

**DEPARTMENT OF TRANSPORTATION
BUDGET PRIORITIES FOR FISCAL YEAR 2004**

HEARING
BEFORE THE
COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTH CONGRESS
FIRST SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 12, 2003

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CONTENTS

	Page
Hearing held in Washington, DC, February 12, 2003	1
Statement of:	
Hon. Michael P. Jackson, Deputy Secretary, U.S. Department of Transportation	9
Hon. Nick J. Rahall, II, a Representative in Congress from the State of West Virginia	41
Prepared statement and additional submissions of:	
Questions submitted for the record by Hon. Denise L. Majette, a Representative in Congress from the State of Georgia	4
Deputy Secretary Jackson:	
Prepared statement	12
Response to Mr. Spratt's question regarding Federal aid for highway projects	18
Response to Mr. Wicker's question regarding the Federal Highway Administration	27
Response to Mr. Cooper's question regarding the Transportation Equity Act for the 21st Century	29
Response to Mr. Baird's question regarding ship disposal	33
Response to Mr. Scott's question regarding the James River Ghost Fleet	37
Response to Mr. Meek's question regarding Minority Business Outreach	39
Prepared statement of Mr. Rahall	43

**DEPARTMENT OF TRANSPORTATION
BUDGET PRIORITIES FOR FISCAL YEAR 2004**

WEDNESDAY, FEBRUARY 12, 2003

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to call, at 10 a.m. in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee) presiding.

Members present: Representatives Nussle, Gutknecht, Spratt, Brown, Portman, Thompson, Putnam, Wicker, Diaz-Balart, Hastings, Scott, Neal, Garrett, Baldwin, Cooper, Baird, Vitter, and Shays.

Chairman NUSSLE. Good morning.

This is the House Budget Committee full committee hearing on the Department of Transportation Budget Priorities for Fiscal Year 2004.

Today I am pleased to welcome the Honorable Michael P. Jackson, Deputy Secretary of Transportation. Mr. Secretary, we look forward to hearing your testimony today on the Department of Transportation's budget for the coming fiscal year.

We also extend our best wishes to a former colleague, the current Secretary of Transportation, and we hope he gets well soon, feeling better, and back at it. We thought Congress was a pain in the neck but a pain in the back, that is something you cannot recover from quickly. He has our best wishes and if you would let him know we are thinking about him today, we would appreciate it.

This year will be a very busy year for the Transportation Department and for that matter, a very busy year for my colleagues and myself here in Congress as we deal with transportation issues, as the Transportation and Infrastructure Committee grapples with a number of very important, vexing issues for our country.

The administration's proposed budget request for the next fiscal year will provide the foundation for the new authorization cycle for many of the essential transportation programs. In the coming months, Congress will consider reauthorization of many of the surface transportation programs under what is called TEA-21 and their programs under AIR-21 and passenger programs under Amtrak. Mr. Secretary, there is no question that we have our work cut out for us as we work through these.

As we prepare this year's budget, it is going to be important that we balance the essential needs of our Nation, especially those in the area of transportation and homeland security with our commit-

ment to ensure that we keep the growth of discretionary spending in particular in line, in this instance.

With the terrorist attacks still fresh in our minds and the possibility of a war on the horizon, we remember the critical role of the Transportation Department and its many components, the role you have played in these past several months. The attacks of September 11, 2001, made it crystal clear that our Nation's transportation system is on the front line in this global war on terrorism. While two major Department of Transportation operating administrations, the Coast Guard and the Transportation Security Administration, are moving from DOT to the new Department of Homeland Security, so much of what this department does on a daily basis helps to insure safety and security for our way of life.

The administration's fiscal year 2004 proposal for the Department of Transportation calls for \$54.3 billion in budget resources and \$53.6 billion in outlays, a \$2.9 billion or 5.7-percent increase from the previous year's level. The administration bases its request on the need to "create a safer, simpler and smarter transportation system for all Americans."

To accomplish this, the Department is focusing on five performance goals: improved safety, increased mobility in the support of the Nation's economy, protect human and natural environment, and achieve organizational excellence while at the same time supporting homeland and national security issues. This hearing will examine how the President's budget request would accomplish these aims as well as other priority objectives of the Department of Transportation programs.

About two-thirds of the funding provided here is for ground transportation programs. These include the Federal Highway Program, mass transit operating, and capital assistance. Under ground transportation are rail transportation through the National Rail Passenger Corporation. We all know this to be Amtrak and high speed rail and rail safety programs.

Additional components of this function are air transportation, including the Federal Aviation Administration, Airport Improvement Program, the Facilities and Equipment Program, and the operation of air traffic control systems.

Water transportation is also considered through the Coast Guard and Maritime Administration as well as other transportation support activities.

We want to thank you for coming today. We need to work through a number of very important issues. These will not be settled today but we need to begin work as we look not only to 2004 but beyond.

There is no question we saw the vulnerability of transportation itself as well as the vulnerability of our economy to transportation and transportation concerns manifest itself over the last 2 years. This has to be one of our top priorities as we look forward to the future.

I thank you for coming today. We look forward to your testimony.

I would like to turn to Mr. Spratt for any comments he would like to make before we begin the hearing.

Mr. SPRATT. Mr. Chairman, thank you very much.

Secretary Jackson, welcome. You are doing something not all Cabinet Secretaries are willing to do. We appreciate you coming before our committee, particularly this year because this year is an important year for transportation.

I am sorry to hear about Norm Mineta's situation. I was the victim of an old back injury myself. I know how he must feel and I hope you will convey to him my best wishes for a speedy recovery and tell him to take it easy.

Shortly, Congressman Rahall, the second most senior Democrat on the Transportation Committee, will appear before us to give us his perspective on the administration's request.

This is, as I said, an important year for transportation. This year, Congress will take up the reauthorization of the Federal programs that support highways, transit, aviation, and rail. The President's proposals are the baseline or starting point so I am interested in hearing, as we all are, the administration's ideas for improving and bolstering these programs.

At first glance, your 2004 budget for the Department of Transportation appears to be modest. The administration is claiming about a 6-percent increase over its request of last year. However, last year's request included a large cut to Federal aid for highways due to the incoming revenues of the Highway Trust Fund and I would venture to say that Congress is all but certain to reject that and increase the amount for education.

The House reported an appropriations bill of \$26.7 billion and passed it. The Senate, however, appropriated \$31.8 billion for transportation. I am not quite sure where the Omnibus Bill stands at this point but it is my understanding that the highway amount will be increased. I hope it will be increased close to the Senate amount. If that is true, your request for this year, \$29.3 billion, is about \$2.5-billion less than the likely level of the Omnibus Appropriations Bill for the Department of Transportation.

We think that is a mistake for several reasons. All of us come from States where there are large, unmet agendas for public works, highways in particular. Furthermore, we are in a slump even though the economic data indicate that we are coming out of a recession, you cannot feel it. This is a jobless recovery and we may actually be dipping back into a negative growth situation. Under those circumstances, it makes sense when there is a backlog of unfinished public works programs, highway programs, that not only can stimulate the economy but also can provide a return on investment in future years, that this is a time when we want to spend more rather than less on highways.

I know to some extent that is tied to our formulation of how you use the Highway Trust Fund, but nevertheless, those are manmade laws and we could rewrite those laws. As we propose in our economic stimulus proposal, we want to put at least \$5-billion more into highways right now in 2003, put it to work so that we could stimulate the economy and clear at least a small part of the backlog that every State has for transportation projects.

I would also like to hear from you this morning the administration's justification for freezing transit funding in what is likely to be the 2003 funding level. Investments in transit combat congestion, would help all of us and combat urban sprawl. Transit sys-

tems across the country in major urban areas are going to need to make major security improvements in light of the threat to our homeland.

Use of transit has been increasing steadily over the last few years, so I think it is fair to ask you to consider whether or not it is wise to flatline investments in transit systems around the country.

The chairman has mentioned Amtrak. Amtrak is in dire fiscal straits and we would like to know what the administration proposes to do to deal with Amtrak's solvency.

Finally, we want to hear about the Department of Transportation's role in homeland security. The Coast Guard and the Transportation Security Administration are now part of the new Homeland Security Department. We are interested in knowing if DOT has any remaining role in homeland security and if so, what will it be under the President's budget.

Thank you again for coming. We look forward to your testimony.

Chairman NUSSLE. All members will be given at this point in time, with unanimous consent, a chance to put into the record an opening statement.

[The information referred to follows:]

QUESTIONS SUBMITTED FOR THE RECORD BY HON. DENISE L. MAJETTE, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

FUNDING FOR TRAINING HAZMAT RESPONDERS

Question—I note that the administration has maintained the level of funding for emergency preparedness grants at the same level as last year—\$14 million—because of the authority authorized to the Department. As you know, these grants provide much needed funding for local hazardous materials responders, and I believe these grants are important, especially at a time when many State and local officials assert that their budgets and specifically their security budgets are strained. In my district, I have several major highways and rail lines along which HAZMAT materials travel.

I also understand that as a result of a lawsuit, the user fees that fund this program have been reduced. Do you believe that the Department still has a role in training HAZMAT responders? [IF YES,] What does Congress need to do to provide DOT with the authority to increase the funding level for this program?

And, are there other areas that my local officials can look for funding for training in the event of a HAZMAT emergency?

Response—Under provisions of the Hazardous Materials Transportation Law of 1994, the Research and Special Programs Administration (RSPA) is authorized to fund Hazardous Materials Emergency Preparedness (HMEP) Planning Grants at amounts not to exceed \$5 million, and Training Grants not to exceed \$7.8 million. In addition, in our appropriations, Congress has imposed an obligation limitation of \$14.3 million, which funds the planning and training grants, a special grant to non-profit organizations that funds training for HAZMAT trainers in dealing with HAZMAT incidents, training curriculum development, technical assistance and program management. All funds are generated by a registration fee imposed on shippers and carriers of certain HAZMAT.

In the first six years, the registration program was generating substantially less than the \$14.3 million in user fees Congress intended to be collected for funding the grants program. Thus, in 2000, RSPA expanded the scope of the companies required to register, and introduced a two-tier fee structure. As a result, the registration program was generating over \$20 million. Annually, over the past several years, this surplus accumulated. To offset this surplus, RSPA lowered the fees so that the surplus will be drawn down over a few years.

DOT has a continuing role in assisting the training of HAZMAT responders. Over the past decade, over 1.1 million HAZMAT responders have received training partially funded by the HMEP Grant program. Funding has also been distributed to about 1,700 local emergency planning committees.

Other Federal Grant programs also provide funding for training to first responders. The Federal Emergency Management Agency (FEMA) in particular provides sizeable amounts of grant funds to emergency response organizations. FEMA's Fire Administration has distributed funding in excess of \$100 million per year since 2000, and is expected to distribute over \$330 million in fiscal year 2003, to be used by the Nation's firefighters to increase the effectiveness of firefighting operations, improve fire fighter health and safety programs, purchase new fire apparatus, enhance EMS programs, and support Fire Prevention and Safety Programs.

FEMA also established an Emergency Management Performance Grant (EMPG) program targeted at anti-terrorism activities, to provide States the flexibility to allocate funds according to risk and to address the most urgent State and local needs in disaster mitigation, preparedness, response, and recovery, and to provide delivery of specialized, multi-agency anti-terrorism preparedness training. This program is a consolidation of several previously independent grant programs. Training is provided through each of the 50 States. The training is targeted at first responders, those who might come into contact with and be forced to manage the consequences of terrorist acts. Funding in fiscal year 2003 is estimated at \$117,946,000.

However, the HMEP Grants program is the only such program that specifically addresses training for first responders in responding to hazardous materials incidents during transportation. The program also offers a significant degree of flexibility to grantees for planning and training purposes.

BALANCING FREIGHT EFFICIENCY AND SECURITY

Question—Given the increased security concerns with respect to our country's freight transportation system, as well as the importance of efficiently moving goods to our economy, can you please elaborate on some of the mechanisms by which the Department intends to reconcile these two concerns and deal with freight efficiency and security in the budget?

Response—Immediately following the tragic events of 9/11, Secretary Mineta recognized the need to safeguard our Nation's transportation system and sustain the movement of people and goods. To address the challenge of ensuring mobility while enhancing security, the Secretary convened a National Infrastructure Security Committee (NISC) that included senior managers from the Department of Transportation's modal administrations and our Office of Intelligence and Security, representatives from other Federal agencies responsible for trade and commerce (e.g., U.S. Customs, Department of Commerce, etc.), and private sector transportation providers. The NISC is working with industry to incorporate deterrents to cargo tampering and criminal activity into freight transportation business practices without compromising customer service. In its review of the transportation environment, the NISC has been able to identify areas where existing Federal programs and regulations are adequately addressing security issues and areas where improvements can be made without impeding the flow of commerce through redundant requirements or onerous enforcement activities.

The Department's proposal for TEA-21 reauthorization will place a high priority on the efficient and secure movement of commercial freight. The Secretary will be seeking to increase funding flexibility for State and local authorities to make effective freight program investments, enhance innovative financing tools to leverage freight transportation investments, and expand the capacity and improve the efficiency of freight transportation networks.

TECHNOLOGY TO IMPROVE FREIGHT TRANSPORTATION SECURITY

Question—Given your background in the private sector as well as your service in the Department, do you think there is a need for federally funded increased logistics and information technology to help improve the overall efficiency and security of our intermodal freight transportation systems?

Response—The Department believes that increased Congressional support for existing logistics and technology research and development programs would improve the efficiency and security of our intermodal freight transportation system. For example, our work in freight-related operational tests and infrastructure development under the Intelligent Transportation System program is expediting the movement of commercial vehicles using advanced technologies that confirm the location and contents of cargo shipments, and assure the operational compliance and safety status of commercial vehicles and their drivers under the Commercial Vehicle Inspection Systems and Networks (CVISN) program. These technologies provide information to enhance the logistics capabilities of transportation service providers and facilitate the inspection and clearance of commercial vehicles and their cargo by law enforcement agencies.

Many of these technologies are newly developed and their successful application in the transportation environment requires further testing and refinement. Improvements to freight logistics and security are derived not from technologies or devices alone, but from their integration into business practices and government programs. The Department is working with its private sector partners and other government agencies to validate the transportation system benefits of our freight-related research and development activities.

BUS AND BUS FACILITY FUNDING

Question—The administration has proposed to eliminate the transit Bus and Bus Facilities funding category. Does this mean that the administration thinks that all major bus capital projects can be funded with regular formula funds?

Response—While we have proposed to eliminate Bus and Bus Facilities as a separate program beginning in fiscal year 2004, the funding has been incorporated into the urbanized formula program, the nonurbanized formula program, and the New Starts program in the President's fiscal year 2004 budget request. Each urbanized area and State will receive a share of the bus capital funds as part of their annual apportionment. When the funding is included in the formula programs, transit operators and State departments of transportation will be able to anticipate and plan systematically for routine bus replacements, fleet expansion, and facilities over a period of several years, rather than relying on sporadic earmarks. We also believe the predictability of the funding stream will allow transit operators to better plan for major bus capital projects over the short and long term. In addition, funding and eligibility under the New Starts program will be expanded to include major non-fixed guideway corridor improvements such as Bus Rapid Transit projects.

INTERMODAL TERMINALS

Question—Atlanta has been working on a centralized multimodal facility, which would combine all modes of passenger public transportation in one convenient hub. Such a facility helps reduce congestion by making intercity and local public transportation a more attractive alternative to the private auto. Does the DOT budget and related TEA-3 proposal contain any provisions that would lead to the development of more of these intermodal terminals?

Response—To provide seamless transportation for the traveling public, there is a critical need for the Nation's surface public transportation modes to link to each other and to airports at intermodal facilities. Few intermodal passenger terminals in the country bring together all the surface public transportation modes: motor-coach, intercity rail, urban mass transportation and rural local transit. Further, current surface transportation programs fail to address the importance of intercity bus service to our Nation's transportation infrastructure. Intercity buses serve over 4,200 U.S. communities in regular service and virtually every community in the United States through regular route, charter, or tour service. Intercity bus service connects sparsely populated rural routes to larger corridors.

