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FY 2008 PRESIDENT'S BUDGET REQUEST FOR THE DEPARTMENT OF TRANSPORTATION AND ENVIRONMENTAL PROTECTION AGENCY

(110–6)

HEARING

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

FEBRUARY 8, 2007

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(Ex Officio)

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U.S. House of Representatives
Committee on Transportation and Infrastructure

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February 7, 2007

SUMMARY OF SUBJECT MATTER

TO: Members of the Committee on Transportation and Infrastructure

FROM: Committee on Transportation and Infrastructure Majority Staff

SUBJECT: Fiscal Year 2008 Budget Request for Department of Transportation and Environmental Protection Agency

PURPOSE OF HEARING

The Full Committee will meet on Thursday, February 8, 2007, at 2:00 p.m., in room 2167 Rayburn House Office Building, to receive testimony regarding the Administration's proposed Fiscal Year (FY) 2008 budgets for the Department of Transportation (DOT) and the Environmental Protection Agency (EPA).

BACKGROUND ON DEPARTMENT OF TRANSPORTATION BUDGET REQUEST

Summary

The Administration's budget requests a total of $67 billion for DOT in FY 2008, including $40.3 billion for the Federal Highway Administration, $14.1 billion for the Federal Aviation Administration, and $9.4 billion for the Federal Transit Administration. In total, the Administration's request for FY 2008 would provide DOT with essentially the same funding level as will likely be available for FY 2007 under the full-year Continuing Resolution that is currently pending in the Senate (H. J. Res. 20).

Aviation User Fees Proposed

The Administration proposes to transform the Federal Aviation Administration's (FAA's) current excise tax financing system to a cost-based user fee system. Under the proposal, which will be detailed in the FAA's upcoming reauthorization proposal, FAA's financing sources shift from a

mix of fuel taxes, other excise taxes, and a general fund contribution to user fees, fuel taxes, and a general fund contribution. While FAA has cited the need to finance a major new air traffic control modernization initiative as a reason for reforming the current tax structure, the FAA estimates that in FY 2008, user fees and taxes under its new proposal will yield approximately $600 million less revenue than maintaining the current tax structure.

Aviation Capital Programs Cut

The Administration's budget request provides $2.75 billion for the Airport Improvement Program (AIP) in FY 2008 -- $950 million less than the level authorized by the Vision 100 - Century of Aviation Reauthorization Act for FY 2007 (there is no authorization for FY 2008), and $765 million less than the House-passed FY 2007 Continuing Resolution, H. J. Res. 20. Under the current formula for distributing AIP entitlement funding, virtually every airport that currently receives AIP entitlement funding will have its entitlement reduced. Additionally, small airports might be particularly hard hit by the Administration's proposed AIP cut because AIP grants are a larger source of funding for smaller airports.

In 2003, the FAA requested and received from Congress an authorization of approximately $3 billion per year for its Facilities and Equipment (F&E) program. Yet for the past three years the Administration has requested roughly $2.5 billion per year for its F&E program. For FY 2008, the Administration is once again requesting $2.46 billion for capital spending. The Administration identifies $173 million of its $2.46 billion request (approximately 7 percent) as being related to Next Generation Air Transportation System (NGATS) efforts. The Department of Transportation Inspector General has stated that FAA cannot achieve its goal of technologically transforming the National Airspace System with a $2.5 billion (or less) annual Facilities & Equipment (F&E) budget, since a $2.5 billion funding level goes primarily toward sustaining the existing system, not new initiatives. Moreover, the Administration's FY 2008 capital spending request appears to be at odds with its own preliminary NGATS F&E cost estimate of a little more than $3 billion.

SAFETEA-LU Funding Guarantees

While largely honoring the funding level for the highway and highway safety programs authorized by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), the Administration's request does not include $631 million in Revenue Aligned Budget Authority (RABA) that, under SAFETEA-LU, becomes available automatically in FY 2008 based on updated Highway Trust Fund revenue estimates. The Administration instead proposes to cancel this $631 million in RABA.

In addition, the Administration's budget request proposes rescinding $1.317 billion in unobligated contract authority that has already been distributed to the States via apportionments. This is highway program funding guaranteed in various surface transportation statutes. Such a rescission is a means to offset spending elsewhere in the budget.

The Administration's budget proposes a total of $9.422 billion for Federal Transit Administration (FTA) programs, $309 million below the $9.731 billion guaranteed by SAFETEA-LU for FY 2008. This funding shortfall, which is within the General Fund portion of FTA's budget, would primarily impact the FTA's Capital Investment Grants program, which would receive $1.4 billion under the Administration's proposal, compared to $1.7 billion under SAFETEA-LU. The

$1.4 billion requested by the Administration would fund 11 existing Full Funding Grant Agreements (FFGA's), seven projects that are currently in final design (of which four are either pending or proposed FFGA's), and three other projects currently in preliminary engineering that FTA expects to move to final design this year. This request ignores the significant pipeline of new start projects seeking funding. Specifically, it ignores 11 projects that are currently in preliminary engineering, as well as another eight projects that are very close to approval to enter preliminary engineering. Additionally, there are at least 11 other small starts projects around the country which may be ready for project development approval in FY 2007. Under the Administration's proposal, none of these projects would receive Federal funding, which could delay the implementation of many important rail transit projects around the country.

The Administration also proposes to fully fund the National Highway Traffic Safety Administration (NHTSA) from the Highway Trust Fund. Traditionally, the vehicle safety programs – totaling $122 million in FY 2008 -- at NHTSA are funded through the General Fund. Placing additional burdens on the Highway Trust Fund, such as funding the vehicle safety programs out of the trust fund, may cause the trust fund to become insolvent earlier than expected.

Amtrak Funding Cut

The Administration's budget requests a total of $900 million for Amtrak in FY 2008, $394 million or 30 percent less than the likely FY 2007 funding level of $1.294 billion under H.J. Res. 20. Within the total requested, $500 million is for Amtrak capital grants, $272 million less than the likely FY 2007 level of $772 million. The Administration proposes zero funding for Amtrak operating grants, compared to the likely FY 2007 level of $490 million. Instead, it proposes $300 million for Efficiency Incentive Grants which may be used, at the discretion of the Secretary of Transportation, for operating expenses if Amtrak implements a program to reduce Federal subsidies for long-distance trains by 30 percent annually through fiscal year 2010. The $300 million requested for Efficiency Incentive Grants is a $269 million increase above the $31 million likely FY 2007 funding level for such grants under H.J. Res. 20.

The Administration's budget also proposes $100 million for a new and unauthorized "Intercity Passenger Rail Grant Program." Under this program, States may apply to the Federal Railroad Administration (FRA) for grants up to 50 percent of the cost of capital investments necessary to support improved intercity passenger rail service that either requires no operating subsidy or for which the State or States agree to provide any needed operating subsidy. To qualify for funding, States would have to include intercity passenger rail service as an integral part of Statewide transportation planning as required under 23 U.S.C. 135. Additionally, the specific project would have to be on the Statewide Transportation Improvement Plan at the time of application.

Other Amtrak Legislative Proposals Included in Budget

The Administration's budget also proposes appropriations language requiring Amtrak to adopt various reforms. First, the Administration proposes that, within 30 days after enactment of the FY 2008 appropriations act, Amtrak shall develop a comprehensive business plan for approval by the Secretary of Transportation that outlines how the Corporation will operate with a $300 million non-capital Federal subsidy in FY 2008. In

addition, the business plan shall provide detailed steps for reducing losses on long distance trains and describe how the Corporation could reduce Federal subsidies for long distance trains by 30 percent annually through FY 2010.

In addition to the business plan, the Administration proposes that, within 30 days of enactment of the FY 2008 appropriations act, Amtrak shall produce a comprehensive corporate-wide competition plan that will identify multiple opportunities for public and private entities to perform core Corporation business functions, including the operation of trains. The competition plan shall be implemented beginning in 2008, upon its approval by the Secretary of Transportation.

Essential Air Service Funding Cut

The FY 2008 budget provides $50 million for the Essential Air Service (EAS) program - $77 million less than authorized by Congress, and almost $60 million less than provided in the House-passed FY 2007 continuing resolution. As a result of this dramatic cut, almost one-half the communities that receive EAS funding – 73 out of 147 – would be dropped from the program.

Congestion Reduction Initiative

The Administration's budget proposes $175 million for a new highway congestion reduction initiative. Included within this total is $100 million for Urban Partnership Agreements with selected States already participating in the Value Pricing Pilot Program (section 1012(b) of the Intermodal Surface Transportation Efficiency Act of 1991). DOT proposes to make these funds available to local governments to demonstrate innovative ideas for curbing congestion. A select number of large-scale pilot projects would be chosen based on their willingness to implement a comprehensive congestion reduction strategy. That strategy would include a broad demonstration of some form of congestion pricing, commuter transit services, commitments from employers to expand work schedule flexibility, and faster deployment of real-time traffic information.

The remaining $75 million will be divided equally among three programs. Specifically, $25 million will support the Corridors of the Future program to enable the Secretary to target a small number of projects that show they can help expand capacity and improve operations along heavily congested interstate travel and trade corridors; $25 million will support the Real-Time System Management Information Program (section 1201 of SAFETEA-LU); and $25 million will be to expand congestion-related research activities under the Intelligent Transportation Systems Research and Development program.

The Administration proposes to fund this initiative by using unobligated highway project funds that were originally made available by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and left over when the projects were completed. Congress specifically excluded highway project funds authorized in ISTEA and subsequent surface transportation legislation from being altered. Only funds for pre-ISTEA projects, which have been completed and with excess funds left over, or projects that have no likelihood of being advanced, can be pooled and used for activities eligible under the Surface Transportation Program (23 USC 133). This use of excess funds from ISTEA highway

projects is a clear violation of Congressional intent as expressed in section 1603 of SAFETEA-LU.

The Congestion Mitigation and Air Quality (CMAQ) program, which was first established by ISTEA and recently reauthorized by SAFETEA-LU, is an existing program that was created specifically to address congestion. However, the Administration's congestion reduction initiative does not include any proposals to encourage better utilization of CMAQ funds by the States.

In addition, as noted earlier, the Administration's budget proposes to cut funding for transit programs by $309 million below the level guaranteed by SAFETEA-LU. This would also negatively impact efforts to reduce congestion.

BACKGROUND ON ENVIRONMENTAL PROTECTION AGENCY BUDGET REQUEST

Summary

The Administration's budget requests a total of $7.2 billion for EPA programs in FY 2008, including $2.74 billion for State and Tribal Assistance Grants, $2.3 billion for Environmental Program and Management, and $1.24 billion for the Hazardous Substance Superfund program.

The FY 2008 EPA budget cuts nearly $400 million – *a reduction of over 36 percent* - from the likely FY 2007 enacted funding (Continuing Resolution, H.J. Res. 20) for wastewater infrastructure. This represents a reduction in funding for the primary federal vehicle for meeting current and future wastewater infrastructure needs. This is the seventh straight year of declining budget requests for the Clean Water State Revolving Fund program.

These reductions directly impact the ability of states and localities to address growing wastewater infrastructure needs. These cuts will require local communities to once again defer needed plans for upgrading existing treatment facilities or constructing new facilities. Localities will also continue to face problems of leaking sewage pipes and increased incidences of raw sewage overflows. As a result, long-standing requirements of the Clean Water Act will not be met, and many of the gains in water quality made over the past 30 years could potentially be reversed.

The FY 2008 proposed budget also reduces or eliminates funding for many important programs that serve to protect our water resources and human health. Funding for non-point run-off pollution grants has been reduced – in the face of evidence from the Administration and States that non-point run-off is a major source of water quality impairment. Grant funding for the states for watershed protection has been eliminated. Grant funding for water quality monitoring of the nation's beaches and coasts has been reduced. Successful programs that involve our state and community partners, like the National Estuary Program, have also been reduced. Budget reductions in these areas raise the potential for an increased number of unsafe fisheries, beach closures, increases in

waterborne diseases, and the release of untreated or partially treated sewage into the water bodies where adults and children swim and fish.

In much the same way, the Administration again requests reduced funding levels for its Superfund and Brownfields programs, which could slow the clean-up of many toxic waste dumps. For example, EPA projects that it will complete construction (i.e., major clean-up complete) on only 24 sites during FY 2007. This is down from an average of 41.5 construction completes per year during the Bush Administration, and 76 per year during the previous Administration. *In other words, this is a 42 percent reduction from the long-term Bush Administration average, and a 68 percent reduction from that of the previous Administration.*

Clean Water Act

This past October marked the 34th anniversary of the Clean Water Act. This landmark environmental statute established a national commitment to restore and maintain the chemical, physical, and biological integrity of the nation's waters. Under the programs established by the Act, the nation's waterways have shown dramatic improvement in water quality, even as the population has increased by nearly 40 percent. The Clean Water Act has been instrumental in improving the health of rivers, lakes and coastal waters. It has stopped billions of pounds of pollution from fouling the water, and dramatically increased the number of waterways that are safe for swimming and fishing.

In 1972, only one-third of the nation's assessed waters met water quality goals. Today, two-thirds of those waters meet water quality goals. While the nation has doubled the number of waters that meet clean water goals, one-third of the nation's waters still fail to meet water quality goals established over thirty years ago.

To a great extent, the successes of the Clean Water Act resulted from significant investment in wastewater infrastructure improvements throughout the country. Federal assistance to states and localities in building and renovating wastewater treatment facilities and infrastructure was instrumental in cleaning the nation's waters. In addition, other EPA programs and grants serve to successfully combat other water pollution problems facing the nation.

However, many of these marked environmental achievements achieved over the past thirty years may be at risk. According to a 2000 EPA report, "without continued improvements in wastewater treatment infrastructure, future population growth will erode away many of the Clean Water Act achievements in effluent loading reduction." And more recently, the head of EPA's water program stated, "There is critical need for replacing, upgrading, and modernizing these infrastructure systems."[1]

The Administration's budget is proposing a sizable decrease in the Clean Water State Revolving Fund. Similarly, other important EPA programs and grant programs are facing proposed budget cuts or are proposed for elimination.

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[1] Testimony of Benjamin H. Grumbles, Assistant Administrator for Water, U.S. Environmental Protection Agency, before the Subcommittee on Water Resources and Environment, Committee on Transportation and Infrastructure, U.S. House of Representatives. January 19, 2007. p.1

Clean Water State Revolving Fund: The FY 2008 budget request significantly reduces the federal commitment to the Clean Water State Revolving Fund (CWSRF). The CWSRF is the primary federal vehicle for funding wastewater infrastructure programs throughout the nation. The Administration requests $687.6 million in capitalization grants for State Clean Water programs. This is the lowest level requested by any Administration since the creation of the program. It is close to 50 percent less than the long term historical average funding of $1.34 billion for the CWSRF, and it is nearly $400 million less than funds appropriated for fiscal year 2007 ($1.084 billion).

Many stakeholders believe that funding should be increased, rather than decreased. Much of the nation's wastewater infrastructure has a remaining lifespan of only 20 to 40 more years. The repair of deteriorating existing systems, as well as a need for new infrastructure have resulted in a funding gap that EPA, itself, places between $4 billion to $9 billion *per year.*

Non-Point Source Water Pollution: The Administration's FY 2008 budget proposal also reduces funding for programs to control non-point sources of pollution. The States report that non-point source water pollution is the single largest source of impairment to the nation's streams, lakes, and coastal waters. The Administration's budget cuts grant funding to address polluted runoff (Section 319 of the Clean Water Act) by over $10 million, or five percent, to $194 million.

Non-point source pollution refers to the polluting of water by sources such as lawns, road-ways, or agricultural fields. These diffuse sources are usually associated with land-use activities as opposed to end-of-pipe discharges. Examples of common non-point source pollution include: sediments, pesticides, and nutrients from farms and lawns; oil, grease, heavy metals and other toxic materials from streets, highways, rooftops, and parking lots into storm sewers, farm animal wastes from barnyards and pet wastes from urban areas, and soil washed away from construction and other disturbed areas.

The EPA has identified non-point source water pollution as a major factor in water body impairment. In fact, it is a primary focus area of the EPA's Chesapeake Bay Program.

Watershed Grants: The Administration eliminates funding for its Targeted Watersheds Grant Program. Specifically, the Administration cuts funding for this program from $16.6 million in FY 2007 to $0 in FY 2008.

EPA has noted that, "The Targeted Watersheds Grant Program promotes successful community-based approaches and management techniques to protect and restore the nation's waters. The program is an integral approach to the Agency's watershed approach to clean water by providing assistance to watershed groups and service provider organizations working to protect and restore watersheds valued for fishing, swimming, drinking and other important uses."[2] EPA also states that its watershed approach may help to reduce overall

[2] http://www.epa.gov/twg/ (accessed 7 February, 2007)

water infrastructure costs when used in conjunction with traditional water infrastructure systems.[3]

Regional Programs: Regional programs are highlighted by the Administration as opportunities to target regionally specific environmental problems and to work closely with state and local partners. The Administration has increased funding for some of these regional programs including the Chesapeake Bay, the Puget Sound, the Gulf of Mexico, and the Great Lakes. However, budget reductions in other important and related areas such as non-point water pollution grants, Section 106 water quality monitoring grants, among others, may reduce the environmental and public health benefits of these budget increases within the regional programs.

The Administration has proposed reduced funding for a number of other regional programs. It has proposed reduced funding for:

- The U.S.-Mexico Border 2012 Program and grants for U.S.-Mexico border water infrastructure. The U.S.-Mexico Border program provides technical and infrastructure support for the pollution problems resulting from the more than 14.6 million individuals who live on both sides of the U.S.-Mexico border. Infrastructure assistance funds improve environmental and public health protection on both sides of the border as untreated and industrial sewage often flows north into the U.S. from Tijuana, Mexicali, and Nogales, and into the Rio Grande River;
- The Long Island Sound program. This program supports interstate, interagency, and other stakeholder cooperation in addressing a number of environmental threats to the Long Island Sound including toxic contamination, the effects of land use and development, and the effects of hypoxia on the ecosystem, among others;
- The Lake Champlain program. This program supports interstate, interagency, and international efforts to address various threats to Lake Champlain's water quality caused by phosphorus loadings, invasive species, and toxic substances.

The Administration's FY 2008 budget request also reduces funding for the National Estuary Program (NEP). The President's budget proposes $17.2 million, a nearly 29 percent reduction from the $24.1 million provided in FY 2007 under H.J. Res. 20. This cut represents a nearly 29 percent reduction over the space of a year.

The National Estuary Program seeks to restore the physical, chemical, and biological integrity of the nation's estuaries and coastal watersheds by protecting and enhancing water quality and living resources. There are currently 28 estuary programs spread across the entire country in the National Estuary Program. The EPA has attributed this program's successes to the program's: focus on watersheds; use of science to inform decision-making; emphasis on collaborative problem-solving with stakeholders; and public involvement.

Reduction in funds for the National Estuary Program could slow efforts to implement comprehensive management plans is each of the 28 estuaries in the program, and

[3] Testimony of Benjamin H. Grumbles, Assistant Administrator for Water, U.S. Environmental Protection Agency, before the Subcommittee on Water Resources and Environment, Committee on Transportation and Infrastructure, U.S. House of Representatives. January 19, 2007. p.7

diminish the ability to identify best practices for estuaries and communities not formally involved in the NEP.

Superfund

The Administration's budget for the Superfund cleanup program proposes $1.245 billion for FY 2008. This is a reduction of 0.5 percent over the previous fiscal year's enacted funding of $1.252 billion.

A January 2004 report by EPA's Office of Inspector General (OIG) found that limited funding for the Superfund program significantly limited the program's ability to clean-up the Nation's most toxic waste sites. The EPA-OIG report estimated that in FY 2003 alone, the site-specific shortfall for the Superfund program was $174.9 million. According to the OIG report, this ongoing shortfall has prevented EPA from beginning construction at numerous National Priorities List (NPL) sites across the country, from providing additional necessary funds to fully address sites in a manner believed necessary by regional officials, and caused delays of on-going clean-ups.

