the total request for the Department, will support transportation safety. I am mindful that safety – on the road, on the rails, in the air, and on the water – has always been, and must continue to be, the central focus of the Department.

SURFACE TRANSPORTATION PROGRAMS

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) expires on September 30, 2009. The Administration is developing a comprehensive approach for surface transportation reauthorization. Consequently, the Budget contains no policy recommendations for programs subject to reauthorization, including those for the Federal Highway Administration, the Federal Motor Carrier Safety Administration, the National Highway Traffic Safety Administration, and the Federal Transit Administration. Instead, the Budget displays baseline funding levels for all surface transportation programs.

An overarching concern for surface transportation funding is the status of the Highway Trust Fund. The funding levels set in SAFETEA-LU for fiscal years 2005 through 2009 were designed to spend down the accumulated balance in the Highway Account of the Highway Trust Fund. This has left the Highway Account unable to sustain spending from current highway programs into fiscal year 2010. The sustainability issue became apparent when in 2008 the Highway Trust Fund required an \$8 billion cash transfer from the General Fund in order to remain solvent.

The current reduction in economic activity has only exacerbated the problem of sustainability for fiscal year 2010, and we remain at risk of yet another cash shortfall later in fiscal year 2009. At my direction, the Department has shared our internal projections on the status of Highway Trust Fund with you and your staff. As you all know, DOT's highway programs continue to pay out more than the receipts coming into the Highway Trust Fund.

To highlight the growing imbalance between projected Highway Trust Fund revenues and baseline spending, the fiscal year 2010 Budget includes lowered Highway Trust Fund funding levels for certain programs (i.e., Federal-aid Highways and Transit Formula and Bus Grants). Such funding reductions would be necessary to maintain positive annual cash balances. For these programs, the budget also includes discretionary budget authority appropriated from the General Fund equal to the difference between the baseline funding and the lowered Highway Trust Fund funding levels.

Under the funding scenario presented in the fiscal year 2010 Budget, the Federal Motor Carrier Safety Administration and the National Highway Traffic Safety Administration would be funded entirely from the Highway Trust Fund. The split between Trust Fund and General Fund expenditures in all accounts funded by the

Highway Trust Fund is for presentation purposes only and not meant to be a policy recommendation on the part of the Administration.

Using the Federal Highway Administration as an example, the baseline funding level presented in the fiscal year 2010 Budget is \$41.8 billion, a one percent increase from the amount provided by Congress in the fiscal year 2009 Omnibus Appropriations Act. However, the Highway Trust Fund can only support an estimated \$5.7 billion in contract authority, and an equivalent obligation limitation. The balance -- \$36.1 billion -- is assumed to be provided from a new discretionary General Fund appropriation.

Does this mean that we will have a \$36 billion shortfall in the Highway Account of the Trust Fund in FY 2010? No. During any given year, most of the payments from the Highway Trust Fund are for funding commitments that were made in previous years. By fiscal year 2010, the majority of revenues that will be deposited into the Highway Trust Fund will be needed to cover cash outlays from those prior-year commitments.

The President's fiscal year 2010 Budget reflects the fact that over the long term, we will need to identify a new funding solution to ensure that we continue to meet our Federal surface transportation infrastructure investment needs. However, I need to emphasize that this budget is a "placeholder" and this presentation does not reflect the Administration's recommended funding levels or approach for the next surface transportation reauthorization.

The Administration inherited a difficult problem -- a system that can no longer pay for itself. There simply is not enough money in the Highway Trust Fund to do what we need to do. The fiscal year 2010 Budget frames the challenging spending decisions facing policymakers. Clearly as we approach the reauthorization of surface transportation programs, we will need to think creatively as we search for sustainable funding mechanisms.

I want to assure you that we will soon have a plan to address the potential Trust Fund shortfall this summer. We believe very strongly that any Trust Fund fix must be paid for. We also believe that any solution must be tied to reform of the current highway program to make it more performance-based and accountable, such as improving safety or improving the livability of our communities -- two priorities for me.

FEDERAL AVIATION PROGRAMS

The Federal Aviation Administration is in a similar situation as DOT's surface transportation programs in that its current authorization also expires at the end of the current fiscal year. The Vision 100 -- Century of Aviation Reauthorization Act originally expired at the end of fiscal year 2007, and since that time the Federal Aviation Administration has been operating under a series of short-term extensions. Current aviation taxes and expenditure authority are authorized through September 30, 2009.

The Airport and Airway Trust Fund provides all of the funding for the Federal Aviation Administration's airport improvement, facilities and equipment, and research and development activities, as well as approximately 70 percent of the Federal Aviation Administration's operations. As of the end of the current fiscal year, DOT estimates that the Airport and Airway Trust Fund will have a cash balance of approximately \$9.5 billion and an uncommitted balance of \$929 million. The uncommitted balance takes into account the amount of cash needed to cover commitments that have already been made. As such, the uncommitted balance is generally used as an estimate of available resources for new commitments. The fiscal year 2010 Budget projects that the uncommitted balance will drop to \$334 million by the end of fiscal year 2010. Although the Budget estimates a small uncommitted balance in fiscal year 2010, the end of year 2010 cash balance is estimated to be \$8.75 billion and the Federal Aviation Administration will have more than sufficient resources to implement its programs in fiscal year 2010.