For these reasons, we believe that it is in the economic interest of the United States to improve the efficiency of public surface transportation modes by ensuring their connection with and access to intermodal passenger terminals, thereby streamlining the transfer of passengers among modes, enhancing travel options, and increasing passenger transportation operating efficiencies.

To that end, we are proposing that Title 49, U.S.C., Chapter 55, Intermodal Transportation, be amended to include a new subchapter III, Intermodal Passenger Facilities. The purpose of this subchapter would be to accelerate intermodal integration among North America's passenger transportation modes by assuring intercity public transportation access to intermodal passenger facilities; encouraging the development of an integrated system of public transportation information and providing intercity bus intermodal facility grants.

BUS SECURITY

Question—Many of my constituents rely on bus service, both intercity and local, for reliable, affordable public transportation. The security of those systems is very important. What is DOT doing to support the efforts of intercity bus and transit bus operators to make the bus systems more secure?

Response—Since September 11, the Federal Transit Administration (FTA) has undertaken a series of major steps to help prepare the transit industry to counter terrorist threats. FTA has provided direct assistance to transit agencies through on-site readiness assessments, technical assistance teams, regional forums for emergency responders, grants for drills, training, and accelerating technology and re-

search projects. Throughout this process, FTA has been learning, sharing, and applying all that we can to enhance transit security. We have learned from the terrorism experiences in London, Paris, Tokyo, and Israel. We have formed working relationships with the intelligence community, and have applied their expertise and knowledge to the transit industry. And we gained a tremendous amount of information about the readiness and needs of the transit industry from the aggressive five-point initiative we initiated immediately after September 11. Under this initiative thus far, FTA has:

1. Completed 37 threat and vulnerability assessments: Multi-disciplinary teams including experts in anti-terrorism, security, and transit operations assessed the readiness of the largest and highest risk transit agencies. Based on these assessments, FTA has provided specific feedback to individual agencies on how to improve their security systems and reduce vulnerabilities, as well as information on “best practices” to all transit agencies.

2. Deployed technical assistance teams: Emergency response planning and technical assistance teams are being deployed to the top 50–60 transit agencies to help them to implement the major components of a systematic security program including current security and emergency response plans, training assessments, security awareness materials for transit employees and customers, etc.

3. Awarded grants for drills by emergency responders and transit: Grants of up to \$50,000 were awarded to 83 transit agencies to conduct tabletop and full scale drills with regional emergency responders to test and improve their security and emergency response plans.

4. Accelerated technology deployment: FTA accelerated the deployment and testing of the PROTECT system for chemical detection in the Washington, D.C. and Boston subway systems. In addition, research funds were refocused to conduct 11 short-term, quick payoff research projects identified by the transit industry.

5. Facilitated training and regional collaboration: A new 2-hour security awareness course for front line employees and supervisors is being delivered nationwide. This winter, FTA will complete 17 regional forums to promote regional collaboration and coordination among fire, police, and medical emergency responders and transit. To date, nearly 1,300 individuals, including representatives of 125 transit agencies and their community partners, have participated in these 2-day forums held in 10 locations across the country.

Although the transit industry has made great strides to strengthen security and emergency preparedness, there is much more to do. It is critical that security be integrated throughout every aspect of transit programs, operations, and infrastructure.

The most important steps to focus on right now are employee training, public awareness, and emergency response planning. Our current efforts in this regard include the following:

Training. As part of the Model Bus Safety and Security Program, FTA is preparing technical assistance and guidance documents to assist transit agencies in implementation of safety and security system program plans. The Security Guidance Document will detail baseline and enhanced security actions scaleable by system size and will focus on areas such as training employees to recognize suspicious activities, packages and substances and to respond to threats and incidents. Security is a core element of this Model Program whose goals are to improve transit bus safety and security through the establishment of transit bus safety and security practice benchmarks and to provide Model Program implementation technical assistance to the industry.

Emergency Preparedness and Response. Using FTA grants of up to \$50,000, 83 of the Nation’s largest transit agencies will conduct tabletop and full-scale drills with regional emergency responders to test and improve their security and emergency response plans. One important condition of these grants is that the drills must include the participation of local and regional police, fire and emergency response agencies.

Public Awareness. FTA public awareness outreach on bus security enhancements focuses on making the public able to recognize suspicious activities and packages in public portions of transit facilities, including bus stops, and to report these to transit officials, the police and to each other. Over the next several months, FTA will launch “Transit Watch,” a national outreach campaign to engage transit agencies of all sizes in a voluntary security program to improve personal safety and awareness, and to develop a media campaign that informs the public about this government/industry partnership. We will be working with industry stakeholders, including transit unions, to develop and deliver training materials, posters, pocket cards, brochures and other materials. The passenger awareness component of this initiative is a major new focus for FTA and it will provide an immediate and significant improvement in transit security. “Transit Watch” will be modeled after success-

ful programs already underway in many of the larger transit agencies and the national "Neighborhood Watch Programs." This will assist in positioning transit as a good community neighbor, and transit vehicles and employees as "safe havens" in the event of an emergency.

INTERCITY BUSES

Question—Amtrak receives a great deal of attention and has a role to play in the Nation's public transportation network, but many of my constituents rely on intercity buses for affordable, intercity transportation. What DOT programs exist, or are being proposed, to support this vital public service? What is your view of the importance of intercity buses to the national transportation system?

Response—Intercity buses serve over 4,200 U.S. communities in regular service and virtually every community in the United States through regular route, charter, or tour service. Intercity bus service connects sparsely populated rural routes to larger corridors and plays an important role in our national transportation system.

Current surface transportation programs, however, fail to adequately address the importance of intercity bus service to our Nation's transportation infrastructure. FTA currently funds intercity bus transportation through the 5311(f) program, whereby States are required to spend at least 15 percent of their 5311 Rural formula program money on planning, marketing, shelters, service agreements, and other activities having to do with rural denizens and intercity bus transportation. States can certify that these needs are being met and thereby not have to set aside any or all of that 15 percent (about one-half the States so certify each year). In addition, the Federal Motor Carrier Safety Administration (FMCSA) develops, promulgates and enforces safety regulatory standards for intercity buses. FMCSA provides no specific funding for this mode of transportation.

EXPANDING COMPETITION WITHIN AIRLINE INDUSTRY

Question—The fiscal year 2004 budget has been billed as laying the groundwork for the several authorization bills that will be considered by Congress this year. The Federal Aviation Administration (FAA) reauthorization bill will be important to establish the groundwork to continue and expand the consumer choice and the competition we currently experience in the aviation industry. What steps is the Department taking through the budget to expand further choice and competition for consumers in the industry?

Response—Issues of competition in airline service to communities are handled by the Office of the Secretary of Transportation rather than by the FAA. While the Office of the Secretary's 2004 budget proposes to eliminate the Small Community Air Service Development Pilot Project and to restructure and cut back the Essential Air Service program, due to government-wide budget pressures and high per-passenger subsidies in the EAS program, the Department recognizes that airline service and competition remain key issues to communities across the Nation. The Department will study the results of the Small Community pilot program grants from fiscal years 2002 and 2003, and provide \$50 million for EAS service. The budget proposes over \$2 million for new studies on the impact of changing airline business plans on competition and community service, competition in international airline service, and the impact of regional jet aircraft on competition and service. The Office of the Secretary will also continue to carry out its statutory responsibilities in overseeing such aspects as airline alliances and airport competition plans, with an emphasis on encouraging competition and service choices for consumers.

AIR TRAFFIC CONTROLLER HIRING

Question—As you know, much of the Nation's air traffic controller workforce was hired in the years immediately following the strike. Thousands of controllers hired in those years are approaching the mandatory retirement age, and I am concerned that the U.S. may not have a ready workforce to replace these experienced controllers at our Nation's busiest airports, like Hartsfield, and air traffic control facilities. I believe we should capitalize on the experience we have before it is lost by training recruits with current controllers. Does this budget provide adequate funding to recruit and train a quality air traffic controller workforce in the near term?

Response—The Department is well aware of this situation, confirmed by studies of the General Accounting Office. The Federal Aviation Administration portion of the President's fiscal year 2004 budget requests an increase of 302 air traffic controllers, at a cost of \$13 million, to begin to prepare the FAA for the rapid increase in retirements that FAA expects to start experiencing around fiscal year 2007.

Chairman NUSSLE. With that, Secretary Jackson, welcome. We look forward to your testimony.

**STATEMENT OF HON. MICHAEL P. JACKSON, DEPUTY
SECRETARY, DEPARTMENT OF TRANSPORTATION**

Mr. JACKSON. Thank you, Mr. Chairman.

Thank both of you for your comments about Secretary Mineta. I will be certain to convey to him today your best wishes for his speedy recovery. He is doing well and we expect him back in the office and at the desk in short order.

On Secretary Mineta's behalf, I am pleased to share with you a brief overview of the 2004 budget. Mr. Chairman, you have given a good thumbnail sketch of it and I will try not to run over too much of the same territory in my oral remarks.

As you said, we have a \$54.3 billion request for the Department which is a 6-percent increase over the 2003 level. We are losing two great sets of colleagues from the Department this year as the Coast Guard and Transportation Security Administration move to the Department of Homeland Security. We are proud of our 35-year relationship with the Coast Guard and are very proud of the work that TSA has done in its first year of operation to stand up their agency to meet congressionally established goals.

I would like to share with you some highlights from the 2004 budget request and mention briefly some of the key initiatives. Then we can discuss some of these items in greater detail as you wish.

As you know, current laws authorizing both surface and air transportation, as said here this morning, are up for reauthorization as is our intercity passenger rail program. These will be far reaching reauthorizations—in the case of highways and transit, a 6-year authorization; in our air program, a 4-year authorization is anticipated. The decisions we make this year will set the pace for many important investments in the coming years. We look forward to unveiling the details of our reauthorization legislation very soon and to working with Congress on swift passage.

I would like to start by sharing a few principles that will be embedded in these reauthorization proposals and that animate some of our work. For surface transportation programs, we will include increased funding flexibility for State and local authorities. This is a key point of how we want to make the program more responsive to State and local needs. We will continue to encourage innovative financing tools, and efficient environmental review processes will be a priority. DOT will seek to improve efficiency for freight transportation networks, an area that has been too little appreciated and needs additional focus to help us understand how to facilitate the movement of freight through the Nation. We will continue to put a strong emphasis on public transportation by simplifying transit programs and fostering seamless networks and greater flexibility for transit programs.

Finally, our proposals will include an emphasis on consolidating and expanding Federal safety programs. I would like to repeat that point. For DOT, 2003 will be a special year for focus on highway and aviation safety. Secretary Mineta has challenged us to bring to this year the same focus, passion and innovation that we used last

year in creating the Transportation Security Administration, but to focus this passion and this creativity on the profoundly important goal of improving safety and saving lives.

Forty-two thousand people perish annually in traffic accidents and almost one out of our, almost 9,000 people, could be saved if America would only buckle up. We think we can do significantly better. We know we must do significantly better. The President's budget will include a number of mechanisms to address seatbelt usage, impaired driving and overall highway safety measures to try to reduce this terrible toll on America.

Regarding the highway reauthorization bill, let me begin with the fundamental principle. We are committed to maintaining the guaranteed funding that links highway spending to Highway Trust Fund receipts. This has been the cornerstone of the two previous authorizations and one which the administration reinforces and supports. In fact, the President's budget request will actually propose to obligate more for highway programs than we expect to collect in Highway Trust Fund receipts. We will try to squeeze everything we can out of the mechanism we have, the Highway Trust Fund, but the President's budget does not propose increases in highway user fees.

For the Federal Highway Administration, the administration's 2004 budget request proposes that all revenue from gasohol taxes, 2.5 cents per gallon, be deposited directly into the Highway Trust Fund rather than the current approach to deposit gasohol receipts into the General Fund. If enacted, this one change would bring an additional \$600 million a year into the Highway Trust Fund to be invested for transportation needs.

In addition to spending estimated Highway Trust Fund receipts, our proposal unveils a brand new \$1 billion infrastructure performance and maintenance initiative. This program is specifically aimed at addressing maintenance and short term projects that can be implemented quickly, and be obligated in a rapid fashion. Totalling \$6-billion over the authorization period, this funding will target projects to address congestion, bottlenecks and improve pavement conditions. Our proposed program spends at a level that keeps the Highway Trust Fund balance relatively constant. The obligation limit for 2004 is \$29.3 billion, a 6-percent increase above the President's amended request for 2003 and the level the House had marked up as we put together this budget.

When comparing the President's 6-year surface transportation reauthorization proposal in total, including highways, highway safety, transit, and motor carrier safety to the 6 years of TEA-21, the President proposes an overall increase of some 19 percent.

Turning to the National Highway Traffic Safety Administration, I return to the theme of safety. This is their No. 1 priority at NHTSA. The President's budget request includes \$665 million for NHTSA to reduce fatalities, prevent injuries, and encourage safe driving; \$447 million in NHTSA's 2004 funding request will support grants to the States to enforce safety belt and child safety seat use and reduce impaired driving.

At DOT, we are also working to keep highways safe through the work of the Federal Motor Carrier Safety Administration by focusing on ways to prevent fatalities and injuries resulting from acci-

dents involving commercial motor vehicles. The 2004 budget request includes \$447 million to address these particular issues as well. A focus on safety is an integral part, as you see, of these core highway programs.

Another way to improve transportation safety is by encouraging the use of public transit, a dependably safe and efficient way to get people where they need to be. The President's budget request includes \$7.2 billion to strengthen and maintain our public transportation systems. The 2004 budget request includes \$1.5 billion to fund 26 New Start projects that will carry 190 million riders annually when completed.

In transit we are reducing five accounts to three. We are focusing more flexibility on State formula grants so that States can have the money to use in more flexible ways. We have proposed a 25-percent increase in New Start funding and a 20-percent increase in the funds devoted to rural areas for transit.

Having touched on the surface programs, I will turn briefly to the reauthorization of aviation programs. While we will soon release the policy details of our aviation reauthorization proposal, the President is requesting \$14 billion for Federal Aviation Administration programs in 2004.

Because travel demand has dipped in the post-9/11 environment, it is important to understand that it will be back. We will face congestion and capacity problems. So we cannot take our eye off these aviation infrastructure investments. We want to fund them at a significant level in this budget. Equally important, we want to continue to focus on reducing aviation fatality rates and improving aviation security. These are component parts of what you will be seeing when we send our proposal up for the Airport and Airway Trust Fund and the FAA reauthorization.

The President's budget request and our reauthorization proposal maintain current levels of aviation infrastructure investment and expand FAA's safety staff, including the number of air traffic controllers needed as FAA faces an anticipated bubble in retirements. Because of the long lead time to train air traffic controllers, we will begin in 2004 to increase the work force to be able to meet this anticipated retirement need.

Overall in FAA, we are in a period of declining revenue into the Aviation Trust Fund. Similar to the Highway Trust Fund, we are trying to squeeze as much as we can from the Aviation Trust Fund to maximize the funding of these core programs that are so important to our Nation.

Now let us turn to railroads and Amtrak first. Amtrak faces severe and persistent financial challenges. The administration has asked Congress to adopt reforms that will strengthen Amtrak's business operations and its financial condition, but Amtrak continues to request funds to maintain their current business structure and services in place. The Federal Government simply cannot afford business as usual at Amtrak and the significant investment increases that are required for business as usual.

The President's 2004 budget request includes \$900 million for Amtrak. This is a funding level with a message. Amtrak must reform; Amtrak must do better. Passenger rail is an important part of our Nation's transportation infrastructure. I want to reempha-

size that. We recognize the importance of intercity passenger rail. We are ready to work with Congress and the States in upcoming reauthorization discussions to create an intercity passenger rail system that is driven by sound economics, one that fosters competition and establishes long term partnerships between the States and the Federal Government. There is not a simple solution to this set of complex problems. If there were, sometime over the past 30 years somebody would have found it. It is time to work hard at this one to see how we can make this organization run in a more businesslike fashion and how to make intercity passenger rail viable.

Finally, I would like to share the President's request for our maritime programs. The Maritime Administration supports essential transportation and intermodal connections for domestic and international trade. The President is requesting \$219 million for MARAD. One of MARAD's continuing challenges is the disposal of obsolete ships. We have 130 such vessels in our inventory and we are requesting \$11.4 million for removal of the highest risk vessels.