The EPA-OIG findings highlight EPA's recent record in finishing the clean-up of Superfund sites. The OIG reports that, as of FY 2006, a huge number of highly toxic sites remained on the NPL – 1,614. In its first year in office, the current Administration projected that 65 constructions would be complete (i.e., major clean-up of site complete). This figure alone was down from an average of 76 construction completes under the previous Administration. Only 42 construction completes actually took place that first year. Subsequently, the Administration proposed 40 construction completes per year – while at the same time adding 22 additional sites to the NPL per year. In FY 2007, however, the EPA has revised its construction complete projections to only 24 sites. This is a 42 percent reduction from the long-term Bush Administration average of 41.5 construction completes per year, and a 68 percent reduction from the average of 76 per year from the previous Administration. In the upcoming fiscal year, the Administration proposes the clean-up of 30 sites.

EPA has stated that a major cause for the short-fall of site specific clean-up funds is that many of the larger, more complex, Superfund sites are reaching the construction phase – the most expensive phase of clean-up – and that, as a result, they are placing a bigger burden on the total Superfund budget. In addition, EPA states that remaining clean-up sites are becoming more complex – and therefore more expensive.

Given consistently declining budget requests over time, an increase in the number of complex sites, and an increase in the number of construction phase clean-ups, it is unclear whether EPA can reach its projected number of construction completes in fiscal years 2008 and 2009 (30 and 35, respectively).

Finally, in FY 2008, the entire amount proposed for the Superfund program will again come from general revenues. This is the fourth year in a row that this has occurred since the taxes that fund the Superfund trust fund expired in 1995. However, unlike the previous Administration, this budget again fails to call for the reinstatement of the

Superfund taxes. Supporters of the taxes argue that individual taxpayers should not foot the bill for pollution that they were not responsible for creating.

Brownfields

The President's FY 2008 budget request for the entire brownfields program is $162.2 million. This is a reduction of $370,000 from the FY 2007 appropriation of nearly $162.6 million.

Within the $162.2 million total, the brownfields program budget request is $23.45 million. This is a reduction of $1.18 million from the fiscal year 2007 appropriation of $24.63 million. This program administers and provides assistance for hazardous substance training for organizations representing states and tribal co-implementers of the Brownfields law, as well as Tribal outreach support to address environmental justice issues and support Brownfields research.

EPA's brownfields assessment and clean-up grant program was enacted in 2001, and is authorized at $200 million annually. These funds are used to assess and physically clean-up sites. However, since 2001, the Administration has consistently requested far less than the fully-authorized levels for assessment and clean-up. In this request, the Administration's proposal for grants to assess and/or clean-up brownfields is $138.8 million ($89.3 million for the brownfield grants to communities for site assessment and clean-up; $49.5 million for Brownfield Categorical grants under Section 128 of the Superfund law to help establish and maintain state brownfield programs (authorized at $50 million.) This is less than 56 percent of the authorized amount of grant funding under the brownfields program.

A reduction in brownfields funding may mean a less efficient implementation of the Brownfields Program. Communities may be limited in their ability to revitalize themselves through the assessment and clean-up of contaminated properties.

WITNESSES

PANEL I: The Honorable Mary E. Peters
Secretary of Transportation
U.S. Department of Transportation

Accompanied by: Phyllis Scheinberg
Assistant Secretary for Budget and Programs and
Chief Financial Officer

PANEL II: The Honorable Benjamin H. Grumbles
Assistant Administrator for Water
U.S. Environmental Protection Agency

The Honorable Susan Parker Bodine
Assistant Administrator for Solid Waste and Emergency Response
U.S. Environmental Protection Agency

FISCAL YEAR 2008 PRESIDENT'S BUDGET REQUEST FOR THE DEPARTMENT OF TRANSPORTATION AND ENVIRONMENTAL PROTECTION AGENCY

Thursday, February 8, 2007

HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, WASHINGTON, DC.

The committee met, pursuant to call, at 2:00 p.m., in room 2167, Rayburn House Office Building, the Honorable James L. Oberstar [Chairman of the committee] presiding.

Mr. OBERSTAR. The Committee of Transportation and Infrastructure will please come to order.

Regrettably, I have just been notified from the floor that there will be a series of floor votes that could take as much as 25 minutes. I would hope that we would be able to get on with the Secretary's testimony right at the outset. I know all members have statements and pronouncements and points they want to make and flags they want to lay down, but we can do that in the course of the questioning.

We are here to hear the Secretary's presentation, her first presentation before the full Committee, on the Administration's Transportation Budget, which for some of us is a great disappointment in many regards. There are other bright spots in it, but overall I have some real concerns about the short funding for transit, short funding for AIP, the under-funding of Amtrak. There are a number of other areas that others have concerns about.

We also will have from EPA, Ben Grumbles and Susan Bodine, whom I welcome as former Transportation and Infrastructure Committee staff members, and they are always dangerous when they go over to the other side. They know how the legislative side works, and then they take that expertise and go over to the executive branch.

That will conclude my statement to welcome the Secretary. We really appreciate your time spent with us.

I will yield to the Ranking Member, Mr. Mica, for comments that he might make.

Mr. MICA. Well, thank you, and I will try to be brief too and welcome Madam Secretary.

I too did receive the President's budget. Hopefully, it is a good framework in which to start. Both Mr. Oberstar and I have questions and concerns. We have already discussed some of them.

As you know, I am a big fan of mass transit, and I am concerned about some of the cuts that have been proposed. We want to keep

the trust fund whole, and I think we are committed to that and try to get as many dollars as we can in there to get distributed to our States. Amtrak, while you have a lowball figure, I continue to encourage elimination of waste and hopefully better management, and we will look at that.

There are other things that we will have questions about, the State revolving fund and some of the investments that you have in fact proposed and then also looking at some of the EPA funding provisions.

I do have a lengthy statement, Mr. Chairman. I ask unanimous consent that we put the entire, every morsel of choice words into the record.

Mr. OBERSTAR. Every thoughtful comment by the Ranking Member will be included in the record, without objection, and my statement and those of other members.

Mr. MICA. Thank you.

Mr. OBERSTAR. Madam Secretary, the microphone is yours.

TESTIMONY OF THE HONORABLE MARY E. PETERS, SECRETARY OF TRANSPORTATION, U.S. DEPARTMENT OF TRANSPORTATION

Secretary PETERS. Mr. Chairman and members of the Committee, I want to thank you for this opportunity to be here with you today to share the highlights of President Bush's fiscal year 2008 budget plan for our Nation's transportation programs.

Transportation lies at the core of the freedom that we enjoy as Americans, the freedom to go where we want, when we want, freedom to live and work where we choose and freedom to spend time with our families.

Our goal is to deliver a transportation system that frees people to make daily decisions, confident that they can reach their destination safely, without worrying about how they will get there or even if they can make it on time. To reach that goal, the President's budget requests $67 billion for America's transportation network.

Nearly one-third of the Department's resources will be devoted to transportation safety. There is no acceptable fatality rate when our loved ones, our communities, our friends are at risk. The President's fiscal year 2008 budget proposes resources for equipping our Nation's airports and roadways with new safety technologies for targeting growing problems like motorcycle crashes, something I have had personal experience with, and for supporting aggressive inspections of trucks, tracks, and pipelines to ensure the safest standards are met.

In addition to supporting our efforts to raise the bar on safety, the President's budget will help cut congestion and bring our transportation system into the 21st Century.

For those who use our aviation system, it provides the framework for reforming our approach to paying for safety and technology improvements needed to keep air travelers, freight and pilots on schedule. We have put together a package that will tie what users pay to what it costs the Federal Aviation Administration to provide them with air traffic control and other services. Our plan puts incentives in place that will make the system more efficient,

as well as more responsive to the needs of the aviation community. Without reform, we can all expect to spend more time waiting in airports or strapped in an airplane seat, sitting at the end of a runway.

We will announce the full details of our aviation proposal soon. I can tell you that the budget targets almost $175 million for a 21st Century satellite navigation system that will replace the current dated air traffic control architecture and over $900 million for additional capital projects that will support this move to the Next Generation system.

For travelers, this system is going to bring greater convenience and reliability, thanks to state of the art technology that can safely handle dramatic increases in the number and type of aircraft using our skies without being overwhelmed by congestion.

For drivers stuck in traffic, the budget proposes a record $42 billion in funding for highway and highway safety programs. Our budget proposes resources to help move traffic on clogged highways and city streets, directing $175 million to support the comprehensive Department-wide congestion relief initiative that Secretary Mineta announced last year.

This funding will help growing metropolitan areas that want to test leading edge solutions. It will help commuters get real-time traffic information, so they will know in advance if roads are congested and be able to make alternative transportation plans, and it will allow us to accelerate the development of travel corridors that will be key to moving freight and people without congestion in the future.

Accessible and cost-effective transit projects also help fight congestion, and our budget provides $9.4 billion for transit programs. This funding includes $1.3 billion for major projects that will help provide commuter rail and other travel options in large urban areas, and another $100 million will support transit alternatives through the Small Starts program.

Even as we make these investments, we realize that a business-as-usual approach to funding these programs is simply not going to work much longer. There is and will continue to be money coming into the Highway Trust Fund from gasoline taxes, and the revenues are growing every year, but so is spending and even at a higher rate. The bottom line is that we are spending more than we take in, and we have nearly run through the balances that had built up in the fund. The highway funding problem is not going to go away, nor can we put it off until the last minute.

As we go through this budget process, I look forward to working with Congress on solutions to these issues. In the long term, we need serious reform of our approaches to both financing and managing our transportation network to win the battle against congestion. Serious reform must include reform of the legislative process itself.

The explosive growth of earmarks in recent years has hit transportation programs especially hard. I support President's call for transparency and a 50 percent reduction in earmarks in the coming year. As a former State Department of Transportation Director, I strongly support giving States freedom to set priorities and use

Federal dollars where they know they will provide the maximum benefits.

Mr. Chairman and members of the Committee, thank you for the opportunity to testify before you today. I look forward to working with each of you and the transportation community to ensure a safe transportation system and to begin to break free of the stifling congestion. I also look forward to answering any questions you may have.

Mr. Chairman, if I may, I would like to introduce our Assistant Secretary, Phyllis Scheinberg, who is here with me today. Thank you, sir.

Mr. OBERSTAR. Ms. Scheinberg, welcome. Thank you for being here.

Ms. SCHEINBERG. Thank you.

Mr. OBERSTAR. Thank you, Madam Secretary. It was a very succinct statement, remarkable.

Ms. Scheinberg, you have no statement? No, OK, thank you.

One question, your aviation user fee proposal, such as we know of it, by our calculations—we spent some time working over this—would raise $600 million less than the ticket tax is now raising and the other user fees. How can that be consistent with the Administration's argument that a user fee system is needed because there is a revenue crisis?

Secretary PETERS. Mr. Chairman, the $600 million difference that you refer to was based on the 2008 budget year. We would not begin collecting that tax until 2009, so it was a hypothetical example. The Assistant Secretary could certainly provide more details if that would be helpful.

Mr. OBERSTAR. I yield the balance of my time to the gentleman from Oregon, Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman. I appreciate the opportunity.

Madam Secretary, it is good to see you again. Thank you for being here.

We are concerned. I am concerned, and I believe other members of the Committee would share my concern about cuts proposed in the Small Starts program. Can you explain the rationale for these cuts, New Starts and Small Starts?

Secretary PETERS. Mr DeFazio, yes, I would be happy to explain those. The overall FTA budget for the year is $9.4 billion as I indicated, and it is a reduction of $309 million below the fiscal year 2008 levels authorized in SAFETEA-LU. The problem is, sir, that we had difficult budget choices to make.

We have made a choice to provide historic levels of transit funding and in this budget we have proposed funding every project that is ready to go. There are no projects that are sacrificed in our budget. That includes 11 existing full-funding grant agreements, two pending agreements and two proposed agreements. We have also set aside $72 million in funding for 6 projects that are not yet ready to be funded.

We have also included $100 million for the Small Starts program. We believe that the new regulations will not be finalized until early 2008 which would make it difficult to award more projects.

Mr. DEFAZIO. I guess if I could, I appreciate that, but it has been quite some time since we passed the legislation. Why can't we have the regulations for Small Starts sooner than that? Why would it take another year to get the bureaucratic regulations published?

Congress expressed its will. We will be near the end of this highway bill before we get to that. Couldn't we move that up a little bit?

Secretary PETERS. Congressman DeFazio, I understand your concern, and I will do everything in our power to get those regulations moved up sooner.

Mr. DEFAZIO. There are some in the transportation community that think the Administration doesn't like the idea of Small Starts and New Starts, and I would hope that that is not true.

The $275 million you are saving, where is that going? Is that going to your new congestion whatever program, the one you are pushing communities to do?

I have heard from communities saying well, gee, DOT has been out here. They have all this new money. They have got these new programs they want us to do for congestion mitigation. They want us to do time of day tolling and other things. Is that where that money is being moved to?

Secretary PETERS. Sir, that is not where that money is being moved. The money that we are using for the congestion initiative is money that came from inactive projects, projects that were as old as the 1991 Intermodal Surface Transportation Efficiency Act.

Mr. DEFAZIO. OK. Then where did the $275 million from transit go? What are we dong with that?

Secretary PETERS. Sir, that is within the balance of our overall budget which includes some small portion of general fund monies.

Mr. DEFAZIO. We are cutting an authorized program paid for by user fees in order to offset some of your administrative overhead costs that are reimbursed out of the general fund in order to provide the illusion of moving toward a balanced budget, is that correct?

We are foregoing real investments in transportation in order to satisfy the green eyeshade trolls over at OMB who want to pretend they are providing us with a fiscally responsible budget.

Secretary PETERS. Sir, the reduction in the transit program comes from the general fund portion.

Mr. DEFAZIO. So, again, we are cutting real programs that could provide transit alternatives for Americans at a time of escalating fuel prices, a time of concern over our dependency on imported oil, and we are doing all that to offset this general fund contribution in order again just to try and provide the illusion of fiscal responsibility.

Secretary PETERS. Congressman, the President has asked us to keep non-defense discretionary spending at or below 1 percent. We have actually allocated more money than that to the surface transportation and transit programs, but the need to have budget discipline this year is what led us to this level.

Mr. DEFAZIO. Right, but again this is something authorized by the Congress and authorized to be paid for by a trust fund tax paid by the American people for a dedicated purpose, a purpose for which there is no shortage of demand out there in America, and

we are cutting it. Bottom line, is that it is because the President says, well, we just can't. We don't have that money, and we are going to spend it somewhere else or we are going to use it for tax cuts for rich people.

Secretary PETERS. From the general fund portion, sir.

Mr. DEFAZIO. My time is about expired, but I guess I have one other quick question about the fuel tax.

I just had a State legislator in, a Republican State legislator. There is a big conference at the White House tomorrow to push privatization projects. I am concerned, and I raised this with you privately and I have raised it publicly, about the push toward privatization. It can be appropriate in some instances. In others, it might not be. But overall we have to protect the integrity of the national transportation infrastructure and its interconnected nature. We need to protect the public interest.

I fear that, particularly that you have got a fellow from the Reason Foundation and you have got a staff person who has produced a one-sided document on this issue. I looked at the panel members. There is no balance. You are not talking about the fact that there is a way to do it right and another way that may not be in the public interest. I am very concerned about that, Madam Secretary.

Secretary PETERS. Sir, I understand your concerns.

Mr. DEFAZIO. Thank you, Madam Secretary.

Mr. OBERSTAR. Mr. Mica?

Mr. MICA. Thank you. Again, welcome, Secretary Peters.

We find ourselves, and I guess we have done this before, in one of our more unique funding situations and budget situations in that the fiscal year that started in October of last year, we have not resolved financing, at least Congress has not finished it with a CR. I have a question about the impact of the CR, the 2006–2007 CR, that we should be financing Government with now as far as your Department-wide responsibilities, are you going to be able to meet your goals as far as safety and programs?

Secretary PETERS. Congressman Mica, if the H.J. Resolution 20 includes some 2007 fiscal year levels of funding, we will be able to do so. If it is flatlined at 2006 levels, it would require drastic action in the Agency, particularly with regard to our FAA air traffic controllers as well as safety inspectors and other positions.

What we would ask, in those areas that are held to the 2006 levels, is that we would have the flexibility to reprogram so that we may ensure that the highest priority needs are met.

Mr. MICA. Because I think they are going to play a game of chicken at the end here for folks to try, from what I heard, to eliminate some amendments in the Senate and messing with it.

You just testified the Administration doesn't want to see a lot of earmarks. This may be the biggest earmark in history, and you will also have discretion in how to distribute those funds if there are not specific earmarks, isn't that correct?

Secretary PETERS. Yes, sir, that would be correct. We would, however, follow Congressional guidance in establishing the programs.

Mr. MICA. OK, because we did have a discussion, the Chairman and I, earlier about procedures, and I think that is going to be important.

We don't have your whole FAA financing plan. If you can't tell us the plan, can you tell us the rollout schedule?

Secretary PETERS. Congressman Mica, we expect to roll out that proposal next week.

Mr. MICA. Is that everything? Is that the PFCs? We got a little glimpse in here, and some of this does possibly look at user fees.

Secretary PETERS. It does.

Mr. MICA. Do you want to talk about that for a minute?

Secretary PETERS. I would, Congressman, and if I may take just a moment to talk about the need for the change in system because that has been the subject of some discussion.

The current funding structure for FAA has significant limitations. These limitations have resulted in less than optimal service. Many of us saw an article in the Washington Post this morning about significant delays in aviation travel. Safety of the program is and remains our highest priority, but there have been delays and a lack of reliability due to the capacity and the capability of the current 20th Century system, and these are only going to get worse as demand on the system increases.

In just less than 10 years, the Nation's air space will be 30 percent more crowded than it is today, and by just 2012, FAA projects 23 percent more passengers will be flying. By 2025, commercial carriers will be carrying 1.4 billion passengers, which is an 87 percent increase. By 2012, FAA projects that aircraft handled by FAA en route centers will be 17.6 percent higher than in 2006. By 2025, demand will increase to 86.5 million aircraft, which is an 87 percent increase over 2006.

Our current funding structure is largely based on the price of a ticket, and bears no direct relationship between the taxes paid by users and the air traffic services provided by FAA. In order to meet the future demand as well as some of the current demand, we need to transition to a dynamic 21st Century structure that ties use of the system to costs, a system that is equitable and a system that is responsive to growing demand.

Sir, we have talked about user fees, but there are a number of policy considerations that will be addressed in the reauthorization proposal itself. I understand that people are concerned, and I understand the general aviation community is concerned. But I would ask that we have that discussion after the proposal is released so that we can look at the policy implications and decisions together.

Mr. MICA. OK. Final question, to actually get us to deal with the aviation congestion, we have got to go to the next generation of air traffic control. For the new members, the acronym, and you will lots of these, is NGATS, Next Generation Air Traffic Control.

The schedule for NGATS and then our preliminary discussions to date, we are looking at about a billion dollars additional per year in financing that for 18 to 20 years to keep up with it because you can never hire enough air traffic controllers to keep up with that as per the MITRE. I strongly recommend if you get a chance, and I think they are coming up here with a little display, you should see the MITRE study on NGATS. Could you respond quickly?

Secretary PETERS. Congressman, I think you make a valid point. Today's system is largely dependent on ground-based radar, and so as planes fly across the Country, they are tracked from one system

to another based on the ground towers. The new system, which we call Next Generation, will be based on satellite technology and will allow planes to fly closer together, and land closer together without compromising the safety of the system. This system will require not only changes with the infrastructure within the air traffic control system, but also within the airplanes and the architecture that is part of that system today.

So, as Congressman Mica said, this is a long-term, highly capital-intensive investment. We are developing a business plan for that investment, and we will be able to share it with you in the reauthorization proposal. But, as the Congressman said, this is a very significant investment that will move us into the 21st Century and allow us to be able to handle the type of aircraft traffic increases that I spoke to earlier.

Thank you, sir.

Mr. OBERSTAR. Ms. Johnson?

Ms. JOHNSON. Thank you very much, Mr. Chairman.

I think most of my questions might be for the second panel, but I will ask if by chance you are recommending user fees anywhere else because of the shortness of the budget.

Secretary PETERS. Congresswoman, we are not recommending user fees at any other part of our budget at this time.

Ms. JOHNSON. Well, do you think you are going to have enough money to deal with the New Starts and all the projects that are ongoing considering the fact that the gas tax fund will, run out in 2009?

Secretary PETERS. Congresswoman, you make a valid point. In fact, the Congressional Budget Office (CBO) has projected already a $3.62 billion deficit in the highway account of the Highway Trust Fund for 2009. The Administration is recommending several steps to help mitigate that and protect the solvency of the trust fund. However, we still anticipate that a projected $238 million shortfall will occur in 2009.

