

**STATEMENT OF  
THE HONORABLE ELAINE L. CHAO  
SECRETARY OF TRANSPORTATION  
BEFORE THE  
APPROPRIATIONS SUBCOMMITTEE ON  
TRANSPORTATION, HOUSING, AND URBAN DEVELOPMENT AND  
RELATED AGENCIES  
UNITED STATES SENATE**

**July 13, 2017**

**Introduction**

Chairman Collins, Ranking Member Reed and members of the Subcommittee thank you for the opportunity to meet today to discuss the President's Fiscal Year 2018 Budget request for Transportation. I am deeply honored to serve as the 18<sup>th</sup> Secretary of Transportation, and I look forward to working with all of you to address America's transportation needs. I know that together, we share a commitment to ensuring our transportation systems are safe, effective, and ready to adapt to new technologies.

The President's FY 2018 Budget represents a bold change of course for our Nation and challenges all of us to rethink the way we are setting our priorities. It calls on us to reexamine our current spending and our continuing commitment to programs that may not be meeting their intended purpose, have outlasted their usefulness, or simply need to be replaced with new initiatives that will better address our requirements for the future. Some funding reductions are in recognition that our resources are limited and that we have an obligation to future generations to keep our spending under control.

The President's Budget requests \$76 billion to support transportation programs in FY 2018. The request fully funds surface transportation programs included in the Fixing America's Surface Transportation (FAST) Act and provides levels of funding for the majority of other Transportation programs roughly in line with FY 2016 levels. But just as important, the budget promises a renewed focus on the state of our infrastructure -- targeting ways to streamline approvals, encourage cost-sharing, and prioritize projects with the greatest value to Americans.

**A New Infrastructure Initiative**

Our transportation infrastructure is aging. We need a focused approach to address this problem. The President proposes to tackle these problems by seeking long-term reforms on how infrastructure projects are regulated, funded, delivered, and maintained. The President's plan proposes reforms that will incentivize additional state, local, and private funding and will ensure that Federal funding is leveraged to maximize and significantly increase total infrastructure investment. The President has identified a total Federal commitment of \$200 billion for

infrastructure improvements. These resources will work in tandem with reforms so that progress can be achieved quickly.

While transportation specific infrastructure needs will be a key element of the President's plan, the entire initiative will encompass other Federal programs as well. The infrastructure plan will involve 13 Federal Departments and Agencies working in concert to address the following key principles:

- Make targeted Federal investments on the most transformative projects. These will be high priority projects from the perspective of the Nation or the region, or projects that will change the nature of how infrastructure is designed, built, and maintained.
- Encourage states, localities, and tribes to take their own action to improve their infrastructure. Because Federal resources are not unlimited, and the needs are great, waiting for Washington to fund repair and renovation projects only delays the improvements even longer. State and local efforts can be helped by streamlined Federal permitting and regulatory processes.
- The private sector has capital that could and should be utilized to improve our infrastructure. We can make Federal and state dollars stretch further by leveraging, and we can tap into the management benefits offered by the private sector, such as procurement methods, market discipline, and long-term maintenance protocols. The Administration does not believe public-private partnerships are the answer to all infrastructure needs, but they can play a much stronger role in fixing America's infrastructure.
- We should also align infrastructure investment with the entities best suited to carry it out and maintain it. The Administration will look for opportunities to divest from certain functions that the private sector could do more effectively. The Federal government can also be more efficient about disposing of underused capital assets, ensuring that those assets are put to their best use.

With these reforms and principles in mind, I am confident that the Federal Departments and Agencies working together will be successful in developing an infrastructure improvement initiative that will achieve the President's vision.

### **Charting a New Course**

The President's call for reforms includes changes affecting some of our traditional transportation programs. One of these areas is the Federal Transit Administration's Capital Investment Grants program. The Capital Investments Grants program supports projects that have primarily local direct benefits. While the President's Budget honors commitments to projects with existing full funding grant agreements, it does not recommend funding for new projects. The Administration is reexamining programs where significant Federal resources are spent on activities that have primarily local benefits – including what fiscal and other tools might be the most appropriate to encourage investment in those jurisdictions.

Along the same lines, the President's budget request does not include funding for the discretionary portion of the Essential Air Service (EAS). EAS was originally proposed as a temporary program nearly 40 years ago at about \$50 million. Today, two budgetary accounts are

funding the EAS program at a total cost of \$280 million. Yet, many EAS flights are not full and have high subsidy costs per passenger, calling into question the affordability of this program. But this poses a conundrum for all of us, because we recognize how critical the EAS program is to rural areas.

To address this situation, the President's Budget requests support for a redesigned program known as the Transportation Aviation Assistance to Remote Areas (TAARA) program. This new program will be funded exclusively by mandatory overflight fees at \$119 million. By reworking the old EAS program, we will help reset the path for remote air assistance going forward. The objective is to sustain air service to rural locations most in need, and to establish relevant objective criteria for making those determinations.

Funding for Amtrak's long distance routes is another area where Federal investments do not match the level of usage. Amtrak's long distance services are used by a relatively small number of passengers. These trains are very expensive to operate and maintain; and account for much of Amtrak's operating losses. The President's budget recognizes this is an area with a low return on investment and instead asks us to concentrate our resources on other portions of Amtrak's system.

The President also recommends an end to the Transportation Investments Generating Economic Recovery (TIGER) grant program at a savings of nearly \$500 million. With the passage of the FAST Act and the creation of a new competitive grant program, the Department has other opportunities for funding those projects that have nationally or regionally significant characteristics. Grant programs that meet the objectives of the new infrastructure initiative will also be considered for future investments.

### **FAA Modernization**

The President's FY 2018 budget also includes a bold shift in the operational model used for the Federal Aviation Administration (FAA). First, I would like to recognize the dedicated individuals of the FAA who safely and efficiently guide thousands of aircraft carrying millions of passengers and tons of cargo to destinations around the country. However, while the FAA has established a tremendous safety record while operating the world's most complex air traffic system, it has been hindered by the continued use of old technology.

After billions of dollars invested and years of effort to modernize our air traffic control system, our air traffic controllers are still dependent on paper strips to manage the airspace. And while we have stayed stuck in an old-fashioned approach, many other countries throughout the world have successfully implemented new models for delivering safe and reliable air traffic control services using non-governmental structures. The President's budget request asks Congress to enact FAA modernization legislation based on the principles he has just announced. This legislation would begin a multi-year modernization effort that will transfer the day-to-day air traffic control services provided today by FAA to a new non-government cooperative. The Federal government would retain its role in regulating aviation safety, just like it does for all other modes of transportation. As we begin this modernization effort, we will be working to structure the new organization around the following principles:

- A non-profit, non-governmental cooperative is the best model to deliver air traffic services in a safe, efficient, and innovative manner.

- A board of directors that represents all users of the National Airspace System will better align air traffic services to customer demands. No one stakeholder group would control the Board.
- A fee structure would be put in place to allow aviation users to pay the cost of the services of the air navigation provider with the understanding that the provider would not charge any more than necessary to recover its costs. Any surplus would be plowed back in to the entity; there are no shareholders that would profit.

When completed, this modernization effort will deliver an organization that uses modern business tools and management flexibilities that are comparable to those used in the private sector. This flexibility would speed up the implementation of new, state-of-the-art technology for air traffic control that will allow for greater precision in managing the airspace, thus enhancing safety and alleviating flight delays that have become an increasingly aggravating element of air travel. The Nation that invented air travel should surely do better.

Thank you again, for the opportunity to appear before you today to discuss the President's Fiscal Year 2018 budget. I will be happy to answer your questions.

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