My prepared remarks focus on only a part of the big picture, compressing \$54 billion into just this few minutes, but I want to thank you for the opportunity to testify today. I look forward to working closely with the Congress during this period of reauthorization for so many of our core programs. I look forward to responding to any questions you may have.

With your permission, I would ask that my prepared remarks be submitted as a part of the record.

Chairman NUSSLE. They will be made a part of the record.
[The prepared statement of Michael P. Jackson follows:]

PREPARED STATEMENT OF HON. MICHAEL P. JACKSON, DEPUTY SECRETARY,
DEPARTMENT OF TRANSPORTATION

Mr. Chairman, members of the committee, thank you for the opportunity to appear before you today to discuss the President's fiscal year 2004 budget request for the Department of Transportation (DOT).

At the onset let me say that Secretary Norman Mineta sends his regrets, as he is unable to be here today. As many of you know, he is recovering from back surgery. While he recovers, we are in constant communication and he sends his regards. He is feeling great, is in high spirits and is ready to be back at work in the near future.

President Bush is requesting \$54.3 billion for DOT—a 6-percent increase over the 2003 President's request—including over \$14 billion, or 27 percent, targeted toward supporting Secretary Mineta's top priority—safety.

2004 presents tough choices. The President must balance pressing domestic needs, meet our international responsibilities and protect against terrorist attacks at home. As the President made clear in his State of the Union Address, the Federal budget reflects a growth at a rate of about 4 percent. In this context, our proposed funding for DOT at a 6-percent growth is responsible, and will support important transportation needs.

During the past year, we at DOT have worked to strengthen our important role as guardians of the Nation's transportation systems. Under the leadership of Secretary Mineta, the DOT Team is hard at work to ensure a safe and efficient Federal transportation system for all Americans.

This budget request provides the foundation for a new reauthorization cycle in both surface and aviation programs that will guide the course for these important programs for the next several years.

The President's budget request also reflects the first full year of funding for the newly established Department of Homeland Security. Two major DOT operating administrations—the United States Coast Guard and the Transportation Security Administration—are moving from DOT to the new Department of Homeland Security.

DOT is proud to have provided guidance and support to the United States Coast Guard for more than 35 years. Whether saving the lives of those in distress at sea,

protecting the Nation from the scourge of illegal narcotics, or responding to environmental catastrophes like the Exxon Valdez oil spill—we at DOT celebrate the Coast Guard’s many accomplishments and we wish them “Godspeed” as they take on an expanded role in homeland security.

We are also honored to have shepherded the Transportation Security Administration—TSA—from its birth through its first full year of operation. TSA has overcome enormous challenges to bring discipline and consistency in providing security to the traveling public. The Secretary and his entire team are extremely proud that TSA has successfully met its deadlines for bringing airports throughout the country into compliance with new security procedures.

Although TSA has much work ahead—particularly to address non-aviation security issues—we are confident that this new organization is off to a good start and headed in the right direction. We look forward to continuing to work closely with the Coast Guard, TSA and the Department of Homeland Security to ensure that the Nation has an efficient, safe, and secure transportation system.

Now, I would like to emphasize some of the highlights in the DOT 2004 budget request and key initiatives in the President’s proposal.

Current laws authorizing both surface and air transportation programs will expire at the end of 2003. In anticipation of this, the 2004 budget request includes the budgetary foundation for proposed new legislation that will authorize these programs for the next several years. A few details of the administration’s reauthorization proposals are still being refined; however, I want to share with you now several principles that will animate our surface and aviation transportation proposals.

- For the surface transportation programs, we will include increased funding flexibility for State and local authorities to make effective program investments.
- We will continue to encourage innovative financing tools to extend the reach of our transportation investments.
- Efficient environmental review processes will be a priority, and we will continue to implement the President’s streamlining Executive Order.
- DOT will seek to improve efficiency for freight transportation networks—a crucial driver of our Nation’s economy.
- We will continue a strong emphasis on public transportation by simplifying transit programs and fostering a seamless transportation network.
- Finally, our proposals will include an emphasis on consolidating and expanding Federal safety programs.

I want to repeat that last point: for DOT, 2003 will be a year of special focus on highway and aviation safety. For the last 15 months, Secretary Mineta and his senior management team have spent a great deal of time focused on the security threats that face transportation. This was absolutely necessary. We’ve made great progress.

But for this year, and going forward, Secretary Mineta has challenged us to focus that same passion and innovation on a simple but profoundly important goal: improving safety, saving lives.

Forty-two thousand people perish annually in traffic accidents. Almost one out of four—over 9,000 lives—could be saved, if America would only buckle up. We can do significantly better; we must try. And the President’s budget request will make a meaningful investment to strengthen our partnership with states and the public to improve safety.

We look forward to unveiling the details of our reauthorization legislation very soon, and to working with the Congress on swift passage.

Regarding the highway reauthorization budget, let me begin with a fundamental principle: we are committed to maintaining the guaranteed funding that links highway spending to Highway Trust Fund receipts.

In fact, the President’s budget request will propose starting the reauthorization by actually obligating more for highway programs than we expect to collect in Trust Fund receipts. We will squeeze everything we prudently can from the Trust Fund, but the President’s budget request does not propose new user fees.

For the Federal Highway Administration, the administration’s 2004 budget request proposes that all revenue from gasohol taxes be deposited directly in the Highway Trust Fund, rather than the current approach that deposits gasohol taxes to the General Fund. If enacted, this one change will add more than \$600 million of available funding to the Highway Trust Fund for each year of the authorization cycle.

In addition to spending estimated Highway Trust Fund receipts, our proposal also unveils a brand new \$1 billion Infrastructure Performance and Maintenance initiative specifically aimed at addressing immediate highway needs and at projects that can be implemented quickly. Totaling \$6-billion over the authorization period, this

funding will target projects that address traffic congestion and bottlenecks, and improve pavement conditions.

All up, what our proposed program does is spend at a level that keeps the Highway Trust Fund balance relatively constant. The obligation limitation for 2004 is \$29.3 billion—this is a 6-percent increase above the President's amended request for 2003. When comparing the President's 6-year surface transportation reauthorization proposal in total—including highways, highway safety, transit, and motor carrier safety—to the 6 years of TEA-21, the President proposes an overall increase of 19 percent.

I've already discussed highway safety. Highway fatalities claim more than 42,000 Americans each year and vehicle accidents cost an estimated \$230 billion. Reducing this tragic statistic is "priority one" at the National Highway Traffic Safety Administration. The President's budget request includes \$665 million for NHTSA to support its mission—to reduce fatalities, prevent injuries, and encourage safe driving practices. \$447 million of NHTSA's 2004 funding request will support grants to States to enforce safety belt and child safety seat use and reduce impaired driving.

At DOT we are also working to keep our highways safe through the work of the Federal Motor Carrier Safety Administration—by focusing on ways to prevent fatalities and injuries resulting from accidents involving commercial motor vehicles. The 2004 President's budget request includes \$447 million to address these problems, including \$174 million dedicated to strengthening truck and bus safety standards, ensuring compliance with safety regulations, and supporting inspection programs that keep unsafe trucks off our roads.

We will also continue to emphasize a comprehensive safety inspection program at the southern border so Americans can be assured that trucks entering the United States from Mexico meet U.S. Federal safety regulations. The President's request provides \$223 million for Motor Carrier Safety Grants to States to ensure aggressive State enforcement of interstate commercial truck and bus regulations.

Another way to improve transportation safety is to continue to encourage the use of our transit and rail systems by the millions of Americans who use them to get where they need to go. Public transportation is a dependably safe and efficient mode of transportation. The President's 2004 budget request includes \$7.2 billion to strengthen and maintain our public transportation systems.

This request includes a proposed streamlined and consolidated program, giving States and localities additional flexibility to meet the mobility needs in their communities, efficiently and effectively. The 2004 budget request includes \$1.5 billion to fund 26 "New Starts" projects that will carry over 190 million riders annually when completed.

Included in the Federal Transit Administration's funding envelope is \$145 million to support the President's New Freedom Initiative to reduce barriers for persons with disabilities who wish to enter the workforce.

Having touched on DOT's surface transportation programs, I'll turn to the reauthorization of our aviation program. We will soon release policy details of our aviation reauthorization proposal; however, the President is requesting \$14 billion for 2004 for Federal Aviation Administration programs.

Because travel demand for air service will inevitably return to and exceed pre-9/11 levels, we cannot afford to reduce our commitment to investing in the nation's air traffic control system and our airports. Equally important, we cannot take our eye off the safety goal: to reduce aviation fatality rates by 80-percent over the period 1996 to 2007.

To meet both safety and mobility needs, the budget proposes to spend a greater portion of the accumulated cash balances from the Airport and Airway Trust Fund. The President's budget request and our reauthorization proposal maintain current levels of aviation infrastructure investment, and expand FAA's safety staff, including the number of air traffic controllers needed as FAA faces anticipated controller retirements.

Let's turn now to the railroads. First Amtrak. Amtrak faces severe and persistent financial challenges. The administration has asked Congress to adopt reforms that will strengthen Amtrak's business operations and financial condition. But Amtrak continues to request funds to maintain their current business structure and services. The Federal Government simply cannot afford business as usual at Amtrak.

The President's 2004 budget request includes \$900 million for Amtrak of which \$229 million is for capital maintenance and \$671 million is for operations and for implementing restructuring and management reforms for passenger rail. This is a funding level with a message: Amtrak must undergo significant reform.

Passenger rail is an important component of our Nation's transportation infrastructure. We stand ready to work with Congress and the states in the upcoming reauthorization to create an intercity passenger rail system that is driven by sound

economics, fosters competition, and establishes a long-term partnership between states and the Federal Government to sustain an economically viable system.

In addition to passenger rail subsidies, the President requests \$189 million for the Federal Railroad Administration aimed at enhancing safety, by reducing rail-related accidents and ensuring the safe transport of hazardous materials throughout the rail system.

The movement of hazardous materials is a priority focus for the Research and Special Programs Administration (RSPA). RSPA oversees the transportation of hazardous materials, including America's 2.1 million miles of gas and oil pipelines. The President's 2004 budget request provides \$132 million—including \$67-million specifically targeted toward pipeline safety initiatives.

Finally, I want to share with you the President's request for our maritime programs. The Maritime Administration (MARAD) supports essential transportation and intermodal connections for domestic and international trade. The President is requesting \$219 million for MARAD. One of MARAD's continuing challenges is the disposal of obsolete ships that potentially pose an environmental risk to our Nation's waterways. The 2004 budget request includes \$11.4 million for removal of the highest risk ships.

The 2004 budget request also includes funding of \$14 million for the Saint Lawrence Seaway Development Corporation, which supports domestic and international trade as well.

My prepared remarks focus on only a part of the whole picture. Yet each organization within DOT contributes indispensably to accomplishing the DOT goals I have outlined. In addition, I am proud to note that DOT is working hard to address the President's Management Initiatives in order to improve departmental efficiency and customer service.

To conclude, President Bush's 2004 budget request makes a very substantial commitment to ensuring a safe and efficient Federal transportation system for all Americans. Thank you again for the opportunity to testify today. Secretary Mineta and his management team will work closely with Congress as you consider the 2004 budget and I look forward to responding to any questions you may have.

Chairman NUSSLE. I would like to start with a compliment. The transportation security folks are doing just a fantastic job. There were a number of people in a bipartisan way that had some concerns about what was going to happen when this was federalized—and people may still have some of those same concerns, but I have to tell you, as a frequent flyer and traveler, it is a night-and-day difference in the job they are doing across the country. They are professional, thorough, and polite, which is not easy to do in a situation like that.

I am sure there are some challenges that are out there and people have their stories they like to tell about different circumstances but it doesn't take much. All you have to do is travel to another country to see the glowing differences between the job they do and the difference in the amount of thorough security they provide compared to the past.

Does that mean it is fail safe? No, of course not, but I just want to start with a compliment on the professionalism that they have provided. I think it is very noticeable and every chance I get, I thank them as I go through the airports. I know that is leaving the Department and going to Homeland Security, but the Department of Transportation deserves a lot of kudos for the way that was brought into existence. I hope you are hearing that from other entities.

Mr. JACKSON. Thank you, Mr. Chairman. We are. I have to say Congress really stepped up and did the thing they needed to do which was set a mission, set what many thought were impossible goals. Secretary Mineta just refused to let us do anything but hit those goals and targets. We have made a great start and there is still much to do, but I feel tremendously proud of the team at DOT

and TSA. We threw the whole organization at this task over the last year and created the largest organization created since World War II to meet this need. I think we have made an outstanding start. There is more to do but it is a story the whole government, particularly the men and women that signed up to do this task for us, can feel proud about. So thank you for your remarks.

Mr. SPRATT. Mr. Chairman, if you will yield, I want to second what the chairman just said. I have had the same experience. We come from different parts of the country and there is a decided change for the better in the processing.

I am sure improvements can still be made, security still needs to be strengthened but nevertheless, it is decidedly better than it was.

Mr. JACKSON. Thank you, Congressman. I appreciate that.

Chairman NUSSLE. A couple of things. First of all, with regard to gasohol or ethanol, the administration is proposing to redirect to the highway account the 2.5 cents per gallon excise tax as part of a General Fund transfer. Do you want to comment further on that proposal?

Mr. JACKSON. Yes, sir. It is revenue that has been going to the General Fund that would find a natural home in the Highway Trust Fund. It is a way of giving us \$600 million in 2004 and throughout the period of this reauthorization to address core needs. The President supports this effort and we will strongly encourage the Congress to adopt that as part of the reauthorization.

Chairman NUSSLE. Does the administration anticipate any other proposed changes to the tax structure involving ethanol?

Mr. JACKSON. I do not have any to propose at this time, sir.

Chairman NUSSLE. With regard to the trust fund itself, the administration, as I understand, is proposing to extend the funding approach of TEA-21 in which highway spending is linked to Highway Trust Fund receipts. Will the administration proposal still include the possibility for funding to not only go up but also down as part of this proposal?

Mr. JACKSON. Yes, sir. We absolutely want to preserve the Revenue Aligned Budget Authority that allows us to enjoy the benefit if there is uptake in the economy above the projected outlay levels. But we think it needs to be smoothed so that the rapid variation that we found when the economy made a downturn, and this past year's proposal reflected this downturn, can be smoothed out. We think we have some proposals that will help eliminate such jagged variations in the operation of RABA and we hope to submit them soon.

Chairman NUSSLE. You mentioned in your prepared remarks that "We will squeeze everything we prudently can into the trust fund but the President's budget request does not propose new user fees." What will the administration's position be if they are proposed to the administration?

Mr. JACKSON. We think we have a responsible budget that balances transportation needs with the very real deficit management problems we have to face in the country. We think it is a reasonable and sound proposal and we hope it will get careful consideration on the Hill.

Chairman NUSSLE. The budget the President has submitted suggests that the administration supports a spend down of the Highway Trust Fund unexpended balance to support an equally modest annual increase in highway program spending. Depending on the scenario that comes out from the future, that might be very affordable. However, there are scenarios out there, one that we probably are all experiencing right now and that is a spike in gas prices as well as the possibility of a war and other scenarios that may make it more difficult to see increases in the Highway Trust Fund and therefore, may make it difficult to achieve the balances to therefore spend down. In other words, you would be betting on the come and that come may not actually come.

Does the DOT have any contingencies for a decrease in driving and as a result, a decrease in the revenues to the Highway Trust Fund?

Mr. JACKSON. Part of the work of the RABA adjustment is to adjust the spending in the highway program around the baseline targets set in the authorization bill. RABA, by definition, includes a mechanism to impose discipline in a time of downturn. In this past year, the administration initially supported a budget for 2003 that simply took the RABA adjustment as Congress had written it and put it in play. We then supported \$4.4-billion increase that brought us back up to the projected levels, which basically was spending down our trust fund balances somewhat.

We think our proposal that is going forward strikes a reasonable and prudent balance in what we leave in trust fund balances and what we are spending. We are actually obligating more than we are receiving in trust fund receipts during this time period. We think we can do that responsibly in order to push the investment out the door as much as possible.