The two steps that we are taking: Our first, a new accounting procedure that transfers cash to the flex funding from the highway account to the mass transit account (MTA) when the money is needed for outlays as opposed to when the actual contract authority and obligation limitation are transferred it doesn't hurt the MTA because these outlays go out at a slower rate. The second, and probably the bigger recommendation that we are making is that the President's 2008 budget proposes not spending $631 million in revenue-aligned budget authority. These two mechanisms will reduce the anticipated shortfall to $238 million anticipated.

But, as you said, Congresswoman, we really need to talk about what we are going to do for the transportation funding well before 2009.

Ms. JOHNSON. Thank you very much.

Thank you, Mr. Chairman.

Mr. OBERSTAR. Mr. Petri?

Mr. PETRI. Thank you.

Madam Secretary, there are a lot of areas that I would like to ask about, but there is one that my colleague, Mr. Duncan, who is not here right now, and I think you might want to expand on. It is kind of plowing new ground in a way, and that is the area of

congestion pricing. What is the Administration's proposal and what are the implications of that? The ideas to get greater utilization out of infrastructure, something that the transportation professors talk about all the time but the people where the rubber hits the road, so to speak, and have to manage the system have trouble implementing. Could you talk about that and what the merits and problems are associated with what you are doing in the area of congestion pricing?

Secretary PETERS. Congressman Petri, I would be glad. Congestion pricing, or dynamic pricing as it is sometimes is known, is the differential pricing based on time of day and use of a system. Probably the longest going project in the United States today that uses congestion pricing is State Route 91, Riverside County in California. Their sytem does dynamically prices the system to keep the traffic free flowing at all times. On several projects in Southern California, we have seen a 40 percent greater through-put by using this congestion or dynamic pricing than we do with the same lane configurations on adjacent so-called free lanes.

Congestion pricing can help us get more throughput out of our transportation infrastructure but also can keep that transportation infrastructure safer because it keeps most of the traffic moving at relatively the same speed of travel which is always safer than the dangerous stop and go that you sometimes see in congested areas.

Mr. PETRI. Could you explain it a little bit more concretely? How would people pay more at different times of day as mainly it would be commuters, I assume, going into and out of congested areas?

Secretary PETERS. Yes, in most cases, it is commuters. The way the system works is the tolls or the fees are charged electronically through a transponder that is mounted in the car. Signs approaching the entrance to these lanes would state what the price is at that time so people could make a conscious choice whether or not to get on those lanes. If they choose to get on the lanes, the price does not change during the time that they are on the lanes. The price only changes at the onset of the facility not during the time that you are on the facility.

Mr. PETRI. You would be using, in effect, HOV lanes for congestion pricing?

Secretary PETERS. Congressman Petri, that is where it works extremely well. Converting an existing high occupancy vehicle or HOV lane to what is sometimes called a high-occupancy toll lane uses the available capacity that is already there on an existing HOV lane. In many cases it can capitalize on existing infrastructure so that single-occupant drivers can use those lanes by paying the fees. The pricing structure helps keep the traffic moving or free flowing for the entire facility.

Mr. PETRI. Thank you.

You may have mentioned this—I was distracted for a minute—the Next Generation Air Traffic Control System. I realize it is not a turning off one system and turning on a new system. The technology will be deployed in a sequential way and layered into the system, and a lot of people are working on it. Do you have some idea going forward the next 5 years and 10 years what the cost implications are?

Is it going to be manageable within the budgets or will there be a surge? Can you give us some sense of what you are thinking in terms of the cost of the new system?

Secretary PETERS. Congressman Petri, we are looking at a variety of ways to pay for this system right now as well as developing a budget. We are looking at a variety of ways where we might be able to access funding, including possibly the private sector, to build and operate the system. That is all part of a business plan that we are developing and should get to you in the next few weeks, or the next few months rather, as well.

A very important part of what you said, Congressman Petri, is the fact that this system has to migrate in over time. It isn't just flipping a switch and changing from the existing system today to the Next Generation system. As I mentioned earlier, it will involve changes not only to air traffic control infrastructure but to the aviation equipment itself. The airplanes, airports, et cetera will also have to be retrofitted with this equipment.

We believe, sir, that this will indeed cost several billion dollars. As I said, we are in the process of developing a business plan and should have more firm information to you in the coming months.

Mr. PETRI. Thank you.

I think the benefit is that it will improve safety and expand the capacity of the system enormously.

Secretary PETERS. Sir, it absolutely will. The truth is the existing system simply cannot handle the growth in aviation traffic that we are going to be seeing in the future.

Thank you.

Mr. OBERSTAR. Mr. Costello?

Mr. COSTELLO. Mr. Chairman, thank you. Madam Secretary, welcome to the hearing here today.

I share what I expect what many of my colleagues expressed, and that is I am concerned that the fiscal year 2008 Administration budget does not adequately meet the needs of our Nation for the expectation of investment in critical infrastructure, and specifically let me address a couple of issues concerning aviation.

For the past several years, the Administration has proposed massive cuts in the AIP program. I have opposed those cuts for obvious reasons. When we look at airports, much of the attention is put on security. However, we have a capacity issue that we have to address to avoid costly delays in the future.

My question has just a few concerns about the proposed budget for aviation. We have a hearing next week which will get into specifics, but I understand from an earlier question that you noted that your 2008 comparison for the proposal to the current tax structure was, you indicated, hypothetical, that it was hypothetical because the user fee structure would not be in place.

We did a preliminary analysis of the analytical perspective accompanying the budget, and it indicates that the Administration user fee proposal will actually generate $900 million less in revenue than the current tax structure between the years 2009 and 2012. I just ask you, is that correct?

Secretary PETERS. Congressman Costello, I don't know if that is correct. I would be happy to look at the numbers with you and see

if we could reconcile that, but I don't have that number with me today.

Mr. COSTELLO. My understanding is in response to Chairman Oberstar's question, you had indicated that it was hypothetical because the user fees would not be in existence in 2008. They will be if your proposal is enacted by Congress in that period of time. You have not run the numbers for 2009 through 2012?

Secretary PETERS. Yes, we have. If I may, I will ask the Assistant Secretary for Budget and Programs to answer that question.

Mr. COSTELLO. The question is our analysis shows it is about $900 million less during that period of time with the user fee system than the current tax structure, and I just want to know if that is correct.

Ms. SCHEINBERG. I won't disagree with those numbers, but I wanted to say that the user fees in the future are now just estimates. Our user fee proposal will be directly tied to the needs and costs of the system. As the needs and costs go up, the user fees would go up. So, right now, we are not showing what would probably be the accurate numbers. Those numbers would be adjusted the closer we get to 2012. This is pretty much an estimate at this point.

Mr. COSTELLO. But you would not disagree. You would not quarrel with the numbers if your preliminary analysis says it is $900 million less than the current tax structure. You wouldn't have reason to doubt that.

Ms. SCHEINBERG. I don't have the numbers in front of me, but I wouldn't disagree if you say so, yes.

Mr. COSTELLO. Let me also ask, Madam Secretary. The issue of the general fund contribution, in the Administration, we have seen a reduction over a period of time now. I happen to believe in a robust general fund contribution because I believe it benefits everyone, the system does, and an efficient air transportation system benefits the economy.

Let me ask your feeling about a general fund contribution. It went from about in the high twenties to 25 percent down to 21 percent and now I believe down to 19 percent. What is your feeling about a general fund contribution to support the system and the modernization program?

Secretary PETERS. Congressman Costello, we believe that a general fund contribution is important to fund those things that are inherently governmental functions, or those things that are in the interest of the public as a whole. Some of those things would include defense uses of the air traffic control system. We believe the general fund contribution ought to be equitable to inherently governmental or public use functions.

Mr. COSTELLO. The current projections that I have seen for the AIP program, and if these are correct in front of me, the President's proposal is $2.75 billion. You know and I know that under the current entitlement program for airports, when the figure falls below about $3.2 billion, then the primary airports that are entitled to a minimum of $1 million, that would drop down to about $650,000 and the non-primary airports would be cut out of the process, the entitlement process altogether. I wonder if you might

comment as to how the FAA intends to address that if the President's AIP budget proposal is adopted by the Congress?

Secretary PETERS. Congressman Costello, our reauthorization proposal will contain changes to the Airport Improvement Program (AIP) formula and passenger facility charges.

Today we support a level, as you said, of $2.75 billion. This amount, based on our projections, will provide enough funds for us to meet the high-priority airport capacity, environmental, safety and security needs of the airport system. The proposed changes that will be contained in our reauthorization proposal will ensure that funds flow to projects that further National goals and airports that depend heavily on AIP to meet their capital financing needs.

Mr. COSTELLO. Last question, the Administration has been promising to deliver their proposal for the reauthorization of the FAA since last summer, and I have heard it was going to be June and then the fall and then the first of the year and now we are hearing next week. Will we get the Administration's proposed reauthorization plan next week and, secondly, will it be in one part or will it be divided up into three parts as we have heard?

Secretary PETERS. Congressman Costello, I do apologize. I can't speak for the past, but since I have been at the Department, it has been our target to get that proposal to you right after budget rollout which would be next week, and it is my expectation that we will do that.

Mr. COSTELLO. In one package or in parts?

Secretary PETERS. One package, sir.

Mr. COSTELLO. Thank you.

Secretary PETERS. Thank you.

Mr. OBERSTAR. Mr. Hayes?

Mr. HAYES. Thank you, Mr. Chairman.

Madam Secretary, welcome.

Secretary PETERS. Thank you.

Mr. HAYES. We appreciate the challenge and opportunity before you. The Department of Transportation is a tremendous contributor to commerce and employment and jobs and the overall health and well-being of the Nation, whether it is highways, rails, ships.

Aviation is a particular area of interest to me, and I am sure you will get a couple of other questions about that going forward. Looking at aviation, and let me say up front that I think the idea of user fees is just very, very frightening and damaging to the potential for maintaining and increasing the aviation community's contribution to the whole process. Talk about increased congestion, that is a problem in the air and on the ground, but in the air it is three-dimensional as opposed to one on the ground. The FAA, in modernization, has almost doubled the air space with the advent of RVSM equipment and some other things that the community is paying for.

My question becomes then as well look forward, we want to make sure that these tax dollars are getting the maximum effect. Now on increasing capacity, there are a number of obsolete systems. When I say obsolete, they still work but very few people use them, VORs and NDBs, those types of things. I hope and I would assume that going forward you all will look very carefully at the savings generated, kind of like cleaning out your closet, as we move into

more technology-driven areas. Is that a big part of your planning process when it comes to what the FAA will ask for in the reauthorization?

Secretary PETERS. Congressman Hayes, it is. I think you make a valid point that some of these systems will no longer need to be used.

The only difference, I would say, is the transition period. As Congressman Petri pointed out, we can't simply turn off one system and turn on another. So it will be a migration over time. But yes, we are calculating the cost savings from the systems that will no longer be used.

Mr. HAYES. I appreciate that, and I will look forward with Mr. Costello and others to sitting down and talking about that in detail. If I fly from here to Concord—and under the rules, that is now questionable—there is only one VOR involved in that. The other one is still out there. There are a lot of things that could happen.

The FAA has had some issues with recent audits. It is a big agency and has a lot going on. I hope we would make sure, particularly under the threat of huge tax increases on fuel and potential user fees, that we get that cleared up. I want the folks, particularly in the name of safety, to have everything that they need but making sure that those dollars are well spent and that we do not put undue strain, particularly on that segment of industry where hundreds of thousands of people are employed in building airliners and all the way from 747s all the way down to unmanned aerial vehicles.

Any thought or is it premature since the final document is coming out next week, where is the whole user fee issue? Chairman Mica mentioned it earlier. What is the latest and greatest on that and can you give us a preview of what proposed tax increases on fuel there are and kind of how that is going to shake out?

Secretary PETERS. Congressman, I am at a bit of a disadvantage due to the fact that we don't have the reauthorization proposal out yet, and because some of those issues are being decided, I would not be comfortable talking about what the components of charges would be. I would be happy to talk with you next week.

You obviously have much greater knowledge about the technical aspects of this than I. In fact, I think I have just about exhausted my technical capability here, but I do understand your concern about the audit and about responsibility for public funds. I think the issue is a very important one.

Air traffic modernization has been on the Government Accountability Office's (GAO) high risk list for years. Administrator Blakey and I take these issues very seriously, and we have been giving the programs and accountability for the programs very careful attention. Ninety-seven percent of FAA's major capital programs were on time and on budget in 2006, and that number will be even higher for 2007. Both GAO and the Department's Inspector General have noted FAA's improvement in major project management.

Now in terms of calculating the fee, sir, it is intended that an advisory group would be structured and would work with Congress in determining what the actual fees would be.

Mr. HAYES. We certainly, again, welcome you to the Hill and appreciate your efforts. If I have more knowledge that you do, it is

got to be in very limited areas. So, again, thank you and we look forward to working with you and make sure that everybody wins at the end of the day.

Thank you, Mr. Chairman. I yield back.

Secretary PETERS. Thank you.

Mr. OBERSTAR. Thank you, Mr. Hayes.

Ms. Norton? No questions.

Mr. Cummings?

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

Madam Secretary, welcome. Madam Secretary, I wanted to ask you about two areas, water and Amtrak.

The President has proposed significant cuts in the Environmental Protection Agency's budget for wastewater infrastructure. Cuts are also proposed for the Clean Water State Revolving Loan Fund programs to mitigate runoff and programs to restore brownfields. The Targeted Watershed Grant program is proposed to be zeroed out. Obviously, these are also cuts that would target the safety of our water supply and cut the meager environmental protection programs we currently have in place. I just wanted to know what was the thinking behind those cuts?

Secretary PETERS. Congressman Cummings, I unfortunately am not qualified to answer those questions. I believe the witnesses on the second panel from EPA would be able to do so.

Mr. CUMMINGS. No problem.

Let us go to Amtrak. You believe Amtrak ought to be privatized?

Secretary PETERS. Sir, I believe that the Nation needs an inter-city passenger rail service, but we need one that operates on a business model that is sustainable.

Mr. CUMMINGS. So I take it that, as you probably know, in the last few Congresses, there seems to have been an effort afoot by the Administration to move towards privatization, but even the Republican Congress has repelled that. You know that, right?

Secretary PETERS. Sir, I do. Having fairly recently come through the confirmation process, it became abundantly clear to me that there is support for the Amtrak program in Congress, albeit for the funding to be used responsibly.

I have had the opportunity to meet with the Amtrak board, the chairman, as well as the new head of Amtrak, Alex Kummant, to talk about what they are doing. We have seen some progress in the last year by the Amtrak board and by management to control costs and to raise revenues. The President's 2008 budget for Amtrak recognizes that the corporation has made some necessary budget reforms, and we have included $900 million in our budget just as we did last year.

We also are aware of the fact that Amtrak has some substantial resources in addition to the amount proposed in the President's budget. Those resources include approximately $2 billion in normal operating revenue as well as $250 million in State subsidies.

One of the reasons we structured our proposal the way we did, allowing for $100 million for proposed inter-city passenger rail grant programs, is that it could be matched with State funds to gain another $100 million for the Amtrak program. The reason we feel that those State partnerships are so important is that over the last 10 years, ridership on inter-city passenger rail routes that ben-

efit from State support and State involvement has grown by 73 percent. Ridership on Amtrak routes that are not supported by States has increased by only 7 percent.

Mr. CUMMINGS. Now you realize that both Republican and Democratic governors are looking for resources—and my governor, the Republican that was in there and now the Democrat in Maryland—are just screaming, just trying to figure out how they are going to deal with the responsibilities they have presently. Basically, what you are saying is that you want to put more, the President wants to put more responsibility on the States to give more to Amtrak, is that an accurate statement?

Secretary PETERS. Congressman, we believe that where States choose to do so and can provide money, which is then matched at a 50 percent level by this program, it can have very positive results. For example, Washington State, California, and a number of other States who already put money into commuter rail programs are putting money into Amtrak programs and seeing significant increases in ridership.

Mr. CUMMINGS. You have the belief that the Northeast corridor should be separated from the Amtrak system?

Secretary PETERS. Sir, I have not arrived at that decision. The Northeast corridor is very important, and that is one of the reasons that we put $500 million for capital costs in our budget, to help the maintenance and repair of capital infrastructure across the system, but particularly in the Northeast corridor.

Mr. CUMMINGS. Just very briefly, tell me about this. It seems like there has been built up this structure to plan basically to have private and public going against each other, I guess in some type of competition. Is that right?

Secretary PETERS. Sir, I am not aware of that. In fact, what I would prefer to see is public and private contributions working together for the greater good. I am not aware of an effort to contract out Amtrak nor has that been mentioned to me by the CEO or the board members with whom I have spoken.

Mr. CUMMINGS. You are not anxious to see it privatized, is that what you are saying?

Secretary PETERS. Sir, I am not sure that that is on the table as an offer. If it is, I would certainly want to know what the parameters of that offer were and whether or not it was in the public interest at the end of the day.

Mr. CUMMINGS. Thank you, Madam Secretary.

Secretary PETERS. Thank you, sir.

Mr. OBERSTAR. Mr. Graves?

Mr. GRAVES. Thank you, Mr. Chairman, and thank you, Madam Secretary, for being here today and coming up and visiting with us.

My biggest concern is with the FAA and with the new proposals, and I have got a real problem. We talk a whole lot about this funding proposal and how we are going to pay for this thing, but you stated yourself you are still working on the business plan for the Next Generation Air Traffic Control System. Is that going to be available next week with your funding proposal?

Secretary PETERS. Sir, the business plan will not be available next week. What will be available next week is the product that came out of the Joint Program Development Office. That office in-

cludes representatives not only from FAA, but from Department of Commerce, Department of Defense, Department of Homeland Security, NASA, as well as aviation stakeholders who have put together the parameters of the plan that will be included in our proposal.

Mr. GRAVES. But we still don't know what it is we are going to have. We still don't know what the Next Generation Air Traffic Control System is going to be.

Secretary PETERS. We do not, sir.

Mr. GRAVES. We still don't know what it is going to cost. We still don't know. We really don't know a whole lot about it except for a concept, but yet we are coming up with a funding proposal to pay for it.

We talk all about congestion and how crowded the skies are going to be, but I am specifically talking to those GA pilots, those VFR pilots who are out there in Class D air space. They are not using this system, and if they are not using this system, then how can congestion be a problem?

I have heard rumors of as much as a 300 percent increase in the gas tax in and the aviation fuel tax for these GA pilots. That is the word that I got, a 70 cent gas tax. Right now, what is it? It is about 22 or something like that. Now that is a horrendous increase if that is what the case is, and that is for pilots that aren't using the system. That is for pilots who aren't a problem with the system.

I know pilots out there that have got thousands of hours, and they are operating strictly in Class air space. They are not going into Class B air space. They seldom cross through Class C air space. They are just not a drain on the system, but yet they are going to be taxed to help pay for this.

Now I understand through the Aviation Trust Fund, what this money goes to. Truly, the Aviation Trust Fund, and Mr. Oberstar, I know can surely speak to this because he has institutional knowledge about everything when it comes to transportation. The Aviation Trust Fund was developed to build runways and infrastructure, not pay for operating costs. I understand GA has a role in that, and we have the whole reliever airport system to get GA off of the big airports so that the airlines can get in there and we don't have congestion.

But now all of a sudden we are talking about safety in the system. We are talking about crowded skies. We are talking about a Next Generation Air Traffic Control System. That brings me to a whole other point, and that is new equipment.

I can't afford the equipment that is being put in some of these airplanes now. The equipment is worth more than the airplane is in many cases, and now you are talking about a whole new system that is going to require new equipment. Just through certification costs and everything that is associated with that, I can only imagine what that is going to cost, and it concerns me a great deal for those GA pilots out there. Those are the ones that I am worried about. They can't afford a 300 percent increase in aviation fuel costs. I don't what it is going to be, and I am sure you don't know what it is going to be either. We will see next week what the proposal is going to be.

More than anything else, I am venting, and I don't expect you to necessarily respond to it because I have a whole lot of questions

next week and I have got reams of questions that I have about this system that we still don't know what it is and what it is going to cost and how we are going to use.

