STATEMENT OF
THE HONORABLE RAY LAHOOD
SECRETARY OF TRANSPORTATION

BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCUTRE
U.S. HOUSE OF REPRESENTATIVES

October 1, 2009

Chairman Oberstar, Ranking Member Mica, and Members of the Committee, thank you for the opportunity to appear before you today to discuss the U.S. Department of Transportation's (DOT) progress in implementing the American Recovery and Reinvestment Act of 2009 (Recovery Act). Last April, I appeared before this Committee and shared with you our initial efforts to get Recovery Act funds out-the-door and working to support transportation projects across the Nation. Today, I want to share with you our recent accomplishments in using Recovery Act dollars to improve our transportation infrastructure, create thousands of jobs, and strengthen our economy.

Let me start with a current report on our implementation progress. The Recovery Act provided $48.1 billion to improve highway, transit, rail, air, and maritime infrastructure. As we complete the 32nd week of implementation, the DOT has obligated $29.4 billion – or over 60% of DOT's total Recovery Act funds – on over 9,000 projects nationwide. Recovery Act dollars are also making their way through the Federal financial pipeline. To date, almost $3.4 billion has been disbursed from the U.S. Treasury to pay bills associated with Recovery Act activities. This is substantial progress since the enactment of the Recovery Act, and both the DOT and our State and local partners share in this success.

A major portion of DOT's Recovery Act resources are at work improving our highways and bridges. Of the $27.1 billion appropriated specifically to the Federal Highway Administration (FHWA), $19.4 billion – or about 72% -- has been obligated to support work on more than 8,000 projects in all 50 States, the District of Columbia, and in the U.S. territories. Recovery Act-funded highway and bridge projects are chosen from the State DOTs' Transportation Improvement Plans using the identical process that is used for annually apportioned formula funds. This process begins when a State selects a project and then sends out invitations for bids. Bids are received and reviewed and a contract is ultimately awarded and funds are "obligated". At this point, the winning contractor begins hiring a project work force and orders needed supplies and equipment. This is the point in the process when the project is considered to be "underway" and the point at which jobs are created. When each segment of the construction is completed satisfactorily, the contractor submits bills to the State and the State pays the contractor directly. States then request reimbursement of its expenses from the FHWA. The process is completed when FHWA reimburses the State. Typically, this entire process takes several weeks.

Highway projects funded using ARRA dollars range in size from road resurfacing projects to ones like the $128 million third-phase of the Interstate-215 widening project in San Bernardino, California. When all phases are fully completed, this $800 million, 7.5 mile-long project will help one of America's most economically distressed communities. The third-phase alone will create jobs for 2,000 workers in its first year, improving access to one of the largest and fastest growing hubs serving international and regional trade and the San Bernardino International Airport. This project will provide major benefits to the region. It will greatly ease congestion along a route that is expected to grow from an estimated 83,000 drivers daily to 130,000 in the next twenty years. At the same time, the opening of a major artery for goods shipped in and out of the Ports of Los Angeles and Long Beach will revitalize the region's economy.

The San Bernardino project is just one example of the approximately 8,000 projects where Recovery Act funds are helping to improve roads and bridges while at the same time strengthening local economies in communities across the Nation. We recognize the important role Recovery Act funds play in helping local economies – and particularly those in economically distressed areas. Since the Recovery Act implementation began, DOT has been urging States and localities to focus on reaching those communities with the greatest needs. Based on FHWA's recent State-by-State data, this effort is succeeding, and 59 percent of highway Recovery Act funds are currently obligated on projects in economically distressed areas (see Attachment).

I am pleased to announce that the Federal Transit Administration (FTA) met the Recovery Act requirement to award half of its funds by September 1. In fact, working with nearly 600 transit agencies nationwide, the FTA not only met this requirement, they significantly exceeded it by awarding nearly 90 percent of these grant funds by the September 1 deadline. To date the FTA has awarded 683 grants for a total obligation of $7.4 billion. Of the 9,933 transit vehicles funded, 8,216 or 83% are for replacement vehicles that will enable Transit agencies to retire aging equipment. Replacing old equipment improves service safety and reliability, reduces emissions, and results in operating efficiencies. The remaining 17% of transit vehicles funded will be used to expand transit services. Nearly half of these additional vehicles are vans or sedans for service to the elderly and individuals with disabilities or will be used to expand rural transit services. In addition, the FTA has processed over a quarter of a billion dollars in FHWA Recovery Act funds where States and localities have chosen to "flex" highway resources to transit investments.

Last week, I announced $100 million in grants for transit projects focused on reducing greenhouse gases and fuel consumption. The funds were awarded under the Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) Discretionary Grant Program. FTA received proposals for 560 projects seeking over $2 billion in funds. The extent and variety of proposals demonstrates the untapped potential for transit investment to make this environmentally friendly mode of transportation even greener.

The largest TIGGER award, of $10.9 million, went to Atlanta's Metropolitan Atlanta Rapid Transit Authority (MARTA). MARTA is using the funds to provide bus canopies with solar-paneled roofs at its Laredo Bus Maintenance Facility. The roofs of the structures, fitted with photovoltaic cells, will be the largest solar power photovoltaic installation in Georgia. It will both produce power and reduce the need for energy by lowering summertime temperatures beneath the canopies by as much as 50 degrees. This will lower bus fuel consumption, reduce the need for air conditioning, and enhance the work environment for MARTA workers. In addition to all these benefits, this project will generate 32 new jobs.