Chairman NUSSLE. I guess my final question would be if the administration is not supporting an increase in the user fees or the gas taxes, if the administration is suggesting we stick to RABA and while there is somewhat of a spend down, it is modest and still maintains the fiduciary responsibility to the trust fund, if a consensus develops around additional spending, do you have any suggestions to us on how that might be financed?

Mr. JACKSON. I don't have any other suggestions for you at this point on financing options. I think that would be speculative and I will lean on the President's budget.

Chairman NUSSLE. But you have done what you can, so it has to come either out of additional deficit spending or it has to come out of other discretionary programs would be the way I would read that.

Mr. JACKSON. Yes, sir, I think so.

Chairman NUSSLE. Thank you.

Mr. Spratt.

Mr. SPRATT. Thank you, Mr. Chairman and thank you, Mr. Jackson for your testimony.

How much does the Highway Trust Fund have now in cash balances?

Mr. JACKSON. The estimated balance is about \$14.9 billion in 2003.

Mr. SPRATT. At the end of this fiscal year, do you expect to have roughly that amount as carryover balances?

Mr. JACKSON. Yes, sir. For the period of the reauthorization, we expect to go up to about \$15.1 billion in the first year and down to \$14.6 billion by the last year, so if you round it to billions, it stays at \$15 billion for the duration.

Mr. SPRATT. Why is it necessary to carry balances of that magnitude year-to-year over a long period of time?

Mr. JACKSON. Some of this money has already been obligated, and it is based on a formula that is fairly known and settled; we are preserving some cushion there.

Mr. SPRATT. It is not all obligated, is it? Some is expected to be obligated but not actually obligated on contract?

Mr. JACKSON. It is a cash balance reserve.

Mr. SPRATT. Unobligated or obligated?

Mr. JACKSON. It is obligated.

Mr. SPRATT. It is obligated. It is the unexpended cash balance on obligated funds?

Mr. JACKSON. Yes, sir. There is a pretty good formula over time which I would be happy to share with you about how these highway programs typically obligate over a seven to 9 year period. The bulk of the obligation outlays over the first 2 years. We have some pretty good figures on how that has played out over time, and I can share that with you.

[The information referred to follows:]

MR. JACKSON'S RESPONSE TO MR. SPRATT'S QUESTION REGARDING FEDERAL AID FOR HIGHWAY PROJECTS

The following table shows how Federal-aid highways projects historically outlay over a 9-year period:

FEDERAL-AID HIGHWAYS PROGRAM OUTLAY RATES

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
27%	41%	16%	5%	3%	3%	2%	2%	1%

Mr. SPRATT. So the Department feels it is necessary to have reserves of this magnitude to meet its obligations on contracts still being executed?

Mr. JACKSON. Yes, sir. The point about the balance in the trust fund is that this is money committed to specific projects and specific States and communities.

Mr. SPRATT. But not yet drawn down?

Mr. JACKSON. Yes, sir.

Mr. SPRATT. You do indicate, however, in your testimony that the administration intends to spend \$1-billion more for selected congestion projects where immediate aid and relief is needed and you are also adding \$600 million from the gasohol tax into the Highway Trust Fund, yet the amount of money we see is still pretty flat even though you are putting that additional \$1.6 billion.

First of all, where does the billion dollars come from if all the money is obligated? Where does the additional billion dollars come from?

Mr. JACKSON. It comes from spending down the trust fund. We would have otherwise had a growth in the balance. It actually

drops a little bit but is kept relatively flat during the period of the new authorization.

On the other money, it is consistent with the principle that gasohol user fees paid in should be used on highway-related expenditures. So we are trying to take that from the General Fund, and put it into the Highway Trust Fund account so that we can enjoy the benefit of that additional \$600 million annual investment, on highway-related projects.

Mr. SPRATT. At this point in time, what do you expect your appropriated level for 2003 to be when the Omnibus Bill comes out of conference to the floor?

Mr. JACKSON. I really don't know the answer to that question yet. It is somewhere between the House level and the Senate level and there is a \$4-billion plus swing in that. Our 2004 budget request is approximately \$1.6-billion above the 2003 House mark.

Mr. SPRATT. You mean your amended request?

Mr. JACKSON. Yes, sir. Above our amended request. Our \$29.3 billion request for the highway program, is still above the House and Senate marks.

Mr. SPRATT. Let me show you a chart and show you why percentage comparisons become rather precarious. As you can see, in 2002, the funding for Federal aid to highways was \$31.8 billion. Incidentally, do you not expect to see revenues recover as the economy recovers to the 2002 levels?

Mr. JACKSON. Without making a particular spending or revenue estimate, I do expect the economy to recover and additional revenue to come in, and that is where the RABA formula would come into play. If there is growth, then RABA would allow for us to enjoy the benefits of that.

Of the \$31.8 billion in 2002, actually \$27.2 billion was so-called baseline money and the remainder above that, the \$4.2 billion, was the result of the RABA action.

Mr. SPRATT. When you look at this year's request, it is well below 2002 but it is also for 2004 below where 2003 is likely to be once the Omnibus Appropriations Bill comes to the floor, is it not? You indicate there was a 6-percent increase but if the Omnibus Bill comes out over \$30 billion, which it appears likely to do, then next year's increase for 2004 is actually less than what the Congress is providing for 2003, is it not?

Mr. JACKSON. If the Congress approves \$31.8 billion for 2003, then the President's proposal is below that number. Again, that large number was really the result of the program we put in place to enjoy the benefits of the good times economically and flow it into the trust fund. So it is an increment that is well above the guaranteed spending levels. What we are trying to talk about in our budget is the guaranteed spending level that is appropriate for the duration of the 6 year reauthorization. We have embraced the idea that RABA should be a component of the reauthorization, albeit one that smooths out the rough edges of such rapid fluctuations in an economic downturn.

Mr. SPRATT. You know pretty well the different highway projects going on in 50 different States. If other States are like my State, there is a long backlog of highway projects, bridge projects, maintenance as well as new construction. Most State highway depart-

ments can spend the additional money fairly expeditiously because they have an unmet urgent backlog anyway.

Would you agree with the \$5 billion additional money was provided out of the General Fund of the Highway Program this year, the State highway departments could spend it rather expeditiously, with dispatch, put it into the economy and put it to work?

Mr. JACKSON. I believe that there is a fair amount of work in most State transportation plans that could be accelerated. We would have to work on a State-by-State basis to assess exactly how much that might be.

Mr. SPRATT. But most States have long backlogs, do they not, of projects they are addressing as and when the money comes available?

Mr. JACKSON. Yes, sir, most States do have a pretty good list they work through and it is the normal way you do procurement. You just make a list, you prioritize them and when you get the money to do it, you get to them.

Mr. SPRATT. The chairman asked you about the proposal Chairman Young is advancing or at least broaching and that is to add 2.5 cents to the gasoline tax. Are you saying you would oppose it or you simply haven't taken a position it yet?

Mr. JACKSON. The administration opposes any changes in the taxes supporting the Highway Trust Fund.

Mr. SPRATT. Thank you very much for your testimony.

Let me say one thing. The attendance at this hearing has nothing to do with the interest in the subject matter. There are lots of other committees meeting this morning and organizational meetings members have to attend.

Thank you for coming.

Mr. JACKSON. I understand. We are grateful to have a chance to walk through this with you.

Chairman NUSSLE. Mr. Gutknecht.

Mr. GUTKNECHT. Thank you, Mr. Chairman.

First of all, let me say that I strongly believe that a strong economy rides on good roads, so I think this committee historically has recognized that fact.

I want to touch on a couple of things. First of all, to follow up on something Mr. Spratt raised, do you have any idea how many States right now, even if we did dramatically increase the amount of money available at the Federal level, could even come up with their State match?

Mr. JACKSON. No, sir, I don't. The States are in a strapped financial condition as well by and large and that certainly plays into how they would take this money and use it effectively.

Mr. GUTKNECHT. But is it fair to say that there would be a limit no matter how much money we put into the fund, there would be a limit in terms of how many projects could be done nationwide simply based on how much money they have available for their match?

Mr. JACKSON. Yes, sir, that certainly is a variable we need to consider.

Mr. GUTKNECHT. You touched on this question from the chairman, and pardon me for being a bit parochial because I represent an awful lot of ethanol plants, but there is a lot of misunder-

standing about the ethanol program. Just for the record, no farmers receive checks from your office for the production of ethanol, do they?

Mr. JACKSON. Yes, sir, that is right.

Mr. GUTKNECHT. It is a blenders credit, isn't it?

Mr. JACKSON. Yes, sir.

Mr. GUTKNECHT. I want to make one other point for the benefit of my colleagues and for the record. That is that right now I think unleaded gasoline retail back in Minnesota is bumping up against \$1.70 a gallon. The embedded cost of the ethanol in that blended fuel is about \$1.10. I guess the point I want to make is it is not ethanol that is driving up the price of gasoline. As a matter of fact, in some respects, you could argue it is actually holding the price of gasoline down. So I just want to reiterate and reconfirm what you essentially said to the chairman, that the administration is not going to take sides against our producers of ethanol out there who have invested a lot of money and do not receive direct checks from the Federal Government?

Mr. JACKSON. By forecasting that \$600 million figure flowing into the trust fund we are assuming that there is a continuation of revenues into the trust fund. I wouldn't want you to read anything more into it than that.

Mr. GUTKNECHT. We will do our part to make certain you have adequate resources to do your job and will work with you on a lot of these issues.

Thank you.

Mr. JACKSON. Thank you, sir.

Chairman NUSSLE. Mr. Thompson.

Mr. THOMPSON. No.

Chairman NUSSLE. Ms. Hooley.

Ms. HOOLEY. Thank you for testifying before us today. I do want to reiterate what Mr. Spratt said that there are a lot of other committees going on. I know I have another committee going on at the same time that is having a markup.

I come from Oregon and let me tell you a bit about what is happening in our State. I know this is happening across the Nation. It is a State where we have no fat to cut, we have to have a balanced budget. In some school districts, we have cut up to 5 weeks off the school year as we are making drastic cuts throughout the State. We are cutting programs where people now don't have medicines and that will be life threatening to them. That is where we start.

We also have huge needs in transportation. We look at our old bridges and we need \$2 billion just to repair bridges.

One of the things I think you always have to look at and one of the reasons we can run a deficit is particularly more time or when you have an economy that is down the tubes and you need to do something to help stimulate the economy.

It seems to me that we have a great opportunity in transportation to do everything we can to bump up those numbers to help stimulate the economy. As stated by others, we have an opportunity, those projects are on the ground, those projects are ready to go, those projects stimulate the economy, those projects also deal with safety.

I look at what is happening in our commerce right now. We have to close so many bridges that it is now costing companies more money to move their goods because they have to go around those bridges. When I look on our interstates, we have a number of bridges that need repair, that are cracked and we are going to have to send those on some kind of detour which also does not help with our economy and help our businesses there.

Having said that, is there any way that you see that we could bump up these dollars? This is a time of crisis. Our economy is in a crisis. Can we bump up transportation funds which we know help stimulate the economy and helps provide jobs?

Mr. JACKSON. The President's proposals on economic growth and stimulus take a more macro view on how to stimulate the economy rather than trying to make explicit expenditures in a given sector as an economic stimulus. This is a philosophical and principled approach to the problem you lay on the table which is how to help encourage the economy to grow out of the economic downturn that we are currently facing. So it is the administration's view that this collective package of economic growth items, principally tax related items, will help produce the type of effect that you are looking for.

As an adjunct to that, while preserving the principle of spending the money on roads that comes from trust fund receipts, we have taken this additional step of the quick start program of putting \$1 billion a year into projects that can be moved quickly and make a meaningful difference in repairing bridges, roads and other infrastructure that is needed. So I think we have a modest but responsible component of the idea, the concept that you are laying on the table, in the DOT budget but the broader economic approach is layered into the President's growth proposal.

Ms. HOOLEY. Thank you. I understand this is not the only way to stimulate the economy and there are several ways to do that. I see this as one component and I see this as something we really need to take another look at in trying to get this budget a little further.

Right now, our State under the current budget would take a \$37 million cut. When you start taking cuts at a time when you are already in trouble and have huge safety problems, and no way to move commerce, it becomes a huge problem for all of us.

I have just one other quick question. I am concerned about the change in the formula for mass transit projects where a lot of communities have been fighting for these projects, have been working on the projects and to go from an 80-20 or wherever it is now to a 50-50 is going to kill some of those projects. Respond to me about this.

Mr. JACKSON. It is not as gloomy a picture as you might think.

Ms. HOOLEY. Thank you. Help me. I would like to be enthused about this.

Mr. JACKSON. Right now, the overall match that States and localities are providing for transit projects actually averages below 50 percent. I believe it is about 49 percent, so the reality of what we are seeing around the country is that State and local communities are able to bring a large match and continue to make these important projects work.

We are seeing an explosion of demand in the Transportation Department for these types of projects and we have expanded the eligibility so that we will be able to fund other projects in addition to fixed rail projects, including important bus projects that might have been excluded from some of these funds. It is a balancing act among scarce resources, but we have given more flexibility. In addition, we propose to continue to allow States and localities to flex surface transportation funds from the highway account into transit projects and vice versa. This is currently done on a very routine basis and has put many, many projects into the realm of the possible. So we are making a series of approaches around this problem to recognize the growing need for these transit projects in State and local communities.

Ms. HOOLEY. Thank you.

Chairman NUSSLE. Mr. Hastings.

Mr. HASTINGS. Thank you, Mr. Chairman.

I want to add my voice to those who wish Secretary Mineta a quick recovery.

I want to focus on a couple of areas. I represent a rural area and a lot of small airports. One of the things that I have noticed, sometimes painfully, is that explosive detection equipment that is now being required is located in all different parts of airports. For example, in my hometown, you walk into the door before you get to the ticket counter and there is the equipment. Then you go to the ticket counter and get your ticket and back up and it gets rather inconvenient for customers and personnel.

I understand that the cost of trying to bring this all up to date and to put it in an efficient manner is somewhere around \$3 to \$5 billion. Yet in your request, you don't have any request for dollars to help these airports defray some of that cost. I wondered if you would comment on that.

Mr. JACKSON. Congressman Hastings, I would be happy to comment at the risk of poaching on Secretary Ridge's turf, but maybe I can at least lay out some of the particulars.

Mr. HASTINGS. I was wondering if there was a connection there.

Mr. JACKSON. TSA is part of the Department of Transportation today and will be until the end of this month.

The Department does have some money to invest in trying to make a more efficient flow in the use of these EDS machines. We had a tremendous deadline to meet which was driven not only by a congressional deadline but by the reality of the threat. The difficulty of, installing this equipment in a more tidy, neat and efficient fashion and still get them done by the end of the year was great. So in some airports, we have put them into the lobby in anticipation of work that will eventually put them behind the scenes, underground, or behind the ticket counters. In the TSA budget we have some significant money appropriated to that process for fiscal year 2003. In addition, last year we spent about \$560 million out of the Aviation Trust Fund essentially on discretionary programs that we could target to this type of activity to bring more efficiency to operation of these explosive detection machines. We expect again this year to be able to put a comparable figure into that type of project to help some airports.

It is a large project if you try to do this in the most neat and efficient way all through the system. We are going to put some money against it this year in a meaningful way and also we are going to fund some R&D efforts to try to help us get to the next generation of equipment and have a replacement. This is essentially 1997 technology and there is a significant R&D effort underway in the private sector to try to make them smaller, more efficient, cheaper and better machines.

We hesitate to try to take the model of what we have in technology today and spread it into every airport and invest billions of dollars in that process. If we wait just a bit longer, we might have a clear vision of how to do this in a more effective and efficient fashion.

So we are balancing all of those things. If you have a particular concern about the local airport, I would be happy to take that up off line with you, sir.

Mr. HASTINGS. It is a bit of an inconvenience the way it is set up and in this particular case, that probably came because the airport was designed 25 years ago not anticipating any of the security.