Mr. OBERSTAR. Would the gentleman yield?

Mr. GRAVES. Yes, yes.

Mr. OBERSTAR. The gentleman is not venting. The gentleman is just making a very profound, compelling statement that reflects the views on both sides of the aisle about the Administration's plan or non-plan or incomplete proposition. So when that proposal comes out next week, it better not just be a concept. It better be something very specific.

Secretary PETERS. Mr. Chairman, I understand.

Congressman Graves, we do understand the concerns of the general aviation community. There are a number of policy considerations that will have to be made by the Department, working together with Congress, as this reauthorization prospect goes forward in the coming months. Those policy considerations will have a great deal to do with some of the concerns that you have expressed by the general aviation community.

Again, in terms of the concept of Next Generation, what we want to do is work with you and work with experts in the field so that together we identify the correct technology because sometimes Government is a little behind the curve when it comes to the best available technology. That is something that we want to work together with you on.

I know that Administrator Blakey will be able to address those issues when she appears before this Committee next week .

Mr. GRAVES. In closing, I do want to thank you for coming up here, and I appreciate your answering our questions or talking about them.

Secretary PETERS. Thank you, sir.

Mr. OBERSTAR. I thank the gentleman for this very perceptive and compelling statement.

Mr. Holden?

Mr. HOLDEN. Thank you, Mr. Chairman.

Madam Secretary, I really don't have a question. I have a comment, but I welcome your opportunity to respond to it when I am finished.

On your comment that you believe that earmarks should be reduced by 50 percent, I couldn't disagree with you more if I tried. Those of us on this Committee and particularly those of us from rural districts depend upon the opportunity to steer dollars to our districts for hazard mitigation, for congestion problems, for economic development, and quite frankly, our state DOTs do not have endless resources. We do not give them endless resources. The money naturally gravitates to the metropolitan areas. We need that opportunity to take care of those concerns that we have.

The Chairman has been to my district two times. The former Ranking Member of the Subcommittee on Highways, Mr. Rahall, was there once looking at projects. While you are thinking about reducing earmarks, I am just going to give you three examples of projects, two complete, one in progress right now that would still be on PennDOT's planning if it were not for my ability and Senator Specter's ability to earmark funds for these projects.

In my home county of Schuylkill, Route 61 was deemed one of the most dangerous highways in the Commonwealth of Pennsylvania. It was a four lane highway, not wide enough, no divider on it. Two highway bills ago, I earmarked $15 million. Senator Specter put a little bit on top of it. Now it is a four lane highway with jersey barriers, and there has not been a fatality there in six years.

Route 222 in Berks County, one of the fastest growing counties in the Commonwealth of Pennsylvania, had the esteemed pleasure of being known as the Home of the Road to Nowhere. Route 222 is a highway between Reading, Pennsylvania and Lancaster, Pennsylvania which was two lanes in two fast growing counties. It would still be a road to nowhere if we were not able to earmark a sufficient amount of funds to have that complete. They are open and operating and safe.

Chairman Oberstar was in my district in Lebanon, Pennsylvania, the City of Lebanon. Norfolk Southern comes through a city of 35,000 people 40 plus times a day. Since I have been representing that county, people have been killed by trains. The ambulance service, the fire service are separated when the trains are coming through from getting to the hospital, getting to the fire sight. As the result of an earmark, it is now a land acquisition. So earmarks are not a dirty word. It is an opportunity for us to help our districts, and I hope you will consider that.

Secretary PETERS. Congressman, if I may clarify, what the President is concerned about are earmarks that are not done in the light of day, those things that happen away from the decision-making part of Congress. We absolutely understand that while the Administration proposes, Congress disposes, and we will always follow the law. But what we ask is that those laws be made in the light of day so that your fellow members and the American people can know where those monies are going.

I don't question your judgment, sir.

Mr. HOLDEN. Thank you, Madam Secretary. Believe me, they were transparent. We had six newsletters out on those projects.

I yield back, Mr. Chairman.

Mr. OBERSTAR. I thank the gentleman. He made a very powerful statement about the high priority member projects that are designated.

Just for the Secretary's edification, although she was Federal Highway Administrator during the process of SAFETEA-LU, we circulated, then Chairman Young and I circulated a 22 point questionnaire to all members that they had to fill out and sign to identify projects in their districts that they would like to have included in the Transportation Bill. All of that was included in the Committee report. Those submissions by members were all vetted. They had to be included in the STIP, that is, the long-term Surface Transportation Improvement Program of their State, and a whole host of other requirements. The specific geographical location of the project, and their identification by member were part of our Committee report and part of the bill that went to the House floor and through conference and in the conference report.

There is no night time designation and no night time fly by night operation in this Committee. It is all done in the light of day.

Secondly, in the aviation reauthorizations, we have never during the time that I was Chair, during the time that Mr. Duncan was Chair, during the time that Mr. Mica was Chair, allowed in the reauthorization of FAA, any airport designation. There were hundreds of requests from members to have a tower, a runway, a taxiway, terminal improvements, all that sort of stuff. We kept it out.

It is the appropriation process that is bad, and I can guarantee, Madam Secretary, that if they cross our line in this Congress, this Chairman is going to be on the floor and raise points of order.

Secretary PETERS. I understand, sir.

Mr. OBERSTAR. Mr. Coble?

Mr. COBLE. Thank you, Mr. Chairman.

Madam Secretary, I arrived late because of another meeting, but I don't think this question has been put to you. The 2008 budget does not include any funds for the new Department of Transportation building in Southeast D.C. Two questions, when are you moving into the new building, and do you have sufficient funds in the 2007 continuing resolution to make the move?

Secretary PETERS. Congressman Coble, thank you for asking the question. If the 2007 H.J. Resolution 20 is enacted as it passed the House, we will have sufficient money to complete the new building, and we will be moving in beginning in approximately April of this year through the end of June of this year. In fact, I am very pleased to report that that project is coming in under budget and on time, should H.J. Resolution 20 pass both chambers of Congress.

Mr. COBLE. Good news, we don't hear that very often on this Hill, do we, Mr. Chairman?

Secretary, let me ask you one final question. Do you believe that there are opportunities to move more cargo on our waterways as part of the intermodal transportation system, (a) and (b), what can be done to encourage greater or widespread use of our waterways as a means of addressing some of the congestion problems of other modes?

Secretary PETERS. Congressman Coble, I think you make a valid point. We are looking at more than doubling the freight transportation of our Nation just within the next 10 years. Estimates are that there will be as much as two and a half times the trucks on the road that you see out there today than trains. So, absolutely, using our inland waterways, using a concept called short sea shipping is something that we absolutely should look at. It is something that I am talking to our maritime administration about to determine where and how we might propose to you to make better use of the waterways.

Mr. COBLE. Thank you, Secretary Peters.

Mr. Chairman, I yield back.

Mr. OBERSTAR. I supplement the gentleman's inquiry by saying that this Committee, the Coast Guard Subcommittee actually will have a hearing on short sea shipping for the purpose of exploring wider opportunities to use our maritime inland waterways and the salt water as well as the Great Lakes coastal system to move goods more efficiently and at least cost and least environmental impact.

Short sea shipping has been in practice in other countries. We have not used it, I was going to say sufficiently. We have hardly

used it at all in the United States. The purpose of the hearing is to explore exactly the point of the gentleman's question.

For example, containers that come into the United States from the West Coast to the Port of Vancouver by the Canadian Pacific Railway and the Canadian National Railway, the CN brings those containers, about a half million of them now, through International Falls on the U.S.-Canadian border in my district and then by rail down through the heartland of the United States.

Those containers could be offloaded at Duluth, placed on a lake-size container vessel, moved past the choke point in Chicago where it takes as long for a container to move through Chicago seven miles as it does to move 1,800 miles from the West Coast to Chicago. Now we can relieve the congestion, reduce the cost and move containers more efficiently. We are going to explore that issue in the coastal regions, the salt coastal regions and the Great Lakes.

Mr. Bishop?

Mr. BISHOP. Thank you, Mr. Chairman.

Madam Secretary, thank you for your testimony.

One of the goals that this Committee has adopted on a bipartisan basis is to examine the connection that exists between transportation policy and energy policy. The President in his State of the Union message in 2006 said that we were addicted to oil. The President is now acknowledging that human activity contributes to global climate change. It is imperative on all of us obviously to bend our policies in a way that reduces our dependence on foreign oil, reduces carbon emissions and so on.

My question to you is really very straightforward. Does the Administration believe that increased reliance on mass transit is a means by which we can reduce our consumption on foreign oil and in the process thereby reduce carbon emissions?

Secretary PETERS. Congressman Bishop, mass transit certainly has a place in meeting the Nation's transportation demand, and with the right systems in place, mass transit can relieve some of the congestion that we are experiencing on our roadways today.

Mr. BISHOP. Then let me be more specific. How is it if the Administration shares that belief, how is it that the Administration can cut funding by $300 million below the level authorized in SAFETEA-LU?

You made the point that what the Administration was trying to reach was historic levels of funding. I believe that is how you characterized it.

Secretary PETERS. That is correct.

Mr. BISHOP. I guess my question is: Is this the time that we can settle for historic levels of funding?

We passed, on a bipartisan basis, a reauthorization bill that included a level of funding for mass transit that we thought was prudent. The Administration is now cutting that by $300 million. How can you justify that?

Secretary PETERS. Congressman Bishop, we recognize the importance of mass transit. We have funded overall transportation programs well in excess of the 1 percent limitation that the President has asked us to meet for non-defense discretionary spending. In crafting our proposal for transit this year, while mindful of that goal, we funded every project that was ready to go, every project

that has a full funding grant agreement, that is pending or we believe will be at that point during the year.

When SAFETEA-LU was passed by the Congress and signed by the President in August of 2005, it was a very different picture in terms of the health of the Highway Trust Fund and the Highway Account. We have to make tough choices, and those were the choices we made, sir.

Mr. BISHOP. I understand that. At the risk of being argumentative, the 1 percent cap that the President imposed clearly is an arbitrary number. I mean the Pentagon's budget is going up by 11 percent. We are spending more in that area because the President believes that that is a priority. The Nation believes that that is a priority.

I guess what I and a number of us are struggling with is how are we going to move this issue, this issue of climate change and the way in which Government policy can impact our ability to bend that. How are we going to move that to a priority that eclipses some arbitrary 1 percent barrier?

Secretary PETERS. We believe that those systems are a priority, and we have allocated more than the 1 percent to those programs. I certainly understand where you are coming from, and I believe that we share those concerns. We will work hard with you to resolve these issues.

Mr. BISHOP. OK, thank you, Madam Secretary.

I yield back, Mr. Chairman.

Mr. OBERSTAR. I thank the gentleman.

We have about 10 minutes remaining on this vote, and then we have 50 minutes of voting. I can't ask the Secretary to stay for an hour.

We will go to other members and ask them to fire one question off, and I hate to do this, but then we will negotiate with the Secretary about a return encounter.

Mr. Duncan?

Mr. DUNCAN. Mr. Chairman, in light of your statement, I will just go ahead and submit my questions for the record. Thank you.

Mr. OBERSTAR. As the former Chairman of the Aviation Subcommittee, you are entitled to a question.

[Laughter.]

Mr. DUNCAN. Well I am curious. I am curious about two things. One, the recission of these almost $8 billion in highway funds and what we are going to do about that and also are you making any recommendations about new ways to finance the aviation system? I am interested in both of those things, but that is two questions.

Mr. OBERSTAR. All right, she can answer. She talks fast.

Secretary PETERS. Congressman, I am going to ask our Assistant Secretary to discuss the recisions.

In terms of new ways to fund aviation, we are looking at new ways to fund aviation and trying to find ways to meet the increasing demand without putting any undue burdens on our aviation community, as Congressman Graves mentioned. When we get our proposal out next week, we will talk to you in more detail about those.

Mr. DUNCAN. All right.

Ms. SCHEINBERG. Sir, there are four proposed cancellations, as we call them. Two of them are from the Miscellaneous Appropriations Account, one is contract authority that correlates with the Revenue Aligned Budget Authority (RABA), that we are proposing not be instituted in fiscal year 2008, and the fourth one is unobligated balances of contract authority, similar to what the Congress did last year and is doing in H.J. Res. 20.

Our level is at $1.4 billion compared to the $3.5 billion that the Congress is proposing. These are similar to what has been done in the past, but we have four different pieces from the Highway Account.

Mr. DUNCAN. I am concerned about that because our vehicle miles traveled keeps going up at three or four times the rate of the increase in population.

Mr. OBERSTAR. Exactly.

Mr. DUNCAN. At any rate, I could say a lot more, but I will let it go.

Thank you very much for being here with us.

Secretary PETERS. Thank you, sir.

Mr. OBERSTAR. That last point is so vital.

Mrs. Napolitano?

Mrs. NAPOLITANO. Thank you, Mr. Chair. I will make mine very brief also.

We have been searching with great interest any of the increase in dealing with some of the transportation issues in Southern California which is where I am from, and I would like to submit a letter to you. It is not a question.

It is rather we need congestion relief in California on that bottleneck of I–5, the Santa Ana freeway and also on the Alameda corridor east simply because that brings the economy to the rest of the Nation, and it is heavily impacting my district, not only because of the pollution but because of the building of the third rail and also add to that, out of 54 grade separations, only 20 are being geared for building or for setting up. The funding is not there, not even for those 20. Never mind the other 34.

That is going to create not only a health hazard, a pollution hazard, more trains derailments because we have had five in my district in about a span of less than a year. I will give credit to Union Pacific, they are going through and putting down concrete ties and longer rails and upgrading which we have been having a big battle over because of those derailments. Those are the things I would like to submit to you.

Also, I understand that you will be in Los Angeles. I invite you to my district to have a bird's eye of what we have.

With that, Mr. Chair, I yield back the balance of my time. I will submit the letter to the young lady.

Secretary PETERS. Thank you, Congresswoman, and I look forward to the visit to your district.

Ms. NAPOLITANO. Thank you.

Mr. OBERSTAR. Mr. Boozman?

Mr. BOOZMAN. Thank you, Mr. Chairman.

I would just like to reiterate that I am very, very concerned about the Highway Trust Fund. We have got a situation where if you look at the tremendous inflation in our highway projects with

the cost of steel, the shortage of concrete and things and you look at the last time we had an increase and you look at the purchasing power of those dollars, we have lost tremendous purchasing power and have not kept up that way. Earlier we had some of our truckers come in, and they were telling about how they had reduced fuel consumption by up to 25 percent in the last year by going straighter routes and things like that.

We are looking at increasing the standards on fuel efficiency and things. We have got the strongest economy that we have ever had and not keeping up now when that dips back down.

I guess really what I would like to know from you is you said that we need to get with you and work this out. Do we have a plan to get where we need to go and specifically what is that plan?

Secretary PETERS. Congressman Boozman, I also am very concerned, and I know the Chairman is as well.

Right now we have a commission that was authorized by the SAFETEA-LU legislation, which I have the privilege of chairing, that is working very hard to come up with recommendations for you. Those recommendations are due in December of this year. Because of the very urgent nature of this situation with the Highway Trust Fund I am working within the Department, and within the Administration. We will work with you to try to come forward with recommendations even sooner if we can do that. You make a valid point about the cost of construction materials, sometimes approaching 13 percent growth in the cost of those materials, well in excess of the rate of inflation.

Mr. BOOZMAN. Mr. Chairman, do you think we possibly could have that group over to give us some preliminary as to what is going on with them, the commission?

Mr. OBERSTAR. Oh, yes, we will. We have periodically in the past had a briefing with the executive director of the commission, and with Mr. Mica's participation, we will schedule another one.

Mr. BOOZMAN. Thank you very much.

Thank you, Madam Secretary.

Mr. OBERSTAR. Mr. Lipinski?

I would just say that while there are 4 minutes remaining on the vote, 338 have not yet voted, and it is a 2 minute and 38 second hike from here to the House floor.

Mr. LIPINSKI. We have plenty of time there.

I just want to quickly say I also have concerns, Madam Secretary, about Amtrak, rail infrastructure funding, transit funding. Focusing specifically on Chicagoland which I represent part of it, there are massive congestion problems in aviation, rail, highways.

I certainly would invite you to come out there and see some of these and discuss more that we can do.

On aviation right now, we are working on a remodernization project and rail, the CREATE project which I have been the leader on to reduce rail congestion. In terms of highway congestion, we have groups like Metropolis 2020, Metropolitan Planning Council. These are civil organizations, think tanks working on innovative ways to address highway congestion. I am just wondering what you could quickly say about the highway congestion initiative and how that may be able to help in Chicago.

Secretary PETERS. Congressman Lipinski, the congestion initiative can help you. Secretary Mineta established the Department's National Strategy to Reduce Congestion on America's Transportation Network last May before he left the Agency. I think that is a wonderful idea and have picked up on that. Accordingly our budget proposes $175 million to be devoted to this initiative. The money supports four programs that are consistent with the SAFETEA-LU legislation: $100 million for the value pricing pilot program, which complements the $12 million that was already in SAFETEA-LU for that program; $25 million to Corridors of the Future; $25 million for real time traffic information systems; and $25 million for intelligent transportation systems (ITS) and research and development which will disseminate technology more quickly.

Certainly, we are very interested in working with Chicago, and I have had the opportunity to be there. By the way, the commission will be there this spring to see firsthand some of the challenges. When I was in the private sector, one of our main offices was in Chicago, I spent much time in the City and can understand what you are saying about congestion.

Mr. LIPINSKI. Thank you, Madam Secretary. I look forward to working with you and seeing you in Chicago.

Secretary PETERS. Thank you, sir.

Mr. LIPINSKI. I yield back.

Mr. OBERSTAR. Thank you.

Ms. Hirono?

Ms. HIRONO. Thank you.

Madam Secretary, is it your Department's position to support New Starts mass transit programs' systems especially where the localities have made a commitment to the system by passing tax increases to pay for their share?

Secretary PETERS. Congresswoman, yes, it is.

Ms. HIRONO. Good, thank you.

Thank you, Mr. Chair.

Mr. OBERSTAR. The Committee will stand in recess, pending the seven votes, and we will reconvene within five minutes after the last vote for which I cannot set a specific time.

Mr. Hayes, did you have a question at all that you wanted to ask? You are going to talk individually, all right.

Thank you very much for being with us today. We will see if there is interest among members in having you come back at another time that would be convenient, but we thank you very much for the time you have given us today.

Secretary PETERS. Thank you, Mr. Chairman. I appreciate the opportunity.

Mr. OBERSTAR. We hold you excused.

We will ask our water panel to be patient. You can have a free cup of coffee over here in the lounge and make yourself at home.

The Committee stands in recess.

[Recess.]

[Whereupon, at 3:20 p.m., the committee stands adjourned.]

Jason Altmire

Committee on Transportation and Infrastructure

Hearing on the "FY 2008 President's Budget Request for the Department of Transportation and Environmental Protection Agency"
Thursday, February 8, 2007

Statement – Congressman Jason Altmire (PA-04)

Thank you, Mr. Chairman. I appreciate the opportunity to offer introductory remarks about the FY2008 President's Budget Request for the Department of Transportation and the Environmental Protection Agency.

Thank you, Secretary Mary Peters, for providing your testimony to us today, as well as to Assistant Administrator Benjamin Grumbles and Assistant Administrator Susan Parker Bodine who we will hear from later this afternoon. As a new member to the Committee, I look forward to working with you, Secretary Peters, to improve America's transportation system. I appreciate all of your time before us today.

I would like to take a moment to provide the Committee and our panelists with some insight into my home district and the southwest region of Pennsylvania. For those unfamiliar, my district includes the northern suburbs of Pittsburgh in Allegheny County and stretches north along the Pennsylvania-Ohio border to include the Counties of Beaver, Butler, and Lawrence.

The region is defined by its three rivers – the Allegheny, Monongahela and Ohio Rivers – and the bridges that cross them. Major highways connect Pittsburgh's residents and businesses to cities throughout the country and are critical to the local economy. Many people do not realize this but Pittsburgh is

within six hours driving distance from other major cities, notably Baltimore, Buffalo, Cleveland, Cincinnati, Columbus, Detroit, New York City, Philadelphia, Toronto and Washington, D.C.