The President's Budget requests nearly \$16 billion for the Federal Aviation Administration in 2010. The Budget also assumes some basic elements of a reauthorization proposal. The current financing system is based largely on aviation excise taxes that depend on the price of a passenger's airline ticket rather than the actual cost of moving flights through our Nation's aviation system. Starting in 2011, the Budget assumes that the air traffic control system will be funded with direct charges levied on users of the system. While the Budget does not include a detailed reauthorization proposal, the Administration believes that the Federal Aviation Administration should move toward a model whereby the agency's funding is related to its costs, the financing burden is distributed more equitably, and funds are used to pay directly for services the users need. The Administration recognizes that there are alternative ways to achieve its objectives, and wants to work with Congress and stakeholders to enact legislation that moves toward such a system.

Unlike the budget presentation for surface transportation programs, the fiscal year 2010 budget request of nearly \$16 billion for the Federal Aviation Administration is not a "placeholder" and, in fact, would fund the Federal Aviation Administration's highest priority requirements.

The request includes \$865 million for the Next Generation Air Transportation System (NextGen) – an increase of close to \$170 million from the fiscal year 2009 enacted level. NextGen is an evolutionary process that will transform the way the national air transportation system operates. The outcome will be reduced congestion and delays, improved safety, and reduced noise and emissions.

In addition, the budget request includes funding to increase the number of air traffic controllers by 107 and the number of safety staff by 36. This will improve the Federal Aviation Administration's safety oversight function and meet its current need to continue to hire a new generation of air traffic controllers in advance of the anticipated retirements.

The budget request would provide \$3.5 billion for the Airport Improvement Program. This level of funding will support an estimated 3,500 infrastructure projects at an estimated 1,500 airports, including the rehabilitation and maintenance of existing infrastructure, compliance with design standards, and improved airport capacity.

HIGH-SPEED AND INTERCITY PASSENGER RAIL

In the 20th Century, the United States built highway and aviation networks that fueled unprecedented economic expansion, fostered new communities, and connected cities, towns and regions.

The President's fiscal year 2010 Budget proposes to help address today's transportation challenges by investing in a world-class network of high-speed passenger rail corridors that connect communities across America. Building on the \$8 billion provided for high-speed rail in the American Recovery and Reinvestment Act of 2009, the President's Budget proposes to fund a five-year, \$5 billion high-speed rail State grant program. This represents a major commitment by the Federal Government to provide the traveling public with a viable alternative to driving and flying.

The Budget also includes \$1.5 billion in grants to support the National Railroad Passenger Corporation (Amtrak) -- \$572 million for operating grants and \$930 million for capital and debt service grants. When combined with the \$1.3 billion in funding provided for Amtrak under the American Recovery and Reinvestment Act, the fiscal year 2010 request will allow Amtrak to begin to address some of its long-standing capital requirements.

MARITIME PROGRAMS

The U.S. maritime industry plays an important role in today's global economy. In terms of the value of cargo, more than 48 percent of U.S. foreign trade and 6 percent of our Nation's domestic commerce travels by water. The FY 2010 budget request includes \$346 million for the Maritime Administration. This request fully funds the Maritime Security Program at \$174 million and provides \$153 million for Operations and Training, including a \$12 million increase for the U.S. Merchant Marine Academy for operational and capital improvements.

In fiscal year 2009, the Maritime Administration took positive steps to address and remediate certain internal control issues related to budget implementation at the Academy. These steps include significant financial management reforms at the Academy and technical assistance for new Academy leadership. I have also directed MARAD to establish a "blue ribbon" panel of experts who will examine and report to me on the Academy's long-term capital improvement needs.

The Budget also provides an increase of \$15 million under MARAD Operations for a Presidential initiative to support integrated planning with the Department of

Homeland Security for development and modernization of intermodal freight infrastructure that links coastal and inland ports to highway and rail networks.

The fiscal year 2010 request for the Saint Lawrence Seaway Development Corporation includes nearly \$17 million for agency operations and fully funds the second year of the Seaway's 10-year Asset Renewal Program.

Before I conclude my testimony I also want to mention two other notable items in the President's fiscal year 2010 budget request for DOT. This request will enable the Pipeline and Hazardous Materials Safety Administration to fill 18 additional pipeline safety inspection and enforcement positions. This will bring the total number of inspection and enforcement positions up to 135 in fiscal year 2010, meeting the target in the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006.

Finally, the Administration is committed to maintaining small communities' access to the National Airspace System. The Budget provides \$175 million for the Essential Air Service (EAS) program to fulfill current program requirements as demand for subsidized commercial air service increases. The Budget drops an earlier proposal to restructure the eligibility criteria for airports to receive EAS funding, but also acknowledges that the program design must be updated and made more cost effective. The Administration is committed to working with Congress to develop a more sustainable program that will provide better value for passengers and the American taxpayer.

Thank you for the opportunity to appear before you today to discuss the President's fiscal year 2010 budget proposal for the Department of Transportation. I believe that this proposal offers bold initiatives and charts a new course for transportation infrastructure investment in the United States over the years to come. I look forward to working with Congress and transportation stakeholders to make this reality.

I will be pleased to respond to your questions.

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