Let me switch gears. As you know the final report of the Commission of the Future of the United States Aerospace Industry calls for a rapid deployment of new and highly automated air traffic managerial system. Clearly this new system must accommodate efficiencies and safeties and so forth that will affect civil and military operations. I think it is safe to say that in order to accomplish this, there will be multiple agency involvement in this including DOT, FAA, NASA, DOD, and so forth.

Do you expect that DOT will be taking a lead in this effort to fulfill what came out of this report?

Mr. JACKSON. I do expect DOT to be focused very rigorously and in a disciplined fashion on these sets of issues. As a matter of fact, our FAA administrator is in your home State today meeting with Boeing officials on exactly these types of issues and will be there for a good round of discussion about how we take our so-called "ops evolution" plan, our 10-year rolling method of improving, modernizing, and operating more effectively the Federal Aviation Administration, and look to a bit longer cycle and look at breakthrough technologies.

We have a tremendously talented new FAA administrator in Marion Blakey. She has taken a fresh look at all of our core technology infrastructure investments to try to get a plan and vision that is affordable and squeezes the maximum amount of innovation we can from this great country's technology base.

Mr. HASTINGS. One brief question, if I may. Getting back to small, rural airports, they rely heavily on the Airport Improvement Program. With the demands mentioned with homeland security, demands on them to upgrade is probably more acute than it has been in the past. You have pretty much flatlined that budget. I wondered if you would comment on that.

Mr. JACKSON. We actually have declining revenues as a result of the post-9/11 environment. We have spent down that trust fund somewhat to be able to keep us at least at the baseline we are right now. You have heard me say too many times now we think it is a reasonable balance that can sustain this crucial investment

over the next 10 years. Twelve major runways are going to be delivered in the country according to the plan and continuing to make this type of capital investment is important not only for capacity but also for safety.

Mr. HASTINGS. Thank you.

Chairman NUSSLE. Mr. Neal.

Mr. NEAL. Thank you, Mr. Chairman.

Mr. Secretary, you indicated the priorities for the coming year will be along the lines of highway and airport security. What about rail transportation?

Mr. JACKSON. We see the reauthorization of Amtrak and intercity passenger rail as a significant priority for the department and the administration. We need to find a common sense solution to the issues we have before us with passenger rail.

Mr. NEAL. Do you have any notions of where you are heading on that?

Mr. JACKSON. Last year, the Secretary laid out in a speech some very clear principles about how we would like to see the intercity passenger rail business reformed. We want to introduce some degree of competition and we want to make certain that we have more disciplined operational financial controls. On that note, I would complement our new president at Amtrak. At the Secretary's delegation, I have the privilege of sitting on the Amtrak board of directors, and David Gunn is doing a very, very capable job of bringing additional financial discipline to the operation.

We want to introduce principles of competition so that we can allow States to have the flexibility to find a low cost operator. We don't want to do this in some rash and precipitous way and kick out Amtrak. On a pilot basis, we want to let a couple of places see if they can find alternatives. If we can work on bringing financial discipline within Amtrak, they may be the best competitor.

A second area I would mention is the northeast corridor.

Mr. HASTINGS. A good example.

Mr. JACKSON. We have a tremendous amount of need in the northeast corridor. It is a vital transportation link for the country and it is operating under a broken model. We are not able to fund it in the long term for the type of infrastructure investment it needs under the current business model.

When we talked to the President about this issue, the President said to the Secretary, "Remember, Norm, what my job was before my current one. I was a Governor." So we can't throw the States off the cliff and say you have to pay for all operating subsidies overnight but we do have to move to a mode where the States can play a partnership role as many now do in providing the subsidies necessary for making rail work in a coherent way.

In the northeast corridor, we need a longer term plan—that won't happen overnight—to put it on a sound financial footing and to have a joint Federal and State government investment that makes the thing viable. We will be looking forward to working with the House T&I Committee to review these principles and move them toward legislative proposals.

Mr. NEAL. You indicated the administration was reluctant to micromanage portions of the economy in terms of stimulus and subsequently mentioned the President's experience having been ex-

ecutive of the State of Texas as well. We all came to Congress through a different experience. Most of the Members of Congress came here through the State legislatures. My experience was having been mayor of a pretty good sized city.

Let me testify strongly in support of infrastructure spending. If you want to get people back to work quickly, if you want to get people spending money quickly, there still is no better plan, despite the notion that it is all pork, than highway and roadway airport security projects, which get people back to work immediately. It is also a good expenditure of the public purse with the purpose of not only stimulating the economy but creating greater efficiency in the infrastructure of the Nation.

I don't think there should be the philosophic divide that has developed about that question because at one time Congress was a model of the national principle that infrastructure spending helped everybody.

Mr. JACKSON. Thank you, sir.

Chairman NUSSLE. Mr. Wicker.

Mr. WICKER. Mr. Secretary, thank you for being with us.

I want to commend you on your budget in brief that you provided. There is a very nice layout and very helpful.

Let me direct your attention to page 31 regarding the Federal Railroad Administration. Under safety and operations, railroad research and development, and next generation high speed rail, you mentioned in all three of those paragraphs the problems with grade crossings: "reducing grade crossing accidents, grade cross hazard mitigation."

This is a problem I am particularly interested in. What we have seen over the last century or two, a century and a half perhaps, is cities that have sprung up over time and grown because the railroad was there and then we find that the railroad going through town—perhaps 10 grade crossings, 20 grade crossings in a medium sized city—becomes not only a safety hazard but also a detriment to economic development. It has actually become the other way around, the railroad that created the city now threatens the downtown of the city.

I wondered if you would give us your thoughts about that? It is a terribly expensive proposition for a local community or the railroad company for that matter to move a track outside and yet that is what we do with highways, we don't run a four- or six-lane highway through the middle of town, we move it to the edge of town and bypass. What can you tell me to give hope to communities like some I represent in that regard?

Mr. JACKSON. It is a very important and excellent set of observations that you make about this issue. I wish I had some silver bullet that said here is the solution, here is the way to make this go away. There is no simple solution. Rather, it requires the commitment of people like yourself, local leaders the railroad industry, and the department. We are certainly in that camp of people committed to just whacking away at these problems, finding resources and technology to address this problem.

The administration's proposal will give a significant amount of flexibility to States to use money for grade crossing safety pro-

grams. We hope we will be able to work very closely in places where this is pinching the hardest.

I also believe that grade crossing safety is an area where we can make a better financial investment in technology that might help us do this in a more efficient way. I had a recent meeting with the AAR folks and some of the railroad CEOs on this topic. We are committed to working with them to try to keep a focus on grade crossing safety.

Mr. WICKER. Because we are time constrained today, perhaps you can get back to me on the record about looking at where we have had success stories with the Federal Government working with local communities. When it comes to the middle of town, the best safety in grade crossings is simply to eliminate the grade crossing and get it away from the traffic.

[The information referred to follows:]

MR. JACKSON'S RESPONSE TO MR. WICKER'S QUESTION REGARDING THE FEDERAL HIGHWAY ADMINISTRATION

The Federal Highway Administration (FHWA) has worked with communities throughout the country to improve the safety and efficient operation of State and local roads in the vicinity of high-volume rail corridors. Nebraska offers a good example of a coordinated effort to deal with this problem. Many Nebraska communities developed flanking the railroad tracks. The growth in rail traffic has restricted and delayed vehicle traffic and negatively impacted the economies of these communities. FHWA's Division Office in Nebraska worked with the State's Department of Roads to develop a plan that defines the problems in detail and outlines a course of action involving overpasses, improved at-grade crossings and crossing eliminations to address the most pressing needs. The State-wide plan determined the need for \$440 million in recommended improvements at public grade crossings. This includes the addition of 83-grade separations state-wide. With each viaduct project costing in the range of 5 to \$10 million, the State was able to construct one or two grade separations per year.

To finance these projects, States and communities may want to work with FHWA's Division Offices to identify and access Federal innovative financing programs in addition to State and local funding. The Transportation Equity Act for the 21st Century (TEA-21) also included 10 percent set aside of the Surface Transportation Program (STP) funds for safety programs including rail grade crossing safety. Almost \$929 million was allocated to States over 6 years to address grade crossing safety issues. National Highway System, Optional Safety funds, and STP funding, in addition to the set-aside, may be used for rail crossing improvements at the discretion of the States at up to 100 percent Federal share.

Mr. WICKER. Let me briefly ask you, turning the page to page 32, Research and Special Programs Administration, you mention hydrogen fuel infrastructure and standards for hydrogen vehicle fuel systems. Are you the principal government agency in charge of the program the President mentioned in his State of the Union to develop quite quickly a hydrogen powered vehicle?

Mr. JACKSON. No, sir, that is the Energy Department's focus, although we will be working very closely to support the initiative and to do our part. As you rightfully mentioned, we will be most involved in the movement of this new fuel technology to the retail level.

Mr. WICKER. Thank you.

Mr. JACKSON. I would like to thank you for your comments about the Budget in Brief book but the lady who did the real work is sitting next to me, our Assistant Secretary for budget and our CFO, Donna McLean. She deserves the kudos along with her team.

Mr. WICKER. Credit where credit is due.

Thank you very much.

Chairman NUSSLE. Mr. Cooper.

Mr. COOPER. Thank you, Mr. Secretary.

Best wishes to Mr. Mineta for a speedy recovery.

Mr. JACKSON. Yes, sir.

Mr. COOPER. The Railroad Infrastructure Fund, could you tell me how much is currently available for loans in that fund, the RIF fund?

Mr. JACKSON. We have approved five Railroad Rehabilitation and Improvement Financing loans, we have five pending and I don't have on the top of my head the numbers. If you will give me a moment, I might be able to ask one of my colleagues to find it for me.

Mr. COOPER. OK. So about five loans have been made from that fund?

Mr. JACKSON. Yes, sir.

Mr. COOPER. And five more are pending?

Mr. JACKSON. Yes, sir.

Mr. COOPER. Any ballpark idea of how much money would be remaining in the fund for loans? It is my understanding that few, if any, loans have been made from this fund.

Mr. JACKSON. We had a very slow start in this program. When the administration took over the mechanisms for putting the loans out into the market were only just being developed, so under Secretary Mineta's guidance, we did take a focus on this and pushed that regulatory regime and the initial review of those out. I would say the Department did not do a terrifically good job of launching this program. I think we have very clear rules and precedents for working now and I think we have worked with OMB well to be able to figure out how to review them in a timely fashion.

I would say we got off to a slow start in managing this program well. I think we are doing much better now. I think we will have adequate resources in our budget to manage the program going forward.

Mr. COOPER. So you anticipate accelerating the pace of loans from that fund and not shutting down the fund?

Mr. JACKSON. Donna is reminding me that we are really not budget constrained in this arena because the applicant funds the credit risk premium to cover the risk of the project and if it is a financially sound proposal, we have the flexibility to do quite a bit in this area. I don't see it as a budget-related issue or budget constrained. I see it more as what I was saying up front. Did we get ourselves launched and working right? Are we interfacing effectively with people who are participants in this? I think the answer was that we are ready to go now.

Mr. COOPER. It is a relief to find an area that is not budget constrained. Don't tell anybody else.

Mr. JACKSON. I wanted to have that experience to say that once in my life.

Mr. COOPER. How much money remains then in the fund if it is not budget constrained?

Mr. JACKSON. We have direct loans for acquisition or improvement of railroads. To date, we have approved loans of about \$215 million. If the loan goes bad that is when we have to pay off our guarantee, so right now we are in good shape.

Mr. COOPER. But your authority to make new loans is \$1 billion, \$2 billion?

Mr. JACKSON. I don't have a dollar figure. Can I get back to you and follow up with that?

[The information referred to follows:]

MR. JACKSON'S RESPONSE TO MR. COOPER'S QUESTION REGARDING TEA-21

The Transportation Equity Act for the 21st Century (TEA-21) provides a cap of \$3.5 billion for the aggregate unpaid principal amounts of Railroad Rehabilitation and Improvement Financing (RRIF) loans at any one time, of which not less than \$1 billion is to be available solely for smaller (non-Class I) railroads. Given that the five loans approved to date total \$215.37 million, authority to make new loans totals up to a little less than \$3.3 billion.

Mr. COOPER. Another question. New start funds for commuter rail, it is my understanding the formula has been changed to 20 local and 80 Federal to a 50-50 match. These are New Start funds for commuter rail, the funding share has been switched from 20-80 to 50-50. Can you tell me why that was done?

Mr. JACKSON. One of the things we found was there was much more demand for these programs than we were able to meet. We have found in recent experiences that the average amount provided by way of a local match is about 49 percent, so our practice in the real world is that we have found communities and States able to make a higher match level work. We are constrained in terms of supporting a significant number of these applications, more than we could afford if we didn't work in this direction. We provided a couple of years notice about how we expect to gradually move to this higher match level.

Mr. COOPER. But it could also be viewed as discriminating in favor of the rich communities who can come up with a local match and discriminating against the poor communities that have a tough time finding adequate revenues. What is your solution to that problem?

Mr. JACKSON. I think we have been very successful in working with communities that show a commitment to do it. It is not really a question of underprivileged communities or privileged communities being able to afford it. We have seen projects with cities that have financial challenges and other places where the financial pinches are not so acute. It has not been our experience so far that it is a program for the wealthy or the better off communities. We are very committed to working with the communities to make these projects work and to help them figure out how to do it right. We are looking for a little commitment on the part of the locality to help us do it.

Mr. COOPER. My time has expired. I thank the chairman.

Chairman NUSSLE. Before we proceed, I would like to acknowledge a former colleague from the Budget Committee who has returned. He is the Speaker's representative and our new vice chairman, Chris Shays from Connecticut. We welcome him back to the committee. We hope it wasn't anything you did or said that had a new sentence back to the Budget Committee but we thoroughly enjoyed working with you in the past. I think you had a 10-year term here, so the fact you are back with us says a great deal about your abilities as well as what we are going to be able to do this year.

We welcome you back to the committee and look forward to working with you.

Mr. SPRATT. I second what the chairman just said. We look forward to working with Chris Shays.

Chairman NUSSLE. Mr. Garrett.

Mr. GARRETT. Thank you, Mr. Chairman.

Just a couple of quick questions for you. Early on in your remarks, you mentioned you will have as a priority for the Department to provide the States with additional flexibility to meet their local needs. As a State legislator just coming here, I have worked for 12 years with local county governments. I will go out on sites with the engineers, walk sites and ask as a layman, not an engineer, why are you doing this, why are you putting up guard rails on a back road where there is no inclination on either side of the road, while you are paving over and fixing a drainage ditch. They will say that is because the Federal Government tells us we have to do it that way in order to get the Federal dollars.

Then I will talk to the engineer, is there a safety issue here? Is this the way you would do it? The local engineers would say no, we wouldn't do it this way. We would use that money on some other projects on the other side of the county where there is a safety problem. This all predates you, of course.

What are you planning on doing to allow the counties or the local governments to have the flexibility they have not had in the past?

Mr. JACKSON. There are a couple of levels to this question. The first level in our flexibility is to not have so many rigid categories that say you have this amount of money for this type of project or that type of project, and make people spend in buckets. The idea of the first principle is flexibility in how to take funds and use them to meet the real needs you have locally. As an example, one of the things in TEA-21 we want to continue is the ability to flex highway funds into transit projects. Well over \$1 billion has been flexed to do the things that local communities decided they needed to do the most. So the first level is flexibility in on how you use the available funds you have.

The second level is something that drives me nutty, as I suspect it must have driven you to distraction in listening to that engineer, which is when people tell me I have to do it this way because that is what the rulebook says. There is a long safety tradition and discipline in FHWA but there is no lock on commonsense at the FHWA. If a local community feels they need a waiver from a particular rule and can show us why that waiver is sound and safe and sensible, then we should and do have processes in place to be able to accommodate that.

Sometimes I think people get ground down by the reality of dealing with a large bureaucracy, so we would like to send the message very clearly that common sense is a valued commodity at DOT. If there is a particular problem, I would love to make sure we wind up the right person to work on it.