In addition, we have a major international airport, the Pittsburgh International Airport, which offers daily non-stop services to nearly 70 cities and we are home to the second most active inland port in the nation, transporting more tonnage annually than Baltimore, Philadelphia or St. Louis. I could go on, but I wanted to emphasize the numerous assets of southwestern Pennsylvania and how important transportation infrastructure is to the region.

The region faces a number of challenges for the future, particularly in the development of a transportation system that ensures the economic well-being and success of Pennsylvania's businesses and residents. The Southwestern Pennsylvania Commission estimates that the total infrastructure needs of the region are over $12 billion for the period through 2030. This includes the need to fix structurally deficient bridges, expand the capacity of heavily used highways and roads, encourage economic development at and near the airport, and invest in a fully serviceable public transit system. It is critical that we create a sound transportation system in the region to meet the projected needs which the local economy and the residents of the region will require.

The FY2008 Budget Request for the Department of Transportation totals more than $67 billion and covers core programs responsible for America's airways, roads, railways, pipelines, and waterways. In my initial review of the proposed budget, I share the concerns expressed this afternoon by the Chairman and many of my colleagues regarding the funding levels proposed for highways

and transit. The Administration's request does not include $631 million in Revenue Aligned Budget Authority (RABA) that should be made available to states. In addition, the budget request for transit funding falls $300 million short of what's needed to reduce congestion and support critical transit projects. It is my hope the Secretary will provide some justification to the Committee on why these decisions were made.

I would like to also bring attention to the Administration's budget request for the Airport Improvement Program. As the Committee knows, the AIP grants program is a source of funding for smaller airports and I am concerned that the proposed cut of $765 million will hit these smaller airports particularly hard. Local airports, such as the Beaver County Airport and the New Castle Municipal Airport, in my district could be unfairly harmed by these proposed cuts.

The FY2008 Budget Request for the Environmental Protection Agency is $7.2 billion for projects critical to ensuring clean, safe, drinkable water is available to Americans. Unfortunately, the requested amount for wastewater infrastructure is $400 million lower than what is expected to be enacted in the FY2007 Continuing Resolution – a reduction of over 36 percent. Many states and municipalities rely on these funds to address leaky sewage pipes and increased incidences of raw sewage overflows. In order to improve our wastewater infrastructure and public health in general, I hope the committee will work to restore these funds.

Thank you, Mr. Chairman. I yield back the balance of my time.

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Statement of Congressman Henry E. Brown, Jr.
T&I FULL COMMITTEE HEARING ON FY08 BUDGET
FEBRUARY 8, 2007

Mr. Chairman and Ranking Member Mica, thank you for calling this important hearing today to discuss the Administration's fiscal year 2008 budget request. I also want to welcome Secretary Peters before us this afternoon. You certainly have big shoes to fill following the retirement of Secretary Mineta, but I know you provide the leadership necessary to lead the Department through a certainly challenging time period.

Mr. Chairman, this budget proposal comes at a historic time for our nation. For decades, our nation's advantages in moving goods and people across all modes – roads, rail, air, and water, have proven the key factor in ensuring the competitiveness of the United States in the world economy. Unfortunately, for numerous reasons, those advantages are beginning to decrease – in many cases at alarming rates. Congestion, which the Texas Transportation Institute has dutifully indicated has been on the rise for decades, is no longer just limited to our highways. The percentage of delayed flights at O'Hare airport has almost doubled in 10 years. Delays on Amtrak increased by almost 10,000 hours between 2002 and 2005. Containerized imports to the U.S. at our ports have grown by over 50% in the last five years alone. All of these numbers are forecast to grow.

Many solutions have been proposed, but all of them must be backed up by a sound and committed investment from all sources to have an impact. While intermodal freight may take trucks off our or roads, the railroads will need to make some $220 billion in improvements over the next 20 years to truly meet the capacity needs while ensuring efficient goods movement. Improved air traffic control technology promises to eliminate the oncoming capacity crunch in our skies, but we must have the means to not only develop and deploy this new technology, but also keep the current system running efficiently. And every member of this committee knows the needs of our nation's highway system.

Ensuring our nation's competitiveness into the future demands both maintaining our current commitments and developing new strategies through forward thinking. I commend DOT for its commitment over the past year to utilizing forward thinking in addressing our transportation challenges. Secretary Peters has put a lot of time and effort into positioning the department towards meeting those needs down the road. That said, I have serious concerns about this budget's treatment of our commitments – the long-standing investments that our federal government has made in all modes of transportation. Given the historically challenging times we are approaching, now is not the time to turn our back on the financial commitments our nation has made towards addressing congestion through investments in our highways, public transit systems, and airports.

Mr. Chairman and Ranking Member Mica, I look forward to working with you, the members of this Committee, and Secretary Peters in the months ahead as we continue to work to address our nation's transportation challenges. With that, I yield back my time.

STATEMENT OF
THE HONORABLE JERRY F. COSTELLO
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HEARING ON THE PRESIDENT'S FY2008 BUDGET REQUEST FOR THE DEPARTMENT OF TRANSPORTATION AND THE ENVIRONMENTAL PROTECTION AGENCY
THURSDAY, FEBRUARY 8, 2007

Thank you, Mr. Chairman, for holding today's hearing on the FY2008 budget request for the Department of Transportation (DOT) and the Environmental Protection Agency (EPA).

Today, the Committee has the opportunity to discuss the Administration's budget proposal for fiscal year 2008 with Secretary Peters and representatives from the EPA.

As with the FY2007 budget, I am concerned that the FY2008 Bush Administration budget does not adequately meet the nation's needs and expectations for investment in critical infrastructure and the environment. Traffic

congestion in all modes of transportation is a daily reminder that the state of our nation's infrastructure directly affects our economy. The condition of our nation's roads, bridges, airports, drinking water systems and other public works have shown little to no improvement. I strongly believe we need to establish a comprehensive, long-term infrastructure plan as opposed to our current patchwork method to ensure a better quality of life for everyone.

For the past several years the Administration has proposed massive cuts in the AIP program and I have opposed those proposed cuts because I believe that infrastructure investment so important in this country. If we look at airports, much attention has been given to airport security; however, airport capacity issues must be addressed to avoid costly delays in the future. Demand for

air travel is on the rebound with commercial aviation on track to exceed 1 billion passengers by 2015. At the same time, much of FAA's infrastructure, such as towers, TRACONs, and radars, is past its useful life. The General Services Administration (GSA) rates the average condition of the FAA's en route centers as poor and getting worse each year. Airports also will face a new challenge of accommodating increasing numbers of regional jets and new super-jumbo jets.

While this budget makes clear that the President is planning to propose a user fee system to fund the FAA, there is not enough details as to how such a plan would operate to make a thorough assessment. The FAA has cited the need to finance our Next Generation system as a reason for reforming the current tax structure; however, the FAA estimates that in FY

2008, its new proposal would yield approximately $600 million less revenue than maintaining the current tax structure.

Further, I continue to have questions about how a user fee system would determine how much of our air system different entities currently use, how much revenue such a system would generate and how it would be implemented.

As I have said previously, I believe that we can fund the next generation air transportation system with our current financing mechanisms, including a robust general fund contribution. Over the past 20 years, the General Fund contribution has averaged 27 percent of FAA's total budget. However, over the past 10 years it has averaged only 20 percent. The general public clearly receives a tremendous benefit from a safe and efficient air

transportation system and that is why I firmly believe we need to maintain a robust General Fund contribution.

Mr. Chairman, I will definitely need to be convinced that abandoning the current structure is in the best interest of the flying public. I am glad this Committee is carrying out its oversight responsibilities by having this hearing and look forward to our witnesses' testimony.

OPENING STATEMENT OF
Rep. John Mica
Ranking Member, Committee on Transportation and Infrastructure
Thursday, February 8, 2007

Thank you, Mr. Chairman. I am pleased that the Committee is holding this hearing today on the President's FY 2008 Budget Request.

It is an honor to have Secretary Peters here today to testify on this year's budget request for the Department of Transportation. It is also a pleasure to welcome back two former Committee staffers who will testify on the Environmental Protection Agency's budget request – Ben Grumbles and Susan Bodine.

The President's budget proposal provides a good framework for the Congress to begin creating a fiscally responsible budget that addresses the needs of our nation's transportation system.

This budget provides a glimpse into the Administration's FAA reauthorization proposal which we hope to receive shortly.

The Budget calls for an alternative means of financing the Federal Aviation Administration. While the details of this concept have not been released, I am open to examining any fair and reasonable alternatives for financing the aviation system. I look forward to seeing the details of the President's entire proposal so that Congress can work with the Administration to decide how best to fund aviation programs in the future.

I am pleased that the President's Budget honors – for the most part - the Federal highway and highway safety funding guarantees authorized in SAFETEA-LU.

However, I am disappointed that the Administration has proposed cutting $309 million in guaranteed funding from the Federal transit program. $300 million of the proposed cut would come at the expense of the New Starts Program. If this cut is enacted into law a significant number of projects in the New Starts pipeline may be affected – include a commuter rail project in my district.

I also think our Department of Transportation looks for innovative ways to reduce congestion and increase mobility they need to examine expanding the use of America's waterways to help take some of the commercial traffic off our congested highways and railways.

When we consider the fact that one moderate sized 15-barge tow can carry the equivalent of 870 trucks, I believe there is great potential to increase transportation capacity on our waterways in a manner that is safe, fuel efficient, and environmentally friendly.

The President's Budget also requests $900 million in funding for Amtrak. Over the past few years, Amtrak has made constant pleas for additional funding. The truth is, Amtrak does have some critical needs like replacement of worn-out infrastructure on the North East Corridor.

However, after GAO, the DOT Inspector General, and the Amtrak Inspector General audited Amtrak's books at my request - we discovered several instances of mismanagement and millions in potential savings.

We discovered that Amtrak's Food & Beverage Service was hiding a loss of $150 million per year and a mismanaged Amtrak Legal Department that was paying an outside paralegal at a higher rate than David Gunn. Millions of dollars of taxpayer's money was being wasted.

Thankfully, Amtrak has begun moving in the right direction. The Company has a new president and a new general counsel and will soon have a new CFO from the private sector.

While the $900 million request for Amtrak may seem low to some people, if Amtrak continues to take corrective action to cut down on waste and fraud, they may be able to operate under the Administration's proposal.

I support the President's efforts to control Federal spending, and understand that some tough choices need to be made. But I have to take issue with some of the choices of where to cut the spending.

I am disappointed that the Clean Water Act State Revolving Loan (SRF) program is perennially the target of proposed budget cuts.

The SRF program is one of the most cost-effective programs in government. For every dollar the Federal government invests, more than two dollars are made available for environmental improvements.

In fact, the Federal investment of $24 billion in the SRFs has led to the creation of over $55 billion of revolving loan funds available for clean water projects.

We are all well aware that our national wastewater infrastructure is aging, deteriorating, and in need of repair and replacement.

There has to be a shared commitment to make the needed improvements to our wastewater infrastructure.

That means local, State, and Federal investment in this area must continue to increase, not decrease. And it means that new and innovative means of public and private financing must be found.

So, I was disappointed yesterday when in the reauthorizing of this important program the majority insisted on adding the Davis-Bacon wage rate requirements, making this program more expensive and guaranteeing that we will have to pay more for less clean up.

EPA also needs to direct adequate funding towards its other core clean water programs.

For the Superfund and Brownfields programs, the overall Budget Request is relatively flat compared to the FY 2006 enacted levels. These are important programs that can clean up contaminated land and put it back into safe and useful production for economic benefit.

The EPA has pointed out that many of the smaller and easier cleanup projects have already been done so that in the future we should expect fewer projects will be completed each year and that they will cost more. With that in mind, I would like to see the Administration pay greater attention to these programs.

In addition, I hope the days of spending large amounts of taxpayer dollars on conferences and meetings is over and that this money is being focused on actual clean up of contaminated sites.

I thank our witnesses for being here today and I look forward to their testimony.

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Statement of Rep. Harry Mitchell
House Transportation and Infrastructure Committee
2/8/07

--Thank you Mr. Chairman.

--If there is one person who knows about Arizona's transportation needs, it is Secretary Mary Peters, and I would like to extend a special welcome to her today.

--I have known Secretary Peters for many years now....so many it would probably be impolite for me to mention.

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--Arizona is proud to have her as our nation's Secretary of Transportation, and I look forward to her testimony today about the President's budget request.

-- I also look forward to hearing from her about what we, in Congress, can do to help her bring airline passengers improved on-time performance and improved baggage handling.

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--Today's Washington Post reports some sobering statistics about these issues from the Bureau of Transportation Statistics.

--According to paper:

> **"Airlines' on-time performance dropped for the fifth year in a row in 2006, with one in four flights arriving late or not at all, according to data released yesterday by the Bureau of Transportation Statistics."**
>
> **" The airlines also mishandled a massive amount of luggage -- 4 million bags, or 6.7 for every 1,000 passengers, the industry's worst rate since 1990."**

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--I know we can do better.

--I would also like to extend a special welcome to my friend Assistant EPA Administrator Benjamin Grumbles, with whom I have had the pleasure of corresponding since his last appearance before this committee.

--And it is the subject of that correspondence that I would like to briefly address.

--As Mr. Grumbles knows, I have been very concerned about the formula used to allocate

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federal funding for Clean Water State Revolving Funds. (SRFs).

--The current allocation formula, based in part on 1970 Census data, leaves Arizona 38th in receipt of SRF funds, despite the fact that we are now 20th in population, and rank 10th in the nation in need.

--Yesterday, this committee approved a mechanism to finally get rid of this antiquated, inequitable allocation formula,

and replace it with a more sensible one, based on need.

--At the same time, this committee approved additional funding for wastewater infrastructure to make up for the nearly 50% reduction in funding that has taken place since FY-2004.

--Under HR 720, the bill approved by this Committee yesterday, if, by 2010, SRF funding is restored to FY-2004 levels, the old allocation formula will be eliminated, and the

EPA Administrator will be instructed to create a new allocation formula based on need.

--The bill meets Arizona's needs by meeting nation's needs, and I am grateful to this committee for approving it with bipartisan support.

--In reviewing the President's budget request, however, I fear our progress on this issue may be short-lived.

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--Instead of restoring our nation's commitment to essential wastewater infrastructure, and our nation's commitment to equity in federal funding, it seeks a further 36.5% reduction in funding for SRFs, and hence the continued use of the 1970-Census based allocation formula that continues to short-change Arizona.

--I look forward to hearing Mr. Grumbles' explanation for this decision, and what he plans to do, if Congress adopts this decision, to deliver Arizona its fair share of SRF funds.

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--I yield back the balance of my time.

Thank you for your leadership on clean water issues.

--This committee is poised to approve legislation today that is critical to Arizona, and I want to express my gratitude.

--Since 1970, Arizona has experienced unparalleled growth…and, as a result, an

unparalleled increase in its need for basic services.

--Key among these has been the need for wastewater infrastructure.

--The federal government has a proud tradition of helping states meet their local wastewater infrastructure needs by distributing money to Clean Water State Revolving Funds ("SRFs").

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--However, for nearly 3 decades the federal government has been short-changing Arizona.

--Inexplicably, and inequitably, the federal government has continued to use 1970 Census data to determine its allocation of funds to SRFs.

--The result has been an alarming disparity.

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--Arizona currently ranks 10th in need, and 20th in population, but only 38th in receipt of SRF funding.

--On a per capita basis, Arizona ranks 53rd. We are dead-last. Even the territories do better then we do.

--This is unfair, and needs to be changed.

--Today, I am pleased to report that this Committee stands ready to do just that. The Clean Water Quality Financing Act of 2007,

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which we are marking up today, lays the groundwork for a transition away from the current, inequitable, allocation formula, and toward a new formula based on need.

--It's the right thing to do, and on behalf of a grateful district, and a grateful state, I offer my heartfelt thanks to the Committee.

-- I yield back the balance of my time.

STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
CHAIRMAN, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

HEARING ON FY 2008 BUDGET REQUEST FOR DEPARTMENT OF TRANSPORTATION AND ENVIRONMENTAL PROTECTION AGENCY

February 8, 2007

This afternoon's hearing will focus on the Administration's proposed budgets for the Department of Transportation and the Environmental Protection Agency for fiscal year 2008. I am pleased to welcome our distinguished witnesses, especially Secretary Peters, who is making her first appearance before this Committee as Secretary of Transportation. I also welcome our EPA witnesses, Ben Grumbles and Susan Bodine, both of whom are former T&I Committee staff.

After reviewing the Administration's budget proposal, I have concluded that it contains serious shortcomings with regard to our nation's critical infrastructure needs, particularly in the areas of aviation, public transit, Amtrak, and wastewater treatment. In these important areas, the Administration's proposed budget is not a way forward, but a step backwards.

Funding for the capital needs of the Federal Aviation Administration is still headed in the wrong direction. In 2003, the FAA requested and received

from Congress an authorization of approximately $3 billion per year for its capital program. Yet for the past three years the Administration has requested roughly $2.5 billion per year for FAA's capital program. For FY 2008, the Administration is once again requesting $2.46 billion to meet FAA's capital investment needs.

The Department of Transportation Inspector General has stated that FAA cannot achieve its goal of technologically transforming the National Airspace System with a $2.5 billion (or less) capital budget, since a $2.5 billion funding level goes primarily toward sustaining the existing system, not new initiatives. The FAA's own preliminary Next Generation Air Transportation System cost estimate supports the IG's finding.

I am concerned that by starving the FAA's capital programs, the Administration is slowly setting its Next Generation Air Transportation System effort -- and ultimately the aviation system as a whole -- up to fail.

Similarly, the Administration is proposing a significant cut in funding for the Airport Improvement Program. The Administration's budget request provides $2.75 billion for the Airport Improvement Program (AIP) in FY 2008

-- $950 million less than the level authorized for FY 2007, and $765 million less than the House-passed FY 2007 Continuing Resolution, H.J. Res. 20.

The $2.75 billion proposed funding level would significantly reduce entitlement funds for virtually every airport currently receiving such funds. Small airports could be particularly hard hit by the proposed funding cut because AIP grants are a larger source of funding for smaller airports.

Regarding surface transportation, I am disappointed that the Administration has chosen not to honor the guaranteed funding levels for transit programs that it agreed to in negotiations on SAFETEA-LU less than two years ago. Achieving full funding of the amounts guaranteed by SAFETEA-LU has been, and will remain, one of the Committee's highest priorities.

With congestion as the number one crisis facing our transportation system, and with a congestion reduction initiative as a centerpiece of the Department's budget proposal, I am surprised by the Administration's proposal to cut funding for public transit by more than $300 million below the level agreed to in SAFETEA-LU. A similar missed-opportunity can be found in the Congestion Mitigation and Air Quality (CMAQ) program. This is an existing

program that was created specifically to address congestion. Yet, the Administration's congestion reduction initiative does not include any proposals to encourage better utilization of CMAQ funds by the States.

Regarding Amtrak, the $800 million proposed by the Administration is a shut-down figure, and the fact that the budget proposes to have Amtrak develop a plan to sell-off portions of its business is tantamount to forcing Amtrak to bankrupt itself.

Railroads throughout the world receive substantial government support to supplement the revenues paid by passengers. The U.S. has refused to do that, which is why we lag behind the rest of the world when it comes to passenger rail. According to the European Commission, in 2001 alone, France invested $6.5 billion in its rail system. Italy invested $6.8 billion. Denmark inveted $9.5 billion. Even Great Britain invested $3 billion in its rail network in 2001.

We need to stop nickel-and-diming Amtrak to death, and provide Amtrak with an adequate level of funding to address its needs.

The budget for the Environmental Protection Agency fairs no better.

October 2006 marked the 34th anniversary of the Clean Water Act. In 1972, only one-third of the nation's assessed waters met water quality goals. At present, two-thirds of those waters meet these goals. Although these achievements show incredible progress in the protection of our environment and public health, it is important to remember that one-third of the nation's waters still fail to meet these water quality goals that were first established more than 30 years ago. Without a strong commitment from both the Administration and the Congress to continued water quality protections, we run the risk of losing all the gains that we as a nation have made in recent decades.

One of the central components in the rehabilitation of the nation's waters is the Clean Water State Revolving Fund. Despite a recognized need for increased federal investment to address an aging wastewater infrastructure, this budget request significantly undermines the federal commitment to the Fund. The budget requests $687.5 million in capitalization grants for State Clean Water programs – the lowest level requested by any administration since the creation of the program. This amount of funding is down from the likely fiscal

year 2007 appropriation of $1.084 billion and is close to a 50 percent cut from the long-term average of $1.35 billion for the program.