Mr. GARRETT. I guess from a common sense point of view, couldn't you simply turn that responsibility, that decision making process back over to the local engineer? I know these guys better than the Federal guys, so I will say the local guys I know are trained, certified and have been on the job for 20 years and I trust

them with my life as I drive around my district. Maybe as you say, the local guys are ground down because they say, that means there is just another form or application I have to go through in order to get this approval, I will just do it. Can't we just turn it right over to the local county guys?

Mr. JACKSON. The principle behind the Federal highway investment program has been that we are going to guarantee a minimum level of performance. It is very hard on a macro basis to decide whether that engineer you know as superb and so capable is going to be matched in another town and another State by someone with equal credentials. So there is a discipline in the program overall to force us to meet basic core performance standards. Within that, I hope we can have the flexibility to find a brilliant engineer and treat him with dignity and listen to their good ideas.

Mr. GARRETT. Can you speak real quick on the PMA? Explain to me what that is and what you are doing to address the problem areas that may still exist, performance management?

Mr. JACKSON. In the Department overall or in the highway area?

Mr. GARRETT. In the highway area.

Mr. JACKSON. In the highway area, we are trying to work on performance standards across a range of variables—how long pavement is going to last, how strong a bridge is going to be—and drive into this equation not just design specifications, but performance specifications. This is really a theme of the President all across government, to say set a metric, measure it carefully, tell us whether we are hitting it or not, and reward people that do. In a nutshell, that is the principle and in the highway realm, it gets complicated but that is the principle.

If it would help to have someone brief you in more detail about that, I would be happy to do so. If that is an interest, we can certainly follow up with you.

Chairman NUSSLE. Mr. Baird.

Mr. BAIRD. Thank you, Mr. Secretary, for being here, and thank you, Mr. Chairman, for hosting this hearing. I serve on the Transportation Committee, so I am very interested in this issue. I am going to kind of jump around because there are a couple of topics in the budget.

First of all—and you may have addressed this so forgive me—throughout the President's budget proposal I do not find and staff has not found any explicit discussion of extending the highway and transit firewalls. Is that just an omission or is there a tacit intention from the administration to eliminate the highway and transit budgetary firewalls?

Mr. JACKSON. No, I said in announcing the budget at our initial budget roll-out, and I have it in my testimony today here—it is our intention to preserve the fundamental principle of trust fund revenue being used for trust fund purposes.

Mr. BAIRD. Terrific. That, as you know, was a signature accomplishment of TEA-21.

Mr. JACKSON. Yes, sir. The core thing that has made our program work.

Mr. BAIRD. On the issue of transit, do I understand correctly that—two things I am concerned about—that the transit budget is

going to be flatlined and that the local share is going to be increased from 20 to 50 percent for New Starts?

Mr. JACKSON. Yes, sir. We have been gradually ramping the Federal match down and our appropriators set a target for us last year, of a maximum 60-percent Federal investment with a local match of 40 percent. We are working toward a 50–50 match. And as I said, right now we are finding that is not a problem overall because our average local match is slightly below the 50 percent level.

Mr. BAIRD. My concern is twofold. We had, if I remember correctly, the Under Secretary for Highway and Transit was in the committee and presented a graph I think every American should see. The vertical axis of the graph was demand, the horizontal axis was time, and there were two graphs going up, demand for road passenger capacity, and a nice linear increase also in demand for road freight capacity, and then on the bottom there was a nearly flat line indicating actual capacity increase. It seems to me the only way we are going to get there is by somehow making more efficient use of the roads we have got, building some new for sure, but we cannot build the way out. It just did not match up. So I am concerned if we are going to flatline the transit budget.

And in the second part with the match, when the States and the local municipalities are hurting so badly financially, how do we do that?

Mr. JACKSON. Well, this is the dilemma of the entire transportation budget. We have to find some prudent balance and then we just have to work these dollars as effectively as we can and extract the maximum from the investment. It is not an unconstrained budget environment but we are providing a 19-percent increase over the funding in TEA–21.

We think that we work smarter and make that money go farther by using alternative financing tools and tools that allow us to use technology. For example, the investment in intelligent transportation infrastructure will help us reduce congestion in a meaningful way and make our systems more efficient. I have done some very excited listening out at the Federal Highway Administration's research facility at Turner Fairbanks. I was told how we can build manufactured roads, in a factory and bring big slabs into congested areas, reducing the time and the cost of construction. So I think that we are going to have to take all of our intellect and apply it to the problem.

Mr. BAIRD. Let me ask one last question also on transportation. We have studied the problem of the MARAD ships that are dilapidated and needing disposal. One of the problems, maybe all of us as humans but I do not think the Government should do it, is we do not like to clean up our messes, if you remember that "everything I need to know I learned in kindergarten" principle. We actually have a company in my area that could quite readily dispose of these, create a number of new jobs, and do so responsibly. The tendency has been to tow these ships over to Third World countries and have these folks risk their lives and risk their environment by dumping PCBs in their bays, et cetera. I would like to know how closely our budget for this area of MARAD ship disposal matches the demands and the needs.

Mr. JACKSON. You have hit a personal interest of mine on this one.

Mr. BAIRD. We will work on it.

Mr. JACKSON. I would be happy to work with you. The problem is that we have 130 of these vessels, some in very poor condition, as you know, and they are on the East Coast, the West Coast, and in the Gulf. We have met as recently as this week with the deputy of the Environmental Protection Agency, to work out a method to move scrapage forward domestically, internationally, and also to work on reefing some of these vessels. We need to establish criteria whereby we pay to remove PCBs from the vessels and then use them for much needed reefing work.

So I am cautiously optimistic that the bureaucracy has been sufficient stimulated that we will see some significant breakthroughs in the very near term.

Mr. BAIRD. Terrific. I would love to follow up with you on that.

Mr. JACKSON. OK. I would be happy to.

[The information referred to follows:]

MR. JACKSON'S RESPONSE TO MR. BAIRD'S QUESTION REGARDING SHIP DISPOSAL

The Maritime Administration (MARAD) plans to make great strides in the Ship Disposal Program, having received \$31 million—\$11 million directly and \$20 million indirectly in the fiscal year 2003 Appropriations Acts. To ensure continuity of this year-to-year responsibility, the President's Budget requests \$11 million in fiscal year 2004.

Through its Program Research & Development Announcement (PRDA) proposals, the Maritime Administration has requested innovative, cost-effective proposals from the ship disposal industry that represent best value to the Government. Proposals for ship disposal are evaluated for cost, technical, environmental, and worker safety factors.

MARAD is also reviewing proposals for the removal and remediation of oils, fuels, and contaminated liquids, to minimize any potential environmental issues, while the ships await permanent disposal. Using the PRDA method, MARAD is initiating a pilot project for the removal of fuel from vessels in the James River Reserve Fleet. MARAD also issued invitations to bid for domestic dismantlement of the highest risk vessels in the fleet, and those contracts are expected to begin this spring.

Concurrently with domestic awards and pursuing PRDA proposals, MARAD is working with coastal States to accomplish artificial reefing, and with the U.S. Navy to participate in their SINKEX program for the deep sinking of MARAD's obsolete vessels. Through the interagency efforts of Environmental Protection Agency (EPA), Navy, Coast Guard, National Oceanic and Atmospheric Administration (NOAA), et al., national best management practices for environmentally safe reefing are being developed and will be completed this spring.

MARAD continues its efforts with the EPA to allow export of vessels for recycling, considering not only environmental, but also, human safety and protection factors. MARAD has been in discussion with the EPA and the State Department regarding the possibility of dismantling capacity with England, China, and Mexico.

Finally, MARAD actively participates in the Global Action Program, an international program to ensure environmentally responsible and sustainable ship disposal through partnerships of the Basel Convention countries, the International Maritime Organization, and the International Labor Organization.

Mr. BAIRD. Thank you very much, Mr. Chairman.

Chairman NUSSLE. Thank you. We welcome Mr. Vitter to the Budget Committee, and you may inquire.

Mr. VITTER. Thank you, Mr. Chairman. And thank you, Mr. Secretary, for being here. I wanted to ask you a few things about two precise areas of interest to me. Last year Congressman Harold Rogers and I wrote the DOT and included language in the transportation appropriations bill for fiscal year 2003 to urge your Inspector General to thoroughly investigate and audit the DOT's Disadvan-

tagged Business Enterprise (DBE) program administered at three New Orleans area agencies—Louis Armstrong International Airport, the Orleans Levee Board, and the New Orleans Regional Transit Authority.

First of all, I want to thank you and Secretary Mineta and the whole department for being very responsive to that, devoting a number of full-time personnel which have been on the ground doing a very thorough investigation/audit beginning at the airport and are soon going to go to the other two agencies. So I really do want to thank you for that. We are looking forward to their report about those agencies.

But as they have done their work, I have met with them, we have had discussions as they have gone along and it has already highlighted, apart from the specific clear abuses at those agencies, it has also highlighted some national sort of policy concerns. I wanted to get your reaction to that.

First of all, there clearly seems to be a national problem of fronts being employed by prime contractors, DBE fronts, clear abuse of the DBE program. In several cases, the DBEs are leasing all of their equipment and all of their personnel for the DBE part of the contract from the prime. It is a pretty clear front. So that is one concern.

Secondly, in 1999, some regulations were put in regarding limits on a DBE's net worth. At our airport, it is clear from this audit, and I think other facilities, there has been very little, if any, attempt to phase-in that new regulation which is now 4 years old and which put limits on net worth. So I think there are all sorts of improperly certified DBEs still benefiting under the program that are basically owned by people worth too much.

And thirdly, even under those new regulations, there is a pretty big loop hole in terms of net worth. Net worth limit is \$750,000 but, as I understand it, that does not count a house you can own up to \$1 million, or stock in your company up to \$1 million. I think there is a real concern on my part and that of others that that is not a meaningful net worth limit.

So let me ask a few questions with that background. One is, when is the last time the department has really had a major examination of DBE regulations, issues like I am bringing up?

Mr. JACKSON. We are actually undergoing a regulatory review of each mode right now in preparation of formulating our next regulatory agenda. The mandate from Secretary Mineta is to look at all outstanding rules, significant and non-significant, and find out why we are not moving off the dime on ones that have been delayed.

This issue has come up in the context of a regulatory review and assessment of our outstanding regulatory process. So without prejudicing that, I will just say that we are looking at these rules, and we are eager to try to do the right thing and get them out of the department in an effective way. I want to thank you for your focus on this issue. If we have abuses in this system, it undermines an important tool of commerce that we want to use. We want to stimulate small business growth and development, and abuses of it cannot be tolerated. And Ken Mead, I will tell you, is all over this one like a blanket, and committed to working the specific issues of any allegation. I am working very closely with him in that regard.

Mr. VITTER. Great. I appreciate that. But just to underscore, I personally would like to request that you all put this whole area on your regulatory review agenda. Many of the things I am talking about are not draft or proposed regulations in the works. They are existing regulations which, in my opinion, are inadequate because they are full of loop holes. And again, the first and the prime victim in these cases, it should be underscored, is a real Disadvantaged Business Enterprise. The first goal should be to direct the benefit of this program to the people for whom it was intended and not multimillionaires and not primes who are using people as fronts.

Mr. JACKSON. I understand. Yes, sir.

Mr. VITTER. Thank you.

Chairman NUSSLE. Thank you. Mr. Hulshof.

Mr. HULSHOF. Thank you, Mr. Chairman. Mr. Secretary, welcome. You certainly have an ambitious undertaking with the multi-year highway bill. We look forward to working with you not only to craft something that will meet the pressing infrastructure needs of the country, but also to do that in a fiscally responsible manner. It seems that we are all zeroing in on our little pet issues, so I would like to do the same; specifically, as it relates to the diesel fuel deficit reduction tax.

This was a tax, a 4.3-cent per gallon excise tax on diesel fuel that was imposed in 1993, as you recall. In the last highway bill in 1998, we actually took the diesel fuel excise tax on the trucking industry and rolled that into the Highway Trust Fund so it is used for infrastructure. However, other competing transportation industries, specifically, railroads and waterway operators, barge owners, still pay a 4.3-cent excise tax into the general fund.

I have in previous Congresses, beginning in the 105th Congress, sponsored legislation to actually repeal the 4.3-cent excise tax for the railway industry and for the barge operators, primarily because of the competitive disadvantage in which they find themselves as opposed to the trucking industry. In fact, in the last Congress when I introduced this bill, it is a tax issue, of course, and being also on Ways and Means, there are 41 members of our committee, 27 of them co-sponsored our bill, including the chairman of this committee, to repeal the 4.3-cent deficit reduction tax. In fact, in last year's budget that the House passed, there was language in the resolution that says, and I will just quote briefly, "the 4.3-cent per gallon diesel fuel deficit reduction tax remains an issue which needs redress even though Congress has twice passed legislation to repeal this unfair and discriminatory tax. This tax is inconsistent with sound national transportation policy because it effectively singles out the Nation's railroads and inland waterway industry."

The only reason I mention this to you is because there is some discussion I think about creating some railway-highway crossing fund or maybe some other trust fund. Do you have a position as far as the 4.3-cent excise tax on the railway or barge industry, or not?

Mr. JACKSON. I think the answer today is no. But let me qualify that a little bit. In the President's budget, the money, which I believe is about \$160 million in current revenue to the treasury, is included as revenue for the purpose of reducing the deficit. So the

current budget that OMB has put forward does not propose to take it out.

It is a Treasury issue, not particularly a DOT issue. But I have had visits from almost every railroad CEO and they have raised this issue. It is one that we are aware of as an issue to discuss. We have not made a proposal on this issue in our previous statements out of DOT. We are still looking at that issue, recognizing its affect on the deficit front. We also understand very clearly from the industry that relief from this would allow them to make the type of capital investments that they believe they need to improve their systems and provide the infrastructure necessary to support the railroad industry, in particular.

Mr. HULSHOF. And I appreciate that answer. I know that primarily the attention seems to be garnered with the railroad industry. I actually would like to also—and let me just in the interest of full disclosure as the co-chairman of the Mississippi River Caucus, we have no legislative fiat, but it is every Member, Republican and Democrat, whose district includes part of the Mississippi River. So this is really a forum for us to talk about competing interests as far as recreation, navigation, environmental issues. And the thing is that an Inland Waterway Trust Fund, there are already balances that are accumulating that are not being tapped. And so the idea to roll this into, for instance, the Inland Waterway Trust Fund, sufficient monies I believe are available already. The railway industry, yes, but also those inland waterway operators, too. And not to pick a fight with any of the other industries, but transporting grain, for instance, on a barge is the most environmentally friendly way of transportation. And when you take 800 trucks off the highways with one 15 tow and barge, there are some environmental implications there.

So, again, I appreciate your answer. It is something that I have been focusing on in previous Congresses and we have generated a lot of bipartisan support. So I appreciate your keeping that in mind.

Mr. JACKSON. OK. I would be remiss not to acknowledge the barge part of this. I recently had a meeting with a very good collection of the barge industry, and they were quite explicit in their concern about this issue.

Chairman NUSSLE. Thank you, and thank the gentleman for bringing up that issue. I am also a co-sponsor and associate myself with the gentleman's remarks.

Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. I would like to follow up with some of the remarks by the gentleman from Louisiana about minority business. The Department of Transportation has a full commitment to minority business enterprises, does it not?

Mr. JACKSON. Yes, it does.

Mr. SCOTT. And you are not going to allow regulatory minutia to adversely affect that commitment, will you?

Mr. JACKSON. Sir, what I tried to make clear is that any abuse of this program undermines a program that has a very, very important role to play for helping stimulate small business investment in the country, and the department's program certainly recognizes that fact.

Mr. SCOTT. Thank you. I am representative of several ports and you know that ports have been identified as vulnerable to terrorism. As I understand it, the TSA is presently in the Department of Transportation and will be moving when?

Mr. JACKSON. March 1, 2003.

Mr. SCOTT. In the meanwhile, who is doing port security?

Mr. JACKSON. The responsibilities for our port security are shared among Coast Guard, MARAD, and TSA. We are working in a close partnership on these issues.

Mr. SCOTT. Who covers port operations after all is said and done and shifted around?

Mr. JACKSON. Well, the Coast Guard's Captain of the Port is the principal point of focus for port operations, security issues, and safety inspections of vessels.

Mr. SCOTT. Just normal operations?

Mr. JACKSON. Yes, sir.