This lack of commitment to the Clean Water Act is playing out all across the country - including in my state of Minnesota. For example, the Great Lakes Legacy Act is an important program for addressing the toxic legacy of contaminated sediments in the Great Lakes' Areas of Concern, and ensuring environmental sustainability for the Great Lakes region. These are critical issues facing the Great Lakes. However, while the program is authorized at $50 million the administration has only requested $35 million in this year's budget request.

Regarding the Superfund program, the Administration is proposing cuts to the enforcement and removal programs. This budget cut is just one in a long line of reductions by this Administration for the Superfund program.

In today's testimony you'll hear that Superfund sites are becoming more complex and that many clean-ups are in their most expensive stages. It's therefore quite surprising that EPA is asking for fewer, not more resources.

Today, as we hear about proposed cuts in clean water, cuts in Superfund cleanups, cuts in Brownfields funding, and the elimination of important grant programs, the witnesses will likely explain that tough choices were made in the face of tight budgets. However, these tight budgets are a result of misguided tax cuts and other policies. If the nation can borrow billions of dollars for war and reconstruction in Iraq, surely we can find resources to invest here at home. While the Administration may be indifferent to the growing public health and environmental needs of the country, we know we cannot afford to be.

I welcome the Administration witnesses here today and look forward to their testimony.

Opening Statement of Representative Tim Walz (MN-01)

Transportation and Infrastructure Full Committee Hearing

Thursday, February 8, 2007

Mr. Chairman, members of the committee and guests, I want to express what an honor it is to serve on this distinguished committee. Since joining the Congress in January, I have had the opportunity to participate in various subcommittee hearings and learn about the many ways in which this committee touches the lives of Americans nationwide. I am especially honored to serve under our distinguished chair, Mr. Oberstar. As a fellow Minnesotan, I am proud to have the opportunity to listen to and learn from one of the most knowledgabe members of the United States Congress and one of the most passionate experts in the area of transportation and infrastructure. Mr. Chairman, I thank you for your leadership.

I look forward to today's testimony on the President's budget requests for the Department of Transportation and the Environmental Protection Agency. I want to thank the Secretary of Transportation and other DOT officials, as well as the Assistant Administrators from the EPA for being with us today.

I have concerns about the President's budget request for the Transportation Department. Though the FY2008 request seems to basically hold steady with likely FY2007 funding under the Continuing Resolution, I am concerned with cuts to the Airport Improvement Program, Revenue Aligned Budget Authority funding, Amtrak, and to the guaranteed funding level for SAFETEA-LU. I am especially concerned in light of a local issue in my district which has recently received national attention. The DM&E railroad has applied for a $2.3 billion loan under the RRIF program, allowing for greatly expanded train traffic across my district and through the heart of Rochester, Minnesota. The overall size of the RRIF program was drastically expanded in 2005 and was signed into law by the President. As I reviewed the cuts in the FY2008 budget request, I wondered why this loan program was not subjected to the same budgetary scrutiny.

I also have deep concerns about the President's cuts to the EPA's budget. By cutting the wastewater infrastructure funding by some $400 million, the President makes it more difficult for states and local communities to deal with wastewater. Furthermore, by making cuts to Superfund and Brownfields, the President hampers efforts to clean up toxic waste.

The President's budget requests for DOT and EPA leave me with many questions and concerns. The members of this committee share a commitment to getting our federal deficit under control, but we also have an obligation to ensure that funding cuts are done in a responsible manner that does not leave our local communities without assistance on the major environmental and transportation issues they face. I look forward to today's testimony and to working with members of the committee on the nation's transportation and infrastructure issues.

Thank you.

STATEMENT OF
THE HONORABLE MARY E. PETERS
SECRETARY OF TRANSPORTATION

BEFORE THE

COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES

February 8, 2007

Chairman Oberstar, and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Administration's fiscal year 2008 budget request for the U.S. Department of Transportation. Transportation lies at the core of the freedom we enjoy as Americans – freedom to go where we want, when we want...freedom to live and work where we choose...and freedom to spend time with our families. Our goal is to deliver a transportation system that frees all of us to make daily decisions confident that we can reach our destinations safely without worrying about how we will get there, or if we can make it on time. To reach that goal, the President Bush is requesting $67 billion for America's transportation network in the next fiscal year.

For those who fly, the President's budget includes $14 billion for the Federal Aviation Administration (FAA). The budget includes $175 million to support the transition to a 21st Century satellite navigation system that will replace the current dated air traffic control architecture and over $900 million for ongoing capital projects that will also support the move to this *Next Generation* system. For the flying public, this investment is critical if we are to deploy the state-of-the-art technology that can safely handle dramatic increases in the number and type of aircraft using our skies, without being overwhelmed by congestion.

Technology is critical, but the budget also includes significant resources to hire and train the people that keep the system safe. The FY 2008 budget supports a total of 1,420 new air traffic controllers that will help replace controllers leaving the system due to retirements and other attrition. Based on our current projections this will result in a net gain of 144 controllers.

Most importantly, the fiscal year 2008 budget provides the framework of a new proposal that the Administration will announce shortly to tie what users pay to what it costs the FAA to provide them with air traffic control and other services. Our plan puts incentives in place that will make the system more efficient and more responsive to the needs of the aviation community. Without reforms to help finance increased air traffic control capacity and modernization, we can all expect to spend more time waiting in airports or strapped in an airplane seat, sitting at the end of a runway. We hope that there

will be a vigorous debate about the structure of the system, and we look forward to working with the Congress to enact legislation later this year.

For drivers, the budget proposes a record $42 billion, consistent with the funding envisioned in the Safe, Accountable, Flexible, Efficient Transportation, Equity Act: A Legacy for Users (SAFETEA-LU) for highway construction and safety programs.

Building on our safety accomplishments over the last six years, this budget will allow us to target problem areas like motorcycle crashes and drunk driving. The President's budget includes $131 million for alcohol impaired driving countermeasures incentive grants as well as $124.5 million for Safety Belt Performance grants to encourage States to enact primary seat belt laws for all passenger motor vehicles.

Crashes not only cost precious lives, but also precious time for everyone waiting for the road to be cleared and re-opened. So our budget supports aggressive development of "*Intelligent Transportation Systems*," which put the latest technologies to work both to help eliminate crashes and to cut congestion. We believe that technology has a central role to play in reducing the growing costs of congestion and system unreliability. We are proposing $175 million to support specific elements of the comprehensive, department-wide *National Strategy to Reduce Congestion* announced last year. We hope to target these funds to support some of our most congested cities and explore cutting edge demonstrations of concepts such as time of day pricing, flexible transit systems, real-time traffic information, and improved incident management strategies. We also propose to accelerate development capacity and operations projects along our most congested trade and travel corridors through our *Corridors of the Future* program. We must get ahead of freight and travel trends along our most critical corridors to ensure that our interstate system continues to support the country's economic growth.

Accessible and cost-effective transit projects also help fight congestion, and the budget provides $9.4 billion for transit programs. The President's budget includes $5.8 billion to help meet the capital replacement, rehabilitation, and refurbishment needs of the existing transit system. Also included is $1.3 billion for major projects that will help provide new commuter rail and other transit projects in large metropolitan areas. Another $100 million will be used to implement a new program with a simplified funding process to help provide smaller scale transit alternatives such as rapid transit, to relieve congestion in both urban and suburban locations.

But even as we make these investments, we realize that a business-as-usual approach to funding these programs will not work much longer. There is – and will continue to be – money coming into the Highway Trust Fund from gasoline taxes, and the revenues are growing every year. But so is spending, and at an even faster rate. We are spending more than we take in, and we have nearly run through the balances that had built up in the fund.

We continue to be concerned in particular about the solvency of the Highway Account in the Highway Trust Fund. Our projections suggest that spending may outpace

receipts before the end of fiscal year 2009. Because we do not want to burden the trust fund further, the budget proposal does not include $631 million for revenue aligned budget authority – or RABA. As we go through this budget process, I pledge to keep the Congress informed of the Administration's revenue projections, and work closely with you to ensure that we do not outspend our resources.

Long-term, we need serious reform of our approaches to both financing and managing our transportation network to win the battle against congestion. We must fully explore the variety of mechanisms available to us to pay for transportation, as well as analyze the relationship between each mechanism and overall system performance. Serious reform must include reform of the legislative process itself. The explosive growth of earmarks in recent years has hit transportation programs especially hard. The law that funds highway, transit, and safety projects had over 6,000 of them, a practice that takes away from the freedom that States have to put the money where it will do the most good. I want to reiterate the President's call to cut the number and cost of earmarks in half this year – which is vitally important if we are to maintain a transportation network responsive to our customers' needs.

We also urge action on making needed reforms to the Nation's Intercity Passenger Rail system. The President's FY 2008 plan provides a total funding level of $900 million for intercity passenger rail. Included in this total is $100 million for a new matching grant program that will enable State and local governments to direct capital investment towards their top rail priorities.

Our "safety first" priority includes ensuring the safe and dependable transport of hazardous materials throughout the transportation network. The President's plan provides $75 million for the Pipeline and Hazardous Materials Safety Administration's pipeline safety programs specifically for this purpose.

Finally, we are requesting $154 million to support a fleet of 60 vessels in the Maritime Security Program – ensuring ships and crews to assist the Department of Defense with mobilization needs. Our support is critical in supporting our military as they give so much to protect our way of life.

Freedom is at the core of our American values. But we lose a little more freedom each time we venture into traffic. This budget proposal takes a big step in helping us get our freedom back.

Thank you for the opportunity to appear before you today. I look forward to working with the Congress and the transportation community to ensure a safe transportation system that helps America break free of stifling congestion.

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U.S. Department of Transportation
Office of the Secretary of Transportation

Assistant Secretary

400 Seventh St., S.W.
Washington, D.C. 20590

MAR 9 2007

The Honorable James L. Oberstar
Chairman, Committee on Transportation
and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to provide you with the Department of Transportation's responses to the Committee's questions for the record from Secretary Peters' hearing on February 8, 2007 concerning the President's fiscal year 2008 budget request.

We appreciate the opportunity to have addressed the Committee's questions.

Sincerely yours,

Shane Karr
Assistant Secretary for Governmental Affairs

QUESTIONS SUBMITTED IN WRITING FOR THE HONORABLE MARY E. PETERS, SECRETARY OF TRANSPORTATION

House Committee on Transportation and Infrastructure
Hearing on FY2008 President's Budget Request for the Department of Transportation and the Environmental Protection Agency
February 8, 2007

QUESTIONS FROM CHAIRMAN JAMES L. OBERSTAR

1. **QUESTION**: In the Energy Policy Act of 2005, the Conserve by Bicycling program was authorized to establish pilot programs that would encourage bicycling as an alternative to motor vehicles. This program, however, was never funded. In light of the global warming crisis and the Administration's commitment to energy independence, what is the Department doing to implement the Conserve by Bike program?

ANSWER: As you indicated, funding for the Conserve by Bike Program has not been requested. Nevertheless, the Department is committed to demonstrating the potential of education and marketing to increase the use of the bicycle. In the Nonmotorized Transportation Pilot Program (NTPP) authorized by SAFETEA-LU, the four named communities are implementing both infrastructure projects as well as non-infrastructure efforts such as marketing and educational programs to increase the amount of bicycling (and walking). The ability of these programs to encourage bicycling use will be determined. A "Social Marketing" education program is being implemented in several of the communities. Changes in the amount of bicycling will be measured.

Similarly, in the Safe Routes to School (SRTS) Program, the Department is providing technical assistance and funding, through the State Departments of Transportation (DOTs) and the National Center for SRTS, to communities implementing infrastructure projects and for educational and marketing programs to encourage more children to bike or walk safely to school. The Department has moved aggressively in implementing this new program. To date, the Federal Highway Administration has provided two years of SRTS funding to State DOTs and will distribute 2007 funding shortly. Almost all States have hired a full time SRTS Coordinator. As of January 1, 2007, more than half the State SRTS Programs are either conducting or have completed their grant application process. These early successes underscore the Department's commitment to ensuring that the SRTS program achieves its full potential and that bicycling and walking are viable, desirable, and safe alternative forms of transportation.

2. **QUESTION:** In FY 2006, $31.4 million was appropriated to the Secretary to make Efficiency Incentive Grants to Amtrak. The grants were to be used to prevent Amtrak from entering into bankruptcy. However, if the Secretary and the Inspector General deemed that sufficient operating funds were available to continue operations through the end of fiscal year 2006, then the Secretary could make grants to Amtrak for capital

improvements "that have a direct and measurable short-term impact on reducing operating losses of Amtrak." The DOT IG determined that Amtrak did have enough operating funds to continue through 2006. Given the backlog of deferred capital and maintenance projects needed to improve Amtrak service, particularly along the Northeast Corridor, why wasn't the $31.4 million provided to Amtrak? What happened to those funds?

ANSWER: FRA is working with Amtrak and expects to grant these funds before April 1. FRA deferred making this grant when it became obvious that the Federal government would be operating under a continuing resolution for an extended period of time. This would have been the only source of uncommitted funds available to address an unexpected financial emergency at Amtrak. Moreover, the requirement that these funds be used for capital projects that have a direct and measurable short-term impact on reducing operating losses, posed a challenge for both Amtrak and FRA to identify such projects. By their very nature, capital projects normally have long-term as opposed to short-term impacts. I would note that the Administration's FY 2008 proposal addresses this issue by making Efficiency Incentive Grants available for operating expenses instead of capital.

3. **QUESTION**: According to the DOT Inspector General, Amtrak invested funds in 2005 to reform the Empire Builder, Amtrak's premier long-distance service. The enhanced service included refurbished sleeper, coach, and lounge cars; food and beverage upgrades, including additional on-board personnel; and a refocus on customer service. As a result, ridership increased 3.6 percent and ticket revenue on the Empire Builder increased 16.6 percent. However, the service continues to lose money. Are you suggesting with your new budget that Amtrak now cut-back on all the reforms it made and abandon long-distance service altogether? That's what would happen under your proposal to make operating subsidies contingent on a 30 percent reduction in losses for long-distance trains.

ANSWER: The Administration is not targeting any specific train as the source of reductions in Amtrak's operating losses. Instead, the Administration is relying upon Amtrak's management to develop a business plan that can be implemented with available resources. The Administration believes that the pressure created by the level of proposed funding would require the Board and management to remain focused on the financial bottom line and aggressively pursue every opportunity to reduce costs and increase revenues, just as any other private corporation would.

QUESTIONS FROM CONGRESSMAN CHRISTOPHER P. CARNEY

1. **QUESTION:** Our air traffic control system is the gold standard by which all others are compared. Our controllers manage the busiest, most complex, most diverse system in the world. I believe a primary reason we have the most efficient air traffic control system in the world is the professionalism of our air traffic control workforce. We all know there is a controller staffing crisis that you have inherited. Veteran controllers are retiring at the rate of 3-a-day, leaving facilities dangerously short-staffed. I fear that this understaffing is not only hurting the aviation industry and our nation's economy, but also undermining the safety of the flying public. Can you describe for us what your plan is for dealing with the controller shortage?

ANSWER: The FAA has been preparing for the growing number of Air Traffic Controller retirements for several years. Through strategic workforce planning, the agency issued its *A Plan for the Future: The FAA's 10-Year Strategy for the Air Traffic Control Workforce* in December 2004 that sets a course of action to ensure a sufficient number of qualified controllers to meet capacity and air traffic needs of the future. The next update to the plan is due this month (March 2007). As part of these preparations, FAA is examining and improving the process for hiring air traffic controllers to ensure it has the capacity to handle the anticipated staffing requirements. By examining workforce demographics, hiring and training practices, FAA is positioning itself to assure a smooth, transparent, and successful transition to a new Air Traffic Controller workforce. The FAA is holding itself accountable for managing this workforce plan by adding a new performance target to the FY 2007 – 2011 Flight Plan, maintaining an air traffic control workforce at or up to 2% above the projected annual totals in the Air Traffic Controller Workforce Plan.

Today, the FAA employs more than 14,000 air traffic controllers. We know that over the next decade, approximately 72 percent of this workforce will become eligible to retire. As a result, and in order to meet the additional needs of a growing aviation industry, the FAA will hire and train more than 15,000 new air traffic controllers over the next 10 years. The plan for fiscal year (FY) 2007 includes hiring more than 1,300 new controllers from the thousands of qualified applicants waiting to be hired.

Thanks to a centralized hiring process and improved training, the FAA is confident that the new controller hires will be able to meet the needs of the future.

2. **QUESTION:** I am sure these newly hired controllers don't come into the job and immediately put on a headset and start separating aircraft. How long does it take a new hire to completely certify and become a true replacement for those leaving the profession? Do all new hires certify or do some fail the program? What is the success rate?

ANSWER: Today, with the introduction of high-fidelity simulators and increased focus on time to train, we are seeing improvements. Our goal is to reduce training time to two

years for terminal controllers and three years for en route controllers. Not all new hires certify. In the Controller Workforce Plan, we assume a six-percent post-Academy failure rate for developmental controllers. Consequently, we assume a success rate of 94%, and increase our hiring to exceed this assumption.

The Department of Transportation's Office of the Inspector General (OIG) audits the FAA's controller hiring process. In its February 9, 2007 report, *FAA Continues to Make Progress in Implementing its Controller Workforce Plan, but Further Efforts are Needed in Several Key Areas, Report No. AV-2007-032,* the OIG confirms that the FAA is indeed making progress implementing a comprehensive staffing plan. It found that the "FAA has made significant improvements by centralizing its hiring process and has made progress in reducing the time and costs to train new controllers, primarily through greater use of simulator training at the FAA Training Academy and implementation of a new national database to track job training statistics."

3. **QUESTION**: Secretary Peters, as has already been mentioned, your budget proposes to eliminate the FY 2008 revenue aligned budget authority (RABA) adjustment of $631 million in additional federal highway investment due to concerns about the Highway Trust Fund's Highway Account balance. It is my understanding that canceling the RABA adjustment would still produce a negative Highway Account balance of over $200 million in FY 2009 and if the adjustment were made the account's negative balance would be about $700 million. I also understand the Administration in its budget proposal from last year was projecting a negative balance of $2.3 billion in FY 2009. Given that FY 2009 is still several years off and that we are talking annual trust fund revenues of well over $30 billion, is it possible we could see further fluctuations in these estimates over the next twelve months?

ANSWER: Your summary of the various projections that have been made of the FY 2009 balance in the Highway Account of the Highway Trust Fund is correct. The balance projections are the result of forecasts of receipts from fuel and other highway user taxes, the obligation of highway funds, and the rate at which those obligations result in outlays. Each component of the forecast involves some uncertainty. However, FY 2009 is only one budget cycle away. Congress must either take action this year or next to avoid depletion of balances in the HTF by FY 2009, not to mention stabilizing the HTF for FY 2010 and beyond. Moreover, as FY 2009 comes nearer, it will be increasingly difficult to preserve a positive balance by adjusting spending levels given the program's slow spend out rate. Whether or not the Highway Account reaches the end of FY 2009 without a cash shortfall, it is clear that shortfalls would be in its future if we were to continue on a "business as usual" basis at the end of SAFETEA-LU.

4. **QUESTION:** Secondly, if the Administration is concerned enough about the Highway Account's balance to propose canceling RABA, why didn't you also propose enough of a reduction to ensure the account actually had a positive balance in FY 2009? More fundamentally, I am not convinced cutting needed transportation investment should be our first option in trying to address a Highway Trust Fund solvency issue that is much

larger than $200 million. Shouldn't our first priority be to look at how we finance these programs?

ANSWER: The proposal to cancel RABA for FY 2008 represents a single, short term action to partially address the near term projections of a cash shortfall for the Highway Account. I believe it is prudent not to further increase highway funding at a time when the overall funding level initially set in SAFETEA-LU is projected to result in a cash shortfall.

I agree that we need to focus on how to finance surface transportation in the future. Presently, we are spending more than the Highway Account takes in each year and we are quickly running though the balances that had built up in the past. Clearly this cannot continue. I want to work with Congress on serious reform of our approaches to both financing and managing our transportation network. I also chair the National Surface Transportation Policy and Revenue Study Commission established by SAFETEA-LU and look forward to reporting its findings at the end of the year.