Mr. SCOTT. Not just security. OK. Now where is port security in the budget?

Mr. JACKSON. I think you may be asking about the grant program that was funded through TSA. We worked out a cooperative agreement between TSA and MARAD for MARAD to administer those grants. We had an initial grant of \$92 million which we gave out to the ports, and we have another \$105 million that we are trying to get out to the ports now. We have submitted a Request for Proposal.

Mr. SCOTT. What is in this budget?

Mr. JACKSON. There is no money in this budget for this. We have in 2003—

Mr. SCOTT. Wait a minute. In the budget submission we are talking about—

Mr. JACKSON. Yes, sir?

Mr. SCOTT. How much additional money is there for port security?

Mr. JACKSON. Funding is not requested for a port security grant program. In 2003, we hope to bring closure on an additional \$105 million. So this split out—

Mr. SCOTT. In the 2004 budget, there is no additional money for port security?

Mr. JACKSON. That is correct. That would be a Department of Homeland Security budget item.

Mr. SCOTT. I am not concerned about where it is coming from. But there is no additional money in the budget for port security? You mentioned I think in your opening remarks the James River Ghost Fleet. Is it true that in the last 5 years we have spent \$2.2 million cleaning up the mess that is caused by those boats sitting there?

Mr. JACKSON. I do not have that figure on the top of my head, but we have had to spend too much money in my view to remediate problems instead of getting the vessels scrapped.

[The information referred to follows:]

MR. JACKSON'S RESPONSE TO MR. SCOTT'S QUESTION REGARDING THE JAMES RIVER GHOST FLEET

In the past 5 years, there were oil spill clean-ups and fuel removals from five vessels in the James River Reserve Fleet at a cost of \$2.8 million. The Maritime Ad-

ministration (MARAD) estimated the costs and addressed the challenges and conditions of the obsolete vessels in the National Defense Reserve Fleet in their April 2001 report to Congress. In that report, MARAD estimated the custodial costs of the obsolete ships as follows: \$20,000 for annual maintenance, \$200,000 for one-time fuel removal, and \$900,000 for dry-docking once every 15 years.

Mr. SCOTT. And if one of those ships actually broke apart, the cost could be \$20 million per ship?

Mr. JACKSON. It could be high, and I would not hazard a guess on what it would be in a specific case.

Mr. SCOTT. And the estimated cost to remove all of the ships from the James River is \$177 million?

Mr. JACKSON. We have had various estimates on what the cost of the whole program is. I will just tell you, sir, I am not satisfied that we have a good program where you could estimate a unit price for the whole thing.

Mr. SCOTT. And Congress ordered you to get it all done by 2006?

Mr. JACKSON. Yes, sir.

Mr. SCOTT. And we are adding more ships to the fleet than we are taking out of the fleet?

Mr. JACKSON. Exactly right.

Mr. SCOTT. Title XI—

Mr. JACKSON. Sir, just one quick point on that, if I could.

Mr. SCOTT. I want to get a Title XI question in while my time is still alive. I am going to ask you about Title XI, what happened to it. It is very important to the shipbuilding industry.

Mr. JACKSON. Yes, sir.

Mr. SCOTT. So you can answer all of those.

Mr. JACKSON. OK. On the ship scrappage issue, it is an important environmental issue, it is an important business management issue, and it is an important management challenge for us. The cost of scrapping ships one by one in the way that we have done it recently is too high and we are working on multiple means of trying to do this more efficiently. We have a reefing program that we are working on with EPA; the Navy and others that we think can be a significant help here. We also have been working with EPA on a plan for a pilot project that would allow us to remediate the removable PCBs and other chemicals that need to be removed in order to scrap the vessel at a given location overseas. This will also allow domestic scrappage to operate more effectively. So I would say to you that this is a high priority issue of the department and I am very optimistic, frankly, that we are going to be able to break through the roadblocks that we have had in place.

Mr. SCOTT. Title XI?

Mr. JACKSON. Title XI. We have had an IG report that is in the drafting stage. The budget requests for Title XI have not had a significant priority on new money into this program. In the last 10 years, we have had approximately \$489 million worth of defaults in this program. The IG is doing an assessment of the program. He is making some recommendations that we are going to look at very closely about how to manage that vulnerability more effectively.

Mr. SCOTT. Thank you, Mr. Chairman. I would just say the amount of money for removing the fleets is totally insufficient and we need to work on that. I appreciate your indulgence, Mr. Chairman.

Chairman NUSSLE. Thank you. Mr. Shays.

Mr. SHAYS. Secretary Jackson, greetings. I am very interested in the Aviation Trust Fund. The budget appendix on page 712 shows that the trust fund is going from about \$10 billion in fiscal year 2002 to \$11 billion in fiscal year 2004. In this day and age with this economy and all the potential terrorist threats that are out there, is that a realistic number?

Mr. JACKSON. I think it is a prudent number. It does not reflect all of the investment that is being made on the security issue. We have money in the Transportation Security Administration budget for aviation security so all of that burden is no longer embedded in the FAA budget.

Mr. SHAYS. Would you help us out, if there were a war in the Gulf or if there were a terrorist attack where a few planes were blown up, what would likely happen to that trust fund?

Mr. JACKSON. Well, I would not want to speculate too widely here. The trust fund has not been an insurance program for a catastrophic failure in the system. As you know, when we had the events of 9/11, Congress passed an additional \$5 billion emergency supplemental to help address the airlines' immediate needs in the wake of that event and then created a \$10 billion fund for loan guarantees. So it is not my sense that the AIP program is designed to manage catastrophic contingencies.

Mr. SHAYS [presiding]. Thank you. I am going to finish my questions now so I can become acting chairman and recognize Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman. Mr. Secretary, how are you doing today?

Mr. JACKSON. Good, sir. Thank you.

Mr. MEEK. I could not help but notice—I took an opportunity to take a look at your budget, and I notice that on your minority business resource center overview—on page 38 of your budget, there was a decrease in the dollars from 2003 to 2004. I really took strong point to that because I know that the President has made it a centerpiece of his budget to make tax cuts aimed at helping small businesses. Why did the department decrease these dollars from last year? I think you are budgeted for \$18 million.

Mr. JACKSON. Yes, sir. If I could get back to you with a more detailed answer to that question, I would be grateful. I do not have the specifics on the program and what it covers.

[The information referred to follows:]

MR. JACKSON'S RESPONSE TO MR. MEEK'S QUESTION REGARDING MINORITY BUSINESS OUTREACH

The fiscal year 2004 funding for the Minority Business Resource Center (MBRC) and the Minority Business Outreach (MBO) is not decreasing. The fiscal year 2004 funding for MBRC and MBO is the same level as fiscal year 2003. For presentation purposes, the Budget in Brief combined the funding for MBRC, MBO, and the Office of Civil Rights into a single line. It is also important to note that the funding in the Budget in Brief is reflected in millions of dollars.

For clarification, the following funding is in thousands of dollars:

	Fiscal year 2003 request	Fiscal year 2004 request
Minority Business Resource Center	900	900
Minority Business Outreach	3,000	3,000
Office of Civil Rights	8,700	8,569

	Fiscal year 2003 request	Fiscal year 2004 request
Total MBRC, MBO, and Civil Rights	12,600	12,469

The funding for the Office of Civil Rights is decreasing slightly to reflect the shift of minority employment and recruitment programs from the Office of Civil Rights to the Human Resources Office in the Office of Administration, and the transfer of three positions and related costs to the Department of Homeland Security.

Mr. MEEK. One other thing as it relates to the issue of port security. I am from Miami-Dade County and Broward where the cruise ship industry is located and homeland security is something that we hold in very high regard, as everyone does, but as it relates to transportation. I know that you responded in the best way you could to Representative Scott, but I just wanted to underscore that as we look at the department, as we look at homeland security, my local governments are asking what role will the Federal Department of Transportation play as it relates to the security of our ports and many other ports. Florida has I believe almost seven main deep water ports and eleven in total. What are the discussions within the department as it relates to that role?

Mr. JACKSON. I should start by saying that Florida has so much to be proud of in the way that they had done port contingency and security planning prior to 9/11. The State had made an important investment and really was a leader when we were looking around after 9/11 to see what sort of measures you had already investigated and adopted. You have much to be proud of and every reason to be concerned about making sure that you deal with these issues appropriately.

The Department of Transportation will still work with the TSA when it moves to the new Department of Homeland Security on the operation of port security grants. We will have a significant interest in working with the Coast Guard in the same way. We view our role on these issues as changed but not taken away. We are planning a memorandum of agreement in essence with TSA to define the types of tasks that we will do in support of the TSA security mission. They have the core security mission, and we need to support them with that mission.

Mr. MEEK. Mr. Secretary, I am fresh and new to the Congress and I served on a select committee in Florida as it relates to homeland security, and it is almost devolution of responsibility when we look at it. We ask the local governments to pull their weight, be it financial or fiscal, and their big question of wanting to know, you have asked us, you have given us these requirements and guidelines that we should follow, they are constantly calling me, my city commissions and the counties that I represent, what role financially will the Federal Transportation Department play. That is the million dollar question. A lot of cities who have to balance their budget, a lot of counties who have to balance their budget are finding great heartburn as it relates to that. I think the rubber really meets the road as it relates to that.

One of my questions, Mr. Chairman—and I would just put it in writing to you, Mr. Secretary, because I felt that it was really dealing with a local issue that needed a little more—but it was commending the department as it relates to Miami-Dade County's

metro rail extension. As you know, they passed a transportation sales tax to support our local match for Federal dollars. So we look forward to working with you and your department on that.

Mr. JACKSON. We look forward to working with you too. And welcome to the world of people coming and asking you to help with dollars. I feel a sense of solidarity with you on that. On the port security front you can tell them we put \$92 million out on the street last year and Florida got a good chunk of that money. And we have \$105 million that is on the way now and I am certain that Florida will be applying for those funds as well.

Mr. MEEK. Thank you, Mr. Chairman. Thank you, Secretary.

Mr. JACKSON. Thank you, sir.

Mr. NUSSLE [presiding]. If there are no other questions for this witness, I would like to thank the Secretary for coming here today and testifying on the transportation budget. And as we started off, please return our greetings to the Secretary and give him our best wishes as he goes toward a full recovery. We look forward to working with him and you and the department as we tackle these very difficult issues.

Mr. JACKSON. Thank you, Mr. Chairman. I am grateful for your hospitality. I know the Secretary will be grateful for the good wishes. I will certainly tell him today that you have sent them with great kindness. We appreciate your hospitality and look forward to working with you.

Chairman NUSSLE. Thank you.

That ends the first panel for today's hearing. We will await the second panel. We stand in a brief recess until that witness makes himself available.

[Recess.]

Chairman NUSSLE. To the second panel for today's hearing, we have the honor of welcoming back to the committee our distinguished colleague and friend Nick Rahall from West Virginia. He is a senior member of the Transportation and Infrastructure Committee and someone who has been able to demonstrate over his career in Congress, both with his expertise in the area of transportation infrastructure and also in his leadership, the importance of this issue as we move forward.

We have a number of very important challenges, as the gentleman is well aware, and we appreciate your coming to testify today. Your entire statement will be made part of the record at this point and you may proceed as you wish, summarizing your testimony or delivering it, if that is what you would like to do. Welcome.

**STATEMENT OF HON. NICK J. RAHALL, II, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF WEST VIRGINIA**

Mr. RAHALL. Thank you very much, Chairman Nussle, for your kind comments, for the opportunity to present the Transportation and Infrastructure Committee's viewpoints here today, and for your leadership as chairman of our Budget Committee. Mr. Shays and Ranking Member Meek, good to be with you as well.

As a senior member on the T&I Committee, I have reviewed the proposal for its impact on infrastructure matters. And I should thank also the actual ranking member, Mr. Spratt, at this point,

I know he had to step out, but he has been very helpful to me and to the committee in providing information on these matters and other issues under the budget. But generally speaking, as I am sure the committee is aware, the budget request does propose a wholesale reduction of almost \$11 billion for programs within the T&I's jurisdiction. Simply put, the proposed cuts are a bad idea.

The FHWA estimates that every \$1 billion spent on infrastructure creates over 47,000 jobs—that is 47,000 jobs—and \$6.1 billion—\$6.1 billion—of economic activity in this country. Therefore, the proposed cuts would lead to a loss of almost a half a million jobs. And when you combine that with a failure to capitalize on over \$12 billion of opportunity, the picture is pretty clear, at a time when we remain stuck in a weak economy, the proposed cuts would be devastating.

Mr. Chairman, quickly I want to address three specific areas in the budget that do affect matters falling under our jurisdiction. The first is the Transportation Equity Act of the 21st Century, otherwise known as TEA-21; the second is the Appalachian Regional Commission, known as ARC; and the third is Amtrak.

This year the T&I Committee will take the lead on reauthorizing TEA-21. As we do so, it is absolutely necessary that we maintain the budget firewalls—it is absolutely necessary that we maintain the budget firewalls. Also, we must fully fund the baseline level for the Highway Trust Fund.

Mr. Chairman, when President Eisenhower and Congress established the Highway Trust Fund in 1956, as you are well aware, they made a promise to the American people; motorists would pay a gasoline user fee into the Highway Trust Fund, that trust fund would provide for America's infrastructure. And as a result, the United States now possesses the greatest infrastructure network in the world. To protect that Highway Trust Fund, to keep faith in the trust fund, we had to establish the budgetary firewalls in TEA-21. That was necessary to prevent a practice that has grown common over the years. Too frequently, the Highway Trust Fund fell victim to the budget process and the gas tax revenues were not used for their intended purpose. It became a game of mirrors, smoke screens, et cetera, in which President-after-President, regardless of party, tried to mask the true size of the deficit.

Now these firewalls need to be extended as we go forward. Looking over the budget proposal, I notice that the administration proposes budget caps for the next several years. I would say, Mr. Chairman, that it also is appropriate that we extend the firewalls for the Highway Trust Fund. By doing so, we can maintain the fiscal discipline while keeping the promise that President Eisenhower and the Congress made to the American people. Also, the proposal cuts the baseline funding in the Highway Trust Fund by about \$2.5 billion. This one budget cut alone would translate into a loss of more than 115,000 jobs. Instead of cutting the Highway Trust Fund, we need to use the 2002 level as a baseline so that we can grow the program to meet future needs.

Moving on to the ARC, it does provide vital infrastructure investments in a historically depressed area of the country. The budget proposal currently before us calls for massive cuts in a critical program that spans 13 States, including all of my home State of West

Virginia, the only State whose borders lie totally within the ARC map. In the 1960s, President Johnson carried out a promise to help raise the Appalachian region out of the crushing poverty when he formed ARC. For over 30 years it has provided the development and jobs throughout 410 counties across a 210,000 square mile region. Yes, it has worked. Although the Appalachian region is dramatically improved, there remains more to be done.

What is proposed would slash the ARC budget by over 50 percent from its fiscal year 2000 levels. Mr. Chairman, doing so would simply gut this program upon which so many people across so many States rely. So I urge you to fully fund this program.

And finally, Amtrak. The administration proposes \$300-million less than what Amtrak says itself that it needs to continue working. I know I join with many of my colleagues from both sides of the aisle in both houses when I say that David Gunn should be commended for the fine job he is doing at instituting reforms. I think Mr. Gunn needs to be allowed to continue those efforts. And to help him do so, I would hope the committee would make the necessary funding of \$1.2 billion available.

In conclusion, Mr. Chairman, the T&I Committee has historically been among the largest, the most bipartisan, and the most diverse committee in all of Congress. The budget resolution will affect key issues that the T&I Committee will address this year and it will be crucial for our two committees to work together. We need to combine our efforts to craft legislation that allows us to reinvest in the Nation's infrastructure and provide good jobs, and the way to do so is by providing full funding rather than large wholesale cuts.

That concludes my testimony, Mr. Chairman.

[The prepared statement of Nick J. Rahall, II, follows:]

PREPARED STATEMENT OF HON. NICK J. RAHALL, II, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF WEST VIRGINIA

Chairman Nussle, Ranking Member Spratt, and members of the committee, thank you for the opportunity to testify before you today on transportation issues and the President's budget.

As a senior member of the Transportation and Infrastructure Committee, I have reviewed the proposal for its impact on infrastructure matters. In addition, I want to thank Ranking Member Spratt for the information he has provided on these matters and other issues in the budget.

Generally speaking, the budget request proposes a wholesale reduction of almost \$11 billion for programs within the Transportation and Infrastructure Committee's jurisdiction. Simply stated, the proposed cuts are a bad idea. The Federal Highway Administration estimates that every \$1 billion spent on infrastructure creates over 47,000 jobs and \$6.1 billion of economic activity. Therefore, the proposed cuts will lead to a loss of almost a half-a-million jobs. Combine that with a failure to capitalize on over \$12 billion of opportunity. At a time when we remain stuck in a weak economy, the impact of these cuts will be devastating.

Further, Mr. Chairman, I want to address three specific issues in the budget request that affect matters falling under the Transportation and Infrastructure Committee's jurisdiction.

The first is the Transportation Equity Act for the 21st Century, also known as "TEA-21;" the second is the Appalachian Regional Commission; and, the third is Amtrak.

This year the Transportation and Infrastructure Committee will take the lead on reauthorizing TEA-21. As we do so, it is absolutely necessary that we maintain the budgetary firewalls. Also, we must fully fund the baseline level for the Highway Trust Fund.

Mr. Chairman, when President Eisenhower and Congress established the Highway Trust Fund in 1956, they made a promise to the American people. Motorists would pay a gasoline user fee into a Trust Fund. That Trust Fund would provide

for America's infrastructure. As a result, the United States now possesses the greatest infrastructure network in the world.

To protect the Highway Trust Fund, we had to establish budgetary firewalls in TEA-21. This was necessary to prevent a practice that had grown common over the years. Too frequently, the Highway Trust Fund fell victim to the budget process, and gas tax revenues were not used for their intended purpose.

Now, these firewalls need to be extended as we go forward. Looking over the budget proposal, I noticed that the administration proposes budget caps for the next several years. Mr. Chairman, I would submit that it is also appropriate that we extend the firewalls for the Highway Trust Fund. By doing so, we can maintain fiscal discipline while keeping the promise that President Eisenhower and Congress made to the American people.

Also, the proposal cuts the baseline level of funding in the Highway Trust Fund by about \$2.5 billion. This one budget cut alone would translate into a loss of more than 115,000 jobs. Instead of cutting the Trust Fund, we need to use the 2002 level as a baseline, so that we can grow the program to meet future needs.

Moving on to the Appalachian Regional Commission, the ARC provides vital infrastructure investments in a historically distressed area of the country. But the proposal calls for massive cuts in this critical program that spans 13 states—including all of West Virginia, my home state.

In the 1960s, President Johnson carried out a promise to help raise the Appalachian region out of its crushing poverty when he formed the Appalachian Regional Commission. For over 30 years, the ARC has provided for development and jobs throughout 410 counties across a 200,000 square mile region. Although the Appalachian region is dramatically improved because of this effort, there remains more work to be done to fulfill the promise made.

What is proposed would slash the ARC budget by over 50 percent from its fiscal year 2002 levels. Mr. Chairman, doing so will simply gut this program that so many people across so many states rely on. So, I urge you to fully fund this program in the Budget Resolution.

Finally, Amtrak. The administration proposes \$300-million less than what Amtrak says that it needs to continue operating. I know I join with many of my colleagues from both sides of the aisle in the House and the Senate when I say that David Gunn should be commended for the fine job he is doing at instituting reforms. I think Mr. Gunn needs to be allowed to continue these efforts. To help him do so, I urge the committee to make the necessary funding of \$1.2 billion available.

In conclusion, the Transportation and Infrastructure Committee has historically been among the largest, the most bipartisan, and the most diverse committees in all of Congress. The Budget Resolution will affect key issues that the Transportation and Infrastructure Committee will address this year, and it will be critical for our two committees to work together. We need to combine our efforts to craft legislation that allows us to reinvest in our Nation's infrastructure and provides good jobs. The way to do that is by providing full funding rather than large, wholesale cuts.

Chairman NUSSLE. I appreciate the gentleman's testimony. It will be made a part of the record in its entirety. I want to thank the gentleman for his work with our committee in the past, both you and Chairman Young and this committee have been able to deal with the last couple of years in a very straightforward way, difficult way, knowing that there are huge budget implications both by what we do together as well as the impact on the rest of the budget.

Just I guess two comments and I would be interested in your viewpoint. RABA was meant to be a firewall, as you indicated there was a firewall, but it seems as though, for full disclosure purposes, it seems to work one direction only—in preventing trust fund dollars from leaving the trust fund. But as of late at least, we have been pouring quite a bit of general fund revenue into the trust fund in order to hold it harmless and to deal with the obligations. It is my understanding that you are proposing that that continue as you present your budgetary proposal and concerns here before this committee today.

Mr. RAHALL. Yes, Mr. Chairman, that is our committee proposal that we fund it at the fiscal year 2002 level of \$31 billion and es-

establish that \$31 billion as a baseline. I know the administration proposal calls for amending RABA so as to prevent the sudden drops in revenues that we have experienced in recent months.

But RABA, as you so well know, and you were deeply involved in those negotiations with then Chairman Shuster, was a middle position, if you will, between our T&I Committee, who in a bipartisan fashion every year, including the full House, has voted in a bipartisan fashion to remove the Highway Trust Funds from budget so that we can have those revenues go back out for the intended purpose of spending on infrastructure. In order to reach that middle ground, RABA, the firewalls were established to say that future revenue coming into the Highway Trust Fund would go back out but the main surplus itself would stay on line, on budget.

So that, as you know, is the background for RABA. I firmly believe that we should have the 2002 levels as a baseline and that money should be kept sacrosanct, if you will, for spending on infrastructure.

Chairman NUSSLE. And it has been since RABA has been put into place, has it not?

Mr. RAHALL. Yes.

Chairman NUSSLE. I mean all of the money coming in to the trust fund from the gas tax, which was the intended purpose behind all of our concern over that being used for other purposes, all of that money has been used and there is nothing in the proposals that you have seen that suggests it will be redirected is there? You have not seen anything that suggests those trust fund dollars will be redirected anywhere else, have you?

Mr. RAHALL. No, I have not seen anything that would say they would be redirected, Mr. Chairman.

Chairman NUSSLE. So the point of both the President's plan as well as the plan last year from the Budget Committee and the T&I Committee as well as the proposal that moves us forward does not suggest that money that is coming into the trust fund from gas taxes be diverted, it suggests that general fund revenues continue to be diverted from the general fund to the Highway Trust Fund in order to meet our determined obligations for transportation in the future.

Mr. RAHALL. Yes, Mr. Chairman, our determined obligations for transportation in the future. And in my opinion, that means we must grow that infrastructure. Obviously, the status quo is not acceptable. We have ever-increasing demands on that infrastructure, especially in today's climate with homeland security being the buzz word.

Chairman NUSSLE. And I will be sharing my list with you if not today then very shortly in the future.

Mr. RAHALL. We will be glad to receive that, Mr. Chairman.

Chairman NUSSLE. Having said that, the difference is that in 2002, in 2001, and before, we were running surpluses both in the trust funds as well as in the general fund. Now that we are running deficits, every dollar that crosses that firewall to go back into the trust fund from the general fund comes from somewhere—it comes from deficit spending, it comes from borrowing, or it comes from lowering a priority in another area. So I am not going anywhere with this except to say that this was an easy lift when we

were running surpluses. Now that we are not, we all have to get familiar with the trade-offs and priorities that are out there, including running deficits.

And I would just caution, as I hear more and more Democrats take the floor and others take the floor and blaming others for deficits and blaming others for downturn in the surpluses, that every dollar that is requested over and above where we are today comes from deficits, it does not just come out of thin air. So you and I may share a priority for highway funding, in fact, we may share it very directly, but every dollar that crosses that firewall comes from the deficit, comes from borrowing, comes from some other priority; it does not come from thin air. So we all have to know that as we are making these determinations and these choices during the budget process.

Mr. RAHALL. Mr. Chairman, I do understand the point you are making. And I do not wish to get into the debate about the tax cuts and how the deficit was created and who is to blame, et cetera, et cetera. My main point here is to say that the Highway Trust Fund is a dedicated user fee.

Chairman NUSSLE. Right. And every dollar of it—

Mr. RAHALL. Every dollar that has come into that trust fund is paid by the American people every time they go to the gas pump. They have paid it with the expectation and with the faith that that money does not go over to the general revenues but rather stays in that trust fund to go back out in expenditure on the roads that they are getting ready to drive out on after they pay into that fund. So that is the trust that I would like to see we maintain with that Highway Trust Fund.

Chairman NUSSLE. We have that. And in fact, the administration is actually adding dollars because of the gasohol and ethanol provisions that they have put into their budget. I guess the bottom line question is, for every dollar we increase this, where is it coming from? Do you have a suggestion of where we should take it from?

Mr. RAHALL. We have detractions from that Highway Trust Fund, too, as far as the hydrogen car of the future. That is not necessarily going to mean increased revenues to the Highway Trust Fund. And with the threats we have pending today, less people are traveling, which means less revenues into the Highway Trust Fund. So, there are all kinds of pressures going counter to income producing into that Highway Trust Fund that certainly is not keeping faith with spending what is in that trust fund.

Chairman NUSSLE. Well, I look forward to any ideas and proposals that anyone has for the increase to highway spending. And as I said, I make full disclosure that I may be one of those that is interested in doing that. But I look forward to proposals from folks who want to increase the funding of where that funding is going to come from. And I know that is going to be difficult. I have heard of those suggesting tax increases or user fee increases. The administration I think made it pretty clear they are not going to support that today. There may be other more creative measures. But other than taking it straight from the bottom line and borrowing, I am not sure I am aware of any that are available, or dollar for dollar cuts in other domestic discretionary programs.

So we here at the Budget Committee will await your good work in coming up with some ideas, hopefully, your's and Chairman Young's, on how we can accomplish that.

Mr. Meek.

Mr. MEEK. Thank you very much, Mr. Chairman. Thank you, Mr. Chairman, for being here. You elaborated on Amtrak some and you also talked about quite a few other things. But could you comment on the merits of infrastructure investment as it relates to being an economic stimulus tool.

Mr. RAHALL. Yes, Mr. Meek. Certainly, investment in our infrastructure is investment in growing the economy. I have referred to the number of jobs that investment in transportation spending means for our economy. Those jobs of course translate into tax-paying Americans that pay more money into our general revenues. It is all very related. It is truly what I think is a trickle down theory. When you have investment in infrastructure it just trickles down to revenue that comes into our economy from many different sources, whether it is good paying construction jobs, or whether it is the creation of new businesses.

I truly believe in the philosophy that if you build it, they will come. We have seen that in so many parts of our country. And with cutbacks in other modes of transportation, our surface transportation is vital to getting people and goods around this country and growing our economy.

Mr. MEEK. Let me just for a moment, and I agree with you on that point, talk a little bit about what is the issue of today and tomorrow and has been for some time now as it relates to our transportation needs and pointing toward homeland security. When we look at Amtrak and we look at some of the fiscal issues that they are facing right now, it is very important, you mentioned that you commend the work that is going on as it relates to Amtrak, and when the airlines shut down everybody ran to the rails, but they are not necessarily where they need to be right now if we want to be able to continue our economy and travel throughout our land here. What are some of your recommendations as it relates to addressing the Amtrak fiscal issue? And second, do you have any suggestions for Amtrak reform that would allow the rail service to get more stable footing right now?

Mr. RAHALL. Well, Mr. Meek, I think the Amtrak Reform Commission has come up with some recommendations, and I leave that to their expertise as to those reforms that are necessary to get Amtrak back on track, so to speak. And I do hope that their intention, which we have to ensure that it is, is not to do away with the service, especially as it exists across rural America today.

There obviously are reforms that are necessary. There are methods I think Amtrak could better conduct itself to running a business, like any business operation should be run. As any "mom and pop" operation across America would conduct its operations, that is how Amtrak I think should set its sights.

But the bottom line is it is a service to our people. As you said, when there are problems with airlines people flock to the rail lines, and that service should be there for the American people, not necessarily looking at the bottom line when it comes time to providing a vital transportation service to our people in times of national

emergency or even in times of everyday life across rural America. I have many veterans, for example, senior citizens, for example, handicapped individuals that cannot move across the rural parts of my district were it not for the Cardinal, the Amtrak line that comes through there. To cut that service out to them is not improving our homeland security, is not improving services that I think Amtrak should be providing to our people without a regard to the bottom line.

Mr. MEEK. Let me just say I agree once again with you as it relates to that. But when we look at infrastructure investment, we look at stimulating the economy, we look at individuals that are blue collar that will have an opportunity to go to work, we look at business as being a part of the transportation pie, being able to stimulate our economy. And as we work on infrastructure, I am from Florida—South Florida, it is going to help quite a few small businesses to be reachable. Also as it relates to rural America, I could not see a better investment that this country should make in being able to work on an infrastructure.

I want to thank you for coming before the committee today.

Mr. RAHALL. Thank you, Mr. Meek.

Chairman NUSSLE. Mr. Shays.

Mr. SHAYS. Thank you. It is good to see you here, Congressman Rahall. I have appreciated working on a number of issues with you, and I appreciate your contribution to the work of Congress.

I served on this committee a few years ago, and after we came up with a balanced budget, we broke the budget when we had the debate and you had arguments on both sides about making sure we used all the trust funds for transportation. But the end result was we spent more on transportation and we really broke the budget agreement, in my judgement. But the argument was that the money should be spent that is in the trust fund. Now that we are borrowing from the trust fund in a sense, excuse me, now that the trust fund is borrowing money from the Federal Government because it did not have enough funds to meet the obligations, isn't there an obligation of the trust fund to pay back to the general fund?

Mr. RAHALL. Well, I will not deny there is an obligation there. But that has to be fulfilled in terms of where we are in today's economy and where we are in terms of transportation needs. And as we make the necessary improvements, let's face it, we have got deficient bridges that threaten Americans' lives everyday across America, hundreds of deficient bridges that could fall in, God forbid, any day. Those are items that have to be addressed immediately without regard to paying back obligations the Highway Trust Fund may incur. So, let us take care of our people and our infrastructure first, and then as the economy improves, hopefully it will, we will look at repaying that obligation.

Mr. SHAYS. I am doing a lot of wrestling on this issue because I buy into your general argument that there is tremendous infrastructure needs. I do not like seeing the trust fund being used for operational expenditures as a general rule. I think we have some very real capital needs. What is your position on increasing the gasoline tax to bring more money into the trust fund?

Mr. RAHALL. Well, I have been on the T&I Committee for 26 years now, so I have seen increases in that gas tax over my congressional career. The current proposal I know Chairman Young has put it on the table, and I commend him for doing that. On our side, having just organized, as we speak as a matter of fact, organized in our committee, we have not really addressed this issue and adopted a position as a Democratic position on the T&I Committee. But again, I go back to what I said in my opening comments, we are very bipartisan and I would expect that we would work together on this.

Mr. SHAYS. Right. I realize that you would not be speaking for your conference, but what would your personal position be based on your years of experience and the need to spend more on infrastructure? What would you be advocating?

Mr. RAHALL. Well, what I would be after is, first of all, some type of ironclad commitment of where that increase, if it were to occur, would go. Of course, I would want it to go toward the purpose for which it would be collected—transportation.

Mr. SHAYS. And if it did, would you advocate increasing the gasoline tax?

Mr. RAHALL. I would seriously consider that, yes.

Mr. SHAYS. Thank you very much. I thank you, Mr. Chairman.

Chairman NUSSLE. Thank you. Congressman Rahall, colleague and friend, we appreciate you coming to the committee today. We appreciate your testimony and will look forward to working with you and the members of the T&I Committee as we grapple with this very vexing challenge that we have before us.

Mr. RAHALL. Thank you, Mr. Chairman.

Chairman NUSSLE. Thank you.

With that, if there is no other business to come before the committee, we stand adjourned.

[Whereupon, at 12:19 p.m., the committee was adjourned, to reconvene at the call of the Chair.]