5. **QUESTION:** In addition to breaking with SAFETEA-LU's requirement, the Administration's budget proposal also violates SAFETEA-LU's funding guarantee for the transit program by $309 million. Is it true that if an appropriations bill containing either of these proposals were brought to the floor of the House, a member could raise a point of order that this legislation violates Rule XXI of the House of Representatives?

ANSWER: The Administration's budget proposal is consistent with the resource needs for individual transit programs, including New Starts, and does not violate any SAFETEA-LU funding provisions. Specifically, the budget requests a $309 million reduction in Federal Transit Administration (FTA) General Fund programs, $300 million less for New Starts and a $9 million reduction from the Administrative Expense and Research Accounts. Although less than the SAFETEA-LU-authorized level, the President's budget is a strong statement for continued investment in new public transit, especially in the current fiscal environment, and fully funds each existing FFGA project and each project, pending and proposed, that FTA expects to be ready for an FFGA in 2008.

As you know, Congress considers the President's budget proposals and approves, modifies, or disapproves them. Congress can change funding levels and eliminate or add programs not requested by the President. The Budget Control Act establishes FTA's new budget authority (discretionary spending limit) at $1.86 billion in fiscal year 2008. However, any amount lower than the mass transit category spending limit in a House Appropriations bill is subject to "a Point of Order" (Rule XXI of the House of Representatives) that may be raised if the bill, joint resolution, any amendments thereto, or conference report, causes the obligation limitation to be below the level for any fiscal year set forth in the section 8003 of SAFTEA-LU, as adjusted for the highway category or mass transit category. A Point of Order can jeopardize the passage of a bill or cause a provision to be stricken from the bill. However, if a Point of Order is not raised or is waived, Congress could make the $309 million reduction in budget authority available

for other discretionary category spending, which is not subject to a discretionary spending limitation under the Budget Control Act.

This was not the case prior to SAFETEA-LU. The discretionary category as well as the highway and mass transit categories had spending limits. A reduction in one those categories could not be used to increase the spending limits in the other categories.

6. **QUESTION:** The President's budget provides a total of $900 million for Amtrak. Amtrak's funding board requested a minimum of $1.3 billion to maintain operations. What is the rationale for such a dramatic funding short fall?

ANSWER: The Administration believes the proposed level of funding provides incentive to the Board and management to remain focused on the financial bottom line and aggressively pursue every opportunity to reduce costs and increase revenues, just as any other private corporation would. .

Amtrak's system-wide on-time performance again dropped in 2006 to 68 percent, and it required $490 million in operating subsidies, mostly for its long distance trains. When last measured for 2002, the net Federal subsidy per thousand passenger miles traveled was $199.90 for rail, $5.87 for commercial aviation, and -$.95 for highway users according to the Bureau of Transportation Statistics. While Amtrak carried 24 million passengers in 2006, domestic air carriers that year flew 656 million passengers.

Historically, Amtrak has been hampered by a lack of accountability, poor design, and mismanagement. The latest critical review of Amtrak comes from the Government Accountability Office, which concluded, among several findings, that Amtrak's long-distance trains "show limited public benefits for dollars expended," and that "these routes account for 15 percent of riders but 80 percent of financial losses." To turn the enterprise around, the Administration has urged basic reforms that would empower local communities and ultimately customers to determine the most efficient way to run trains. The Administration expects the Board's newly-installed management to make significant changes required to enable the company to succeed without Federal operating subsidies. The Department plans to administer Amtrak's subsidy with this goal in mind.

The 2008 Budget proposes a subsidy that would require that Amtrak make hard choices about its services and commit to running the railroad more like a business. The request is part of a multi-year program to reduce and then eliminate Amtrak's reliance on Federal operating assistance as required by the Amtrak Reform and Accountability Act of 1997 (49 USC 24101). For 2008, the Budget recommends $900 million for intercity passenger rail, but only $800 million for Amtrak directly. This amount includes $300 million for operating costs, compared to the $490 million Amtrak received in 2006, beginning the phasing out of operating subsidies. The Budget continues to fund Amtrak's infrastructure needs with a capital request of $500 million, which is equal to the 2006 enacted level. This level should underwrite Amtrak's ongoing efforts to rehabilitate the Northeast Corridor between Washington, D.C. and Boston, which is by far its most

heavily used and important route. In addition, the President's Budget requests $100 million for capital matching grants to States for intercity passenger rail projects. This new program would give local communities resources to direct investment in facilities that reflect their top rail transportation priorities. The Administration believes the Federal Government should help States fund capital projects where there is strong demand for rail service, and help foster managed competition among rail operators to encourage innovation and cost control.

7. **QUESTION**: It is my understanding that the National Transportation Safety Board (NTSB) has been requesting funding for the inspector position for the past three years and yet, the President's budget--again--fails to provide any money. Simply, why? What is the rationale?

ANSWER: The Department defers to NTSB on this question.

8. **QUESTION**: The Chinese have built 20 miles of high-speed maglev in Shanghai, which has been operating since 2004 at speeds up to 270 mph with a 99.9% on-time performance. The Chinese recently announced that they are going to build another 104 mile extension from Shanghai to Hangzhou. The Chinese have also declared that they are going to broaden their development and export the 300+ mph technology around the world. What is the administration doing to help establish an American maglev high-speed maglev system, and specifically the Pennsylvania High-Speed Maglev Project that would be built with American steel? I believe we need to invest in our own technology and I'm concerned that without some concerted effort on our part we are going to hurt ourselves further domestically.

ANSWER: The Administration believes that there are more pressing uses for the limited Federal transportation funds, particularly given the very high cost of Maglev technology. The Administration has obligated the funds Congress has made available for maglev deployment. With regard to technology, the Pennsylvania project would use the same Transrapid maglev technology developed in Germany as the Chinese project does. Presently there are no efforts authorized to develop a domestically designed maglev technology.

QUESTIONS FROM CONGRESSMAN JOHN J. HALL

1. **QUESTION:** Under the President's proposal to move from excise taxes to fees in financing the FAA, the Transportation and Infrastructure Committee believes that the FAA would receive $600 million less in funding. In addition to this revenue reduction, the President has also proposed cutting the Airport Improvement Program. How can the FAA meet current needs, let alone help to support growing airports like Stewart in my district, with these kinds of cuts?

ANSWER: The Administration's proposal transforms the FAA's financing system into a system that is based on the costs that aviation users impose on the system. This reform is necessary because under the existing aviation tax structure, there is no relationship between the taxes paid by users and the air traffic control services rendered by the FAA. For example, when a full plane flies from New York to Boston it imposes the same workload on the FAA as when a less crowded plane of the same size travels the same route. However, since the current tax structure is primarily based on the price of a ticket, the full plane pays much more in taxes than the less crowded plane.

The proposal adopts new discretionary user fees based on the cost for air traffic services for commercial aviation operators. General aviation users would continue to pay a fuel tax that would be calibrated based on the costs that these users impose on the system.

This new structure ties air traffic services directly to the cost of those services and allows FAA's gross spending level to increase to meet this projected demand for services. FAA's user fee spending would be fully offset and would rise or fall based on FAA's costs, and would not compete with the many other discretionary budget priorities. Only what is needed in each year to operate the aviation system would be collected from aviation system users. This amount, in turn, would be then spent by the FAA in providing these air traffic services.
The new user fees would enable FAA to finance $4.6 billion for NextGen investments over the next 5 years, and increase of nearly $3 billion as compared to the baseline under the current financing system. NextGen investments, such as satellite-based navigation, are critical to handling the air traffic expected in a few years.

The Administration believes that $2.75 billion in Airport Improvement Program (AIP) funding, is sufficient to support the critical safety, security, and capacity projects scheduled for FY 2008. Under the Administration's proposal, AIP will continue to be funded through the Airport and Airway Trust Fund (AATF), by an international passenger tax and a dedicated portion of the aviation fuel tax.

FAA's reauthorization includes significant programmatic changes to both the AIP and the Passenger Facility Charge (PFC) program to refocus AIP on the projects of the greatest need. Additionally, the Administration's proposal gives the largest airports flexibility to use the PFC program to meet their ongoing capital needs, retains the ability of large airports to apply for AIP grants, and eliminates the burden on the AIP program of providing an entitlement to the largest airports. With these changes, the $2.75 billion will

be sufficient to finance airports' capital needs and meet national system safety and capacity objectives. Additionally, FAA's plan:

- Retains entitlements for small airports at current levels and eliminates the risk that they will be cut in half or terminated if AIP falls below $3.2 billion.

- Enhances the general aviation airport entitlement by moving from a flat $150,000 maximum entitlement for all GA airports to a tiered system giving the largest and most complex GA airports $400,000 per year.

- Increases the minimum discretionary fund and establishes a minimum state apportionment to make sure that FAA and the states have the funds they need to help airports build major capacity and safety projects, such as runway safety area improvements.

- Increases the maximum PFC from $4.50 to $6.00, permitting airports to generate an additional $1.5 billion annually in PFC revenue.

In addition to these critical changes, the Administration's FAA reauthorization proposal also includes new flexibilities for airports to attract private sector capital and to manage congestion using innovative market-based mechanisms.

2. **QUESTION:** Intermodal travel is a big part of the future of Stewart Airport in my district. In order to allow the airport to grow it must be more physically accessible to travelers. One proposal being explored is a road connector between the terminal and I-84. Another proposal would extend a rail link to New York City. In this context the President's proposal to reduce funding for the Airport Improvement Program and Amtrak are very troubling. Could you discuss how you think your budget can help support intermodal projects at Stewart and throughout the nation?

ANSWER: A number of airports around the country, including Newark and Kennedy airports in the New York metropolitan area have successfully used PFCs to finance intermodal access projects. The PFC programmatic changes included in the Administration's airport financing reform proposal would further enhance the ability of airports to support intermodal projects.

- The proposed increase in the maximum PFC level from $4.50 to $6.00 will provide airports with an additional $1.5 billion nationally.
- The programmatic changes include more flexible eligibility rules for intermodal projects that would make it easier to use PFCs to finance these important airport access projects. Under current law, intermodal airport access projects must be for exclusive airport use to qualify for PFC funding. Under, the Administration's proposal, PFCs could be used, on a proportional basis, for intermodal airport access projects that have a substantial airport use. This would permit PFCs to be used on projects that provide general

transportation benefits as well as airport access and permit a combination of funding sources.

- Historically, intermodal airport access projects have made up a small share of AIP funding support at various levels of AIP funding. The President's 2008 Budget request for AIP does not substantially affect the program in this regard.

3. **QUESTION:** We seem to be running head on into an air traffic controller shortage after having lost 1100 in three years. At New York Center, 27 become eligible to retire this year. Your testimony states that the President's proposal supports 1,420 new controllers. Does the budget assume that controllers will receive pay levels under current FAA rules, which have not been adequate to retain trained personnel? In light of previous miscalculations how can we be sure these 1,420 controllers will materialize to meet this critical need? How would the proposed move to fees, with the associated reduction in funding, impact these numbers? Despite the fact that your testimony lauds the investment in capital intensive, next generation systems wouldn't it be more practical to invest some of this funding in hiring, training, and retaining more controllers?

ANSWER: The FAA's fiscal year 2008 budget request assumes that new hire controllers will receive the salaries outlined in the 2006 air traffic controller contract. Modifications to the compensation system of operational air traffic controllers under the new contract do not appear to be impacting the FAA's ability to recruit and to hire new air traffic controllers.

The Department of Transportation's Office of the Inspector General (OIG) audits the FAA's controller hiring process. In its February 9, 2007 report (noted above), it confirms that the FAA is indeed making progress implementing a comprehensive staffing plan. The OIG found that the "FAA has made significant improvements by centralizing its hiring process and has made progress in reducing the time and costs to train new controllers, primarily through greater use of simulator training at the FAA Training Academy and implementation of a new national database to track on the job training statistics."

The Administration's proposal transforms the FAA's financing system into a system that is based on the costs that aviation users impose on the system. The proposal adopts new discretionary user fees based on the cost for air traffic services for commercial aviation operators. General aviation users would continue to pay a fuel tax that would be calibrated based on the costs that these users impose on the system.

This new structure ties air traffic services directly to the cost of those services and allows FAA's gross spending level to increase to meet this projected demand for services. FAA's user fee spending would be fully offset and would rise or fall based on FAA's costs, and would not compete with the many other discretionary budget priorities. Under the proposal, FAA, would be more able to hire the air traffic controllers necessary for the safety and efficiency of national airspace than under the existing financing structure. FAA also estimates that the new user fees would enable them to finance $4.6 billion for

NextGen investments over the next 5 years. NextGen investments, such as satellite-based navigation, are critical to handling the air traffic expected in a few years. Our current system is based on 1960's technology. We need to completely transform and modernize the system and ensure we have the necessary air traffic controllers to safely and efficiently meet the demand for air traffic.

QUESTIONS FROM CONGRESSMAN HENRY E. BROWN, JR.

Surface Transportation

1. **QUESTION:** Secretary Peters, my district is home to several ports, which along with others on the East Coast are in line to see dramatic increase in traffic as trade lanes through the Panama and Suez canals increase. This will result in a dramatic shift in cargo on the roads and rails of the East Coast. We talk a great deal about the success of the Alameda Corridor, but that project was by no means easy to accomplish. How will programs and congestion initiatives like the Corridors of the Future work to address the needs presented by this future shift in freight traffic?

ANSWER: As you know, the movement of freight in the United States transportation system is conducted by an extraordinarily vast array of public and private sector organizations. It is a National transportation system, not a Federal transportation system. The ownership and control of the infrastructure and the assets that move freight are dispersed across a broad spectrum of public and private entities – so are the potential solutions.

The Department's National Freight Policy acknowledges this array of entities and was specifically designed to be a collaborative effort of all the players that are part of freight movement, including academia, the private sector, and State and local governments to develop solutions. Effective solutions will require coordinated and collaborative action by both public and private parties.

The Department is pursuing a broad range of potential solutions and programs which include changes in how the system is being operated so we can take maximum advantage of existing infrastructure; the identification of future trends, such as the potential shift in freight volumes that your question addresses; the identification of regulatory or institutional changes that need to be made to enable a broader range of solutions sets; and the establishment of the professional and analytic capacity, and performance metrics that enable the best decisions to be made regarding adding additional physical capacity. Yet even with the best programmatic initiatives, Federal funding is unlikely to be sufficient to meet all needs, and future investment will likely require innovative new financing mechanisms.

The Corridors of the Future Program (CFP) is one of the Department's initiatives under the broader Congestion Initiative. The primary goal of the CFP is to encourage states to explore public and private partnerships as a resource to develop innovative national and regional approaches to reducing congestion, improve the flow of goods across our Nation, and enhance the quality of life for U.S. citizens. CFP projects must be nationally or regionally significant and may employ a multi-use approach to reducing congestion on some of our most critical trade corridors. The Department has an important role to play in facilitating and accelerating the development of these corridors, and will help project sponsors break through the institutional and regulatory obstacles associated with multi-state corridor investments. Working together, we can raise the overall value and

efficiency of these corridors beyond what would otherwise be achievable on a State-by-State basis.

For Corridors that are selected for participation in the CFP, the Department has several resources available to project sponsors to accelerate the delivery of the corridor projects administered under the CFP. Potential Department resources and commitments include: (1) Ability for Corridors selected for the CFP to request addition to the Secretary of Transportation's list of high-priority transportation infrastructure projects under Executive Order 13274, "Environmental Stewardship and Transportation Infrastructure Project Review;" (2) Accelerated review and conditional approval of experimental features under the Federal Highway Administration's (FHWA) SEP-15 program; (3) Expedited commitment process for credit assistance under the Transportation Innovative Finance Infrastructure Act; (4) Conditional approval for private activity bonds; (5) Priority to tolling programs; (6) Access to Department experts; and (7) Department assistance in identifying other possible discretionary funding sources.

In South Carolina the multi-state CFP proposal for I-95 has advanced to the second phase. Over the next few months the States will be developing an application to be submitted for Department review during the summer of 2007. During the second half of 2007, the Department will select 3-5 corridors as finalists and draft a CFP Development Agreement for each Corridor. If I-95, including the multi-State CPF proposal, is selected as a Corridor of the Future, South Carolina will have an opportunity to better position itself to accommodate increased freight volumes from South Carolina ports and other activities centers in the Southeast and across the Nation.

2. **QUESTION:** Secretary Peters, the Administration recently released its forecast for the Highway Account of the Highway Trust Fund over the next two fiscal years. This analysis projects the Highway Account to run a negative cash balance beginning in FY09. Aside from cutting surface transportation funding, what other remedies at the federal level do you suggest for averting this situation?

ANSWER: The Administration's forecast includes actions we have taken to preserve the balances in the Highway Account (HA) until the surface transportation program can be reauthorized.

The President's FY 08 budget proposes not spending a calculated $631 million in revenue aligned budget authority (RABA), thereby extending the viability of the HTF. However, further spending reductions may be required to forestall the projected $238 million shortfall in FY 2009.

Additionally, the Administration is implementing a new accounting measure that will slow the rate of funding transfers between the Highway Account and the Mass Transit Account (MTA) . This will have a short-term effect of slowing the expenditure of HA balances, but will not limit the ability of States to transfer highway funds for use on eligible transit projects or vice versa.

But these are short term fixes, and will not sustain our ability to support a vibrant transportation system through another surface reauthorization cycle. The funding levels in SAFETEA-LU were set with the intent of spending more than current receipts each year, thus "spending down" the balance that had accumulated in the Highway Account. In real life, this is called "living beyond one's means."

I look forward to working with the Congress on serious, long term reform of our approaches to both financing and managing our transportation network.

3. **QUESTION:** Secretary Peters, given its location on the coast, South Carolina's First District is continually at risk from hurricanes. Indeed, in 1989 we felt the brunt from Hugo, which made a horrific impact on my district. Bridges were out, a 20-foot storm surge hit the beaches, and flooding affected many shelters. We saw, unfortunately, many of the same stories replayed in the Gulf Coast following Katrina. One thing that both storms made clear is the need to get people out, evacuated and away from the brunt of the storm. Do the Department's congestion initiatives have any relationship to the need to improve our ability to evacuate residents and visitors from coastal areas prior to a hurricane?

ANSWER: By addressing the day-to-day challenges of congestion, our Congestion Initiative will have very positive impacts on improving the evacuation of residents and visitors in advance of a hurricane. The Congestion Initiative addresses issues such as managing traffic incidents, coordinating and managing work zones, using Intelligent Transportation Systems and other technologies to alleviate congestion and facilitate movement more rapidly, and providing traveler information. Examples of how these activities can help evacuations include:

- Traffic Incident Management. 25% of non-recurring congestion is attributable to traffic incidents. The Department is working with State counterparts to establish the institutional capacity to quickly and safely address traffic incidents through the following:
    - full service patrols--vehicle units that patrol assigned routes, often freeways, and provide a wide variety of services from motorist assistance to full incident response. Full incident response includes actions to clear incidents, provide traffic control, clean up the incident site, and enable communications among the various partners
    - quick clearance policies that encourage a sense of urgency related to clearing incidents quickly, safely, and efficiently, particularly on controlled access high-volume, high-speed facilities, among the many disparate State and local agencies that respond to traffic incidents; and
    - real-time communication capabilities among the transportation and emergency services communities.

  All of these functions can keep the exit routes flowing smoothly, everyday and during evacuations.

- Work Zones. The Department is working with the States to ensure that broad, system-wide impacts of larger scale work zones are taken into consideration and addressed when the work is being planned. In hurricane prone areas this could include planning for how the work zone can be secured to maximize facility capacity in the event that an evacuation in necessary.
- Traveler Information. Through ITS deployment including 511, the Department works with State counterparts to establish information systems for the traveling public to keep them informed of travel conditions on the network so they can make informed choices on when to travel. This capacity will enable evacuees to determine the travel times on alternate routes and make informed decisions on which exit route to take when evacuating.

4. **QUESTION:** Secretary Peters, the National Highway Users Alliance, in its 2006 report "Emergency Evacuation Report Card 2006," recommends the establishment of national urban evacuation standards. In addition, the report also recommends the establishment of a reporting system based on these standards. What are the Department's views on such standards and reporting system?

ANSWER: On October 12, 2006, the American Highway Users Alliance (AHUA) released a report entitled "Emergency Evacuation Report Card 2006." The Department of Transportation believes that national urban evacuation standards, and a reporting system based on these standards, are highly impractical and not desirable. For example, the AHUA attempted to "grade" metropolitan areas with a population of one million or more based on their ability to evacuate an entire population in 12 hours using only automobiles. Their criteria did not consider many of the other options that metropolitan areas may be able to utilize.

I believe our joint efforts are better spent defining key concepts that need to be addressed as a metropolitan area develops its evacuation plans (e.g., think regionally, establish communications networks, address special needs communities, ensure all transportation options are considered). As such, the Department, through its Federal Highway Administration (FHWA), Federal Transit Administration, and Federal Railroad Administration is developing products to aid in developing plans and offering technical assistance as needed. In particular, FHWA recognizes that evacuation planning must be tailored to an area, so it is focusing its efforts on giving suggestions and guidance in developing evacuation plans and capabilities that take into consideration an area's geography, resources, risks, and need for regional collaboration and support.

Specifically, FHWA is producing a series of documents to aid in developing sound evacuation plans, will be hosting workshops in hurricane-prone areas in May and June 2007, and is providing technical assistance to help State and local jurisdictions build their capacities to evacuate their people when needed. The cornerstone of these documents is the "Routes to Effective Evacuations" Primer Series. Separate documents will provide planning guidance and considerations for evacuation plans that address using highways to evacuate populations during events with advance notice or without notice, integrating multiple modes into a transportation evacuation strategy during events with and without

notice, evacuating populations with special mobility needs, and an overview that ties everything together. These Primers will comprehensively address all aspects of transportation evacuations. The first Primer delivered focuses on Highway Evacuations with notice and has been loaded on the web. The entire series will be completed by the end of 2007.

5. **QUESTION:** Madame Secretary, as you know, my state is currently embarking on a major project, the construction of a brand new interstate highway, I-73. This project was listed as part of a High Priority Corridor stretching from Sault Ste. Marie, Michigan to my district back in 1991 with the passage of ISTEA. I have three questions regarding I-73.

(a) **QUESTION:** Where does the completion of I-73 or High Priority Corridor 5 sit at the national level?

ANSWER: I understand the importance of future I-73 to your district and to the State of South Carolina--for safer travel, efficient transport of international and domestic cargo, improved tourism access, and more effective evacuation in emergencies.

As you know, for the South Carolina portion of I-73--approximately 90 miles long, running from Hamlet, NC to the Grand Strand/Myrtle Beach area of South Carolina--the project has been separated into two phases with the northern portion between Hamlet and I-95 and the southern portion between I-95 and the Myrtle Beach area. Environmental Impact Statements (EIS) for both phases are currently underway. A Draft EIS for the southern portion was issued in May 2006 and a Final EIS and Record of Decision (ROD) are expected by spring/summer 2007 with the necessary permits following shortly after. A Draft EIS for the northern portion is expected in spring 2007 with a ROD expected in early 2008. Both EISs and permit approvals are being completed on an accelerated 36-month schedule.

The South Carolina Department of Transportation (SCDOT) also released a Request for Proposals (RFP) in September 2006 to enter into a Public-Private Partnership (PPP) to finance, design, build, operate and maintain the proposed I-73 in South Carolina. However, receipt of proposals in response to this RFP has been postponed. The SCDOT is now considering completion of the RODs and permit approvals, expected in 2008, before advancing the PPP initiative.

I-73 in North Carolina will use a combination of existing highways and new roadways to traverse the State, following approximately the route of US 220 from Virginia to Rockingham, NC, then east on US 74, then follow NC 38 into South Carolina. A feasibility study is underway to determine the routing of I-73 between the Piedmont Connector (proposed multi-lane connector linking US 220 to NC 68 in the vicinity of the airport, currently in the design stage and partially funded) and the Greensboro urban loop. I-73 is expected to be routed along the

Greensboro loop from the Bryan Boulevard Interchange to US 220, proceeding toward Rockingham from that point along US 220. The section of the Greensboro loop from Bryan Boulevard to I-85 going south to US 220 is in the construction phase and is projected for completion by the end of 2007. In Montgomery and Richmond Counties the section of I-73 down to the Rockingham Bypass is in the construction phase and projected for completion in September 2007. Other segments of future I-73 south of Greensboro are identified in the State transportation improvement program (STIP) as projects for upgrading to Interstate standards with varying schedules for construction.

At this time, there is no financial commitment to develop the project in its entirety in Virginia. I-73 in Virginia will, essentially, parallel existing US Route 220 from the North Carolina/Virginia State line to Roanoke County, where it will tie back into Route 220 and follow existing I-581 to I-81 in Roanoke. Currently, US 220 is a four-lane divided highway and the Virginia Department of Transportation (VDOT) has nearly completed improvements along the route, including closing of some crossovers, installation of median guardrail, and installation of changeable message signs. Some funding for I-73 in Virginia has been designated by Congress, including $10 million in SAFETEA-LU for construction in the vicinity of Martinsville and design and right-of-way acquisition for I-73 in Roanoke County. Development of these projects is on hold pending the completion of the NEPA process. Virginia is preparing a ROD for the segment of I-73 from the NC/VA State line to I-581/I-81 in Roanoke. However, additional sources of funding have not yet been identified for implementation. No work has yet been done to study I-73 from I-581/I-81 in Roanoke to the Virginia/West Virginia State line due to a lack of funding. At present, traffic from Roanoke can travel west on I-81 and then connect to I-77 into West Virginia.

In West Virginia, the I-73/74 Corridor combines two regional highways--the King Coal Highway and Tolsia Highway. The King Coal Highway is 93 miles long, while Tolsia is approximately 62 miles. Together, the entire I-73/74 corridor in West Virginia has a total estimated cost of over $3 billion. The Tolsia Highway has not advanced in recent years due to its cost, limited funding, and State priorities. For the King Coal Highway, the corridor has been broken into shorter, operationally independent sections for upgrading, with some sections completed. Because of the overall cost, the West Virginia Department of Transportation (WVDOT) has chosen to construct the I-73/74 Corridor to slightly lower design standards than those for the Interstate System. The standards will be similar to those of the Appalachian Development Highway System and will provide for partial access control. Currently, there are a few additional sections under design and construction, including a public private partnership with a mining company to complete a 12-mile section of King Coal Highway known as the Red Jacket project.

The State of Ohio conducted a feasibility study for I-73 in the mid-1990s. Because of opposition to construction within the corridor, the potential impacts,

and the lack of funding, Ohio decided not to pursue further development of the corridor. However, the route that I-73 would follow in Ohio (US 23) is for the most part a four-lane divided highway from Portsmouth, at the West Virginia State line, to Toledo, at the Michigan State line. Travel through Ohio can be accomplished on US 23 (a limited control of access facility) or on Interstate facilities within the corridor at Columbus and Toledo. While I-73 may be a possibility in this State in the future, it is not a priority at this time and is not included in current planning. I would also note that the only portion of ISTEA High Priority Corridor 5 (the I-73/74 North/South corridor) actually designated in law as a future interstate is the portion of the corridor south of Portsmouth, Ohio.

The original I-73 concept for Michigan included a new freeway connection from Toledo, Ohio to Jackson, Michigan along US 223 and then an upgrade of US 127 from Jackson through Lansing north to connection with I-75 near Grayling. Several years ago, the Michigan Department of Transportation conducted a study of the I-73 corridor and determined that the corridor is not a priority for Michigan. Even though the new links through Jackson and Lansing are not in current planning, the lack of these links does not block travel on Interstate-level facilities from Sault Ste. Marie to Toledo (the Michigan portion of I-73). Travel through Michigan to the Canadian border can currently be accomplished via I-75.

(b) **QUESTION:** What national and state-level challenges are preventing it from progressing at a faster pace?

ANSWER: While certain segments of future I-73 that were under study met with strong local resistance, the primary challenge facing the ultimate completion of I-73 is funding at both the National and State levels. Private investment, in addition to public funding, may offer some solutions. Some States are using, or considering using, public-private partnerships for advancing I-73 projects. As you know, in South Carolina, although a total of $91 million has been Congressionally designated for I-73, this represents only a portion of the estimated $1.5 to $2 billion required for completion in South Carolina. SCDOT released a Request for Proposals to enter into a public-private partnership to finance, design, build, operate and maintain the proposed I-73 in South Carolina. However, SCDOT is now considering completion of the RODs and permit approvals, expected in 2008, before advancing the public-private partnership initiative.

In West Virginia, a 12-mile portion of the King Coal Highway is being constructed under a joint development initiative with the extractive industry. This portion of the King Coal Highway is known as the "Red Jacket" section. WVDOT and FHWA have been working closely on an innovative public-private partnership with the Mingo County Redevelopment Authority and a mining company, which will significantly accelerate the schedule and lower the cost for the Red Jacket section. The approach involves having the WVDOT provide a partial reimbursement and allow slight shifts in the alignment of a 12-mile portion

of the King Coal Highway, in order to allow private industry to remove coal and place the excess material from the mining in a constructive fashion to shape future highway fills. In addition to accelerating construction and saving millions of dollars, this approach also provides a solution to the longstanding environmental issue of where to place excess material from mining operations. Using traditional methods, the cost of construction for the Red Jacket section has been estimated at over $300 million. Using the public-private partnership approach, construction of the 12-mile section will be approximately $100 million. Currently, construction is underway and is expected to be completed in 2010.

(c) **QUESTION:** How can the Department's congestion initiatives be applied to improve progress on this corridor?

ANSWER: The Department's National Strategy to Reduce Congestion on America's Transportation Network consists of a six-point plan, designed to both reduce congestion in the short-term and to build the foundation for successful longer-term congestion reduction actions. FHWA is focusing on a number of high-priority efforts to help reduce congestion on the nation's highways in support of the Congestion Relief Initiative, including Tolling & Pricing, Public-Private Partnerships, and efforts derived from the best of existing technological and operational practices. Together, they promote more informed decisions, better coordination, and quick action to help avoid and reduce traffic congestion.

Four of the items identified in the FHWA FY 2007 Congestion Action Plan are anticipated to be used on I-73:

1. Real-time Traveler Information: ITS components are expected to be included as part of the I-73 corridor to monitor traffic, respond to incidents, and provide timely information to motorists.

2. Accelerated Construction Innovations: Some of the latest innovative project delivery techniques will be utilized on I-73 contracts. This could include flexible provisions under a PPP.

3. Innovative Financing: The RFP encourages innovative financing proposals as part of the PPP which will be reviewed by the SCDOT to develop an overall financing plan for the project.

4. Value Pricing: In March 2006, SCDOT submitted an Expression of Interest requesting Federal authority to toll Interstate 73. In May 2006, FHWA recommended that the SCDOT submit a formal application to the Interstate System Construction Toll Pilot program, section 1604(c) of SAFETEA-LU. This newly authorized program permits up to three projects on the Interstate system to collect tolls as a means to expedite financing and construction of a project. FHWA will work with SCDOT to develop an application that meets the statutory requirements.

Aviation

1. **QUESTION:** Madame Secretary, while many of my colleagues on this committee may consider Charleston and Myrtle Beach to be large cities, but in many ways, they are small communities, especially as it comes to air service. I noticed that the Administration's budget once again eliminates funding for the Small Community Air Service Development Program. As we begin to enter the FAA reauthorization process, what do you see as the role of the Department as it comes to encouraging improved service and lower fares airports serving our small communities?

ANSWER: The Department is now in its sixth year of administering the Small Community Air Service Development Program (SCASDP). Under the law, the Department can make a maximum of 40 grants in each fiscal year to address air service and airfare issues; although no more than four grants each year can be in any one state. Until 2006, Congress provided $20 million in each year for this program. In 2006 and 2007, the funding for the program was set at $10 million.

Given the many and varying priorities facing the Department, it was concluded that funding for this program could not be accommodated within the President's budget and, therefore, has not been included. Of course, for all programs that are ultimately funded, the Department is fully committed to ensuring that they are administered in the best and most efficient manner. Since the first selections were made in 2002, the Department has awarded over 180 grants, helping numerous communities address their air service issues.

It is important to note the extensive support that the Department provides for small airports in terms of supporting the infrastructure that make any service possible. In the last two years (FY2005 and FY2006), the FAA has provided over $4 billion in grants for small airports, or nearly 2/3 of the Airport Improvement Program (AIP). Furthermore, the Department's reauthorization proposal would continue to direct AIP to small airports. AIP will provide over $8.5 billion to airports of all sizes through the term of the bill. The reauthorization proposal would also add new AIP eligibility for ADS-B ground stations and expanded eligibility for revenue producing projects at small airports that will help their financial stability.

The Federal Government, however, is only one piece of the equation. States and communities will also need to review their air service in the context of the changed industry structure and service patterns to seek fresh, new solutions to maximize their air service potential, including regional and intermodal approaches and expansion of public/private partnerships to meet these challenges.

2. **QUESTION:** Madame Secretary, the U.S. is not alone as it works to modernize its air traffic control/management system. Indeed, Europe, China, and Japan are just a few of the countries that are taking a similar path to ours in terms of developing a new air traffic control infrastructure. Can you please outline the efforts FAA and the Department have made to ensure that not only U.S. technology and standards takes the lead as the world

goes through this modernization, but also that our systems, no matter what technology and standards are adopted, work with those of neighboring nations?

ANSWER:

International leadership is an integral component of the FAA Flight Plan and highlights many initiatives focused on strengthening U.S. leadership, not only in current operational systems but also in the advancement of the Next Generation Air Transportation System (NextGen) capabilities. The overarching international goals of NextGen are the harmonization of systems and procedures to ensure civil and military operability across international boundaries, timely adoption of global standards and operational procedures that satisfy U.S. requirements and provide a level playing field for U.S. industry.

To ensure a level playing field for industry, the FAA continues to provide substantial technical and political support to the International Civil Aviation Organization's (ICAO) various technical panels and regional planning groups to ensure that U.S. standards that take into consideration the special characteristics of the U.S. system, such as a large general aviation fleet, airport capacity problems, operating costs, environmental impacts, and safety considerations, are incorporated into global standards.

In a parallel effort, the FAA, as part of the NextGen Global Harmonization Integrated Product Team, has expanded existing or established new collaborative bilateral and multilateral relationships with international partners that will lead to development of synchronized implementation timelines, shared research and validation data and the promotion of new technologies and concepts.

The following information specifically addresses our cooperative NextGen initiatives with Europe, China, and Japan.

<u>Europe</u>

- The FAA has identified interoperability and synchronization of implementation timelines as a main focus of its interaction with the European community. The FAA and the European Commission signed a Memorandum of Understanding in July 2006 establishing a framework for cooperation between the FAA and the Commission on their respective modernization programs, the Single European Sky Air Traffic Management (ATM) Research (SESAR) initiatives of the European Community and the U.S. NextGen.

- This collaboration will work towards commonality of ATM systems by:
    - implementing interoperable and, where appropriate, common technologies in the respective ground and air systems;
    - supporting discussions on appropriate regulations, standards and procedures to facilitate such commonalities and interoperability;
    - synchronizing common timelines that implement new performance-based systems and technologies; and

- o identifying trial projects where government and industry can demonstrate both operational and environmental benefits from air traffic management enhancements which can be achieved now or in the near term.

- The FAA and the European Commission have identified candidate projects for oceanic airspace that brings together critical operational and technical elements common to the success of both NextGen and SESAR. A task force has recently been established and is developing a comprehensive roadmap for trans-oceanic trajectory based operations that will enable the trial projects to be conducted, contingent on available resources, over the 2007-2010 timeframe.

- Additionally, the FAA continues to work very closely with Eurocontrol to develop harmonized standards in many areas such as performance based navigation, automatic dependent surveillance-broadcast (ADS-B) and required communications performance.

Japan

- The FAA's long standing relationship with the Japan Civil Aviation Bureau (JCAB) ensures the interoperability of our respective air traffic systems. This has resulted in market accessibility for U.S. industry in many areas and established U.S. technology as leader within Japan.

- More recently through the Joint Planning and Development Office (JPDO) Global Harmonization Integrated Product Team, the Future Air Transportation Systems Working Group was established in 2006 to enhance discussions on air traffic modernization initiatives including meeting increased demand, improved safety, international harmonization, and global leadership.

- A bilateral agreement was signed in October 2006 between the FAA and JCAB to solidify this arrangement. Initiatives include: collaboration on replacement of old telecommunications network; continued cooperation and harmonization between the two countries satellite based augmentation systems; and continued cooperation with the Japan Aerospace Exploration Agency (JAXA) on ADS-B research program that would export the U.S. based ADS-B concept to Japan for helicopters and general aviation operations.

China

- The FAA's strategic focus is on developing partnerships and influencing near and far term developments to ensure a future aviation infrastructure that will facilitate safe and efficient flights for the airlines and traveling public as well as provide ready access to Asian markets for U.S. industry.

- The FAA and the Air Traffic Management Bureau (ATMB) formally established the Joint Air Traffic Steering Group (JATSG) in April 2004 to identify and implement cooperation activities as both the U.S. and China address challenges in the modernization of our respective air transportation systems over the next 20

years.

- The FAA is working with China in support of the Administration of Civil Aviation of China (CAAC's) efforts to address aviation safety and capacity challenges in light of projected double-digit annual growth of China's domestic and international aviation.
- In a companion effort, the JPDO Global Harmonization Integrated Product Team has established a NextGen Steering Group, composed of FAA, NASA and CAAC representatives and is supported by U.S. industry. The proposed cooperation on NextGen will provide the opportunity to encourage China to undertake long-term strategic planning, merge the procedures and technologies which have been introduced under FAA technical assistance into a cohesive plan for more efficient use of their airspace, and begin to consider further implementation of ADS-B and Global Navigation Satellite System technologies, foundational capabilities of NextGen. Air traffic related activities are the immediate focus but NextGen cooperation will evolve to encompass broader aspects of the aviation system.

3. **QUESTION:** Following up on these efforts, I understand that the U.S. has been working with Europe, China and Japan on these modernization efforts, but I have not heard much about our work with Canada. Given that so many flights from or bound to the U.S. fly over Canadian airspace and are controlled by Canadian controllers through NavCanada, can you please outline where things stand in terms of working with our neighbors to the north on this important issue?

ANSWER:

The FAA Air Traffic Organization's (ATO's) operational relationship with Canada is more mature than with any other country. ATO Vice Presidents and other Executives meet with our counterparts from NavCanada approximately twice each year to discuss a comprehensive list of operational topics. Canada is the only country with which we have a Collaboration Letter of Agreement to facilitate the safe and efficient movement of air traffic between and over both countries.

The FAA is working closely with NavCanada on the planning and development of the NextGen System through the North American Aviation Trilateral (NAAT). This coordination comprises strategic/operations planning, research, implementation of performance based services and enabling technologies (e.g., Automatic Dependent Surveillance-Broadcast), weather, information management, safety, harmonization of standards, environmental management, and training.

The FAA and NavCanada collaborate to define safe and efficient international route structures for the North Atlantic and Polar regions. Additionally, we work together on operational evaluation programs (e.g., Random Route Trials) and the development of new tools (e.g., On-Line Track Advisory). Additionally, the FAA and NavCanada exchange data and information on a daily basis to improve overall traffic flow and the systems that make it possible. We exchange radar and flight data for tactical air traffic control,

Enhanced Traffic Management System (ETMS) data for strategic flow control, security information, and airspace configuration data.

The FAA has recently completed installation of four Wide Area Augmentation System (WAAS) Reference Stations in Canada and is in the process of training technicians from NavCanada to operate and maintain them. Once they are operational in 2007, these facilities will provide significant improvements in WAAS coverage across the northern U.S. and across Canada, enabling increased use of performance-based navigation.

The FAA has an ongoing Research and Development Agreement with NavCanada to collaboratively study noise and emissions, atmospheric icing, and advanced uses of satellite technology.

NavCanada is currently implementing a new flight data processing system called the Canadian Automated Air Traffic System, or CAATS. The FAA has worked closely with them to ensure that this new system will work seamlessly with the U.S. National Airspace System. This collaboration has included the joint development of interface specifications, cooperative testing activities, establishment of cross-border procedures, implementation of new automated flight data exchange, and planning for future automation-enabled efficiency gains. FAA conducts biweekly meetings between with our counterparts from NavCanada to identify and resolve technical and operational issues related to the interaction of our respective automation systems.

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