Highway and Transit projects only tell part of the story. Airports throughout the country are also benefiting from Recovery Act Funds. The Recovery Act provided $1.1 billion in funding to the Federal Aviation Administration (FAA) for airport grants to be used to upgrade and improve runways and airport facilities. As of September 29th, the FAA has awarded 99% of these funds. It was initially thought that these funds would support approximately 300 separate airport grant projects. However, contract bid proposals for many of the projects came in considerably under what was expected. As a result, FAA has been able to stretch these funds to support an estimated additional 60 projects. The majority of these additional projects are already underway. As of September 17th, an estimated $998 million of ARRA funds are supporting 309 projects that are under construction or are completed.

FAA has been diligent in ensuring that ARRA projects meet stringent selection requirements. For example, one of FAA's selection guidelines for ARRA projects is a national priority rating of 62 or greater, compared to the goal of 41 used for regular Airport Improvement Program grants. So far, 85 percent of FAA's ARRA grants have exceeded this higher standard for national priority, and all projects selected have met the selection requirements outlined in FAA's ARRA guidance and fully comply with the statutory requirements for FAA's airport grant program, as required in the Recovery Act.

In addition to providing direct financial assistance to airports, the Recovery Act also temporarily removed the usual Alternative Minimum Tax (AMT) requirements from Private Activity Bonds. This has resulted in many of our hub airports being able to finance new debt and refinance existing debt at a significant savings. As of September 24th, U.S. airports have sold over $5 billion in bonds, of which, about $4 billion benefited from the AMT provisions in ARRA. This has saved over a dozen commercial service airports hundreds of millions of dollars resulting in reduced financing costs to airports. These savings can be redirected toward other projects.

For example, San Francisco International Airport estimates that it saved about $1.6 million annually in long-term debt service cost as part of a recent $266 million bond sale. The airport recently issued another $175 million in short term bonds benefiting from the AMT provisions in ARRA. These savings are moving airport infrastructure projects forward and stimulating the economy.

The Maritime Administration received $100 million for the Small Shipyards Grant Program to support infrastructure improvements. In August, the Maritime Administration issued grants for $98 million supporting 70 small shipyard projects in 26 states and Guam. This list of specific projects includes drydocks, steel working machinery, and other infrastructure improvements. MARAD is working closely with the grant recipients as projects get underway.

The Recovery Act expands on a new vision for the future of transportation in America by providing $8 billion to help establish a high speed rail capability. The Federal Railroad Administration (FRA) has worked diligently to develop a high speed rail grant process so potential applicants from across the country can apply for assistance. FRA developed detailed guidance and conducted extensive outreach to ensure that potential applicants understood the application process. After a months-long notification and pre-application process, the Federal Railroad Administration received 214 applications totaling nearly $7 billion in requests for projects that can be completed within two years. FRA is hard at work reviewing these applications so that final awards can be provided soon. A second round of applications for projects that will need the Department's long-term commitment to the development of high speed rail service in specific intercity corridors is due October 2. We are very excited to be at the cusp of this new and exciting transportation opportunity.

The $1.5 billion Discretionary Grant Award established in the Recovery Act represents another new and exciting development in transportation. These Transportation Investments Generating Economic Recovery Grants –known as TIGER grants– were included in the Act to support projects that may not have fit in other Recovery Act categories or projects that are multi-modal or "cutting-edge" in nature. The application process for our TIGER grants closed on September 15, and we are now beginning to review the applications. The response has been overwhelming. We have received 1,380 total applications for TIGER Grants for $56.5 billion in total projects from all fifty States, the District of Columbia, and three of the U.S. Territories. Based on our initial review, we expect the $1.5 billion will only be able to fund fewer than 3 percent of the total number of requests. This response demonstrates a high level of interest in the TIGER Grant process and a tremendous need for infrastructure project support. We intend to announce the grants in advance of the February 2010 deadline.

Finally, I want to note the important contribution the Car Allowance Rebate System (CARS) -- nicknamed the "Cash for Clunkers" program -- has made in generating economic benefits across America. Although the CARS program was not included in the Recovery Act, it has been one of the bright stars in our efforts to get the economy moving again. CARS has succeeded beyond everyone's expectations, and we can all take pride in what we have accomplished. During CARS, a total of 694,877 cars were sold from 21,208 automobile dealerships throughout America. So far, we have paid out more than $2.8 billion in rebates with an additional 7,098 applications worth $28.8 million in final review. It appears that consumer spending posted a solid gain in the third quarter – thanks in part to the CARS program. In August alone, retail sales rose by 2.7 percent, due in large part to a notable 10.6 percent boost in auto sales by dealers. For the auto industry itself, the CARS program delivered a real bright spot – producing one of the largest two-month spikes in auto sales on record. In addition, we provided a much-needed jolt to auto manufacturing in the U.S., with Ford, GM, Toyota, and Honda announcing production increases in the third or fourth quarter – or both. That's great news for the men and women who depend on these auto manufacturing jobs. We also have helped consumers ditch costly gas-guzzlers for safer, more fuel-efficient vehicles that are much better for the environment. In fact, new vehicles purchased under the CARS program were 60 percent more efficient than the trade-ins on average. Above all, we've shown that when the federal government and the private sector team up to take bold action, the American public benefits.

I am pleased with the progress we are continuing to make in ensuring Recovery Act dollars are working to support transportation projects in communities throughout the country. I also want to take this opportunity to thank the Governors, the State Secretaries of Transportation and our other State and local partners for their hard work in making the Recovery Act a success. With your help, the help of the Congress and the leadership of President Obama we are "Putting Americans Back to Work.". Thank you for the opportunity to appear before you today, and I will be happy to answer your questions.

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Attachment 1

FHWA ARRA Projects in Economically Distressed Areas (EDA)

as of August 31, 2009

	EDA Projects Only				Total		
	Number of Projects	Total ARRA Funds Obligated	Percent of Projects	Percent of Funds Obligated	Number of Projects	ARRA Funds Obligated	% Population in EDAs
ALABAMA	94	$300,754,183	77.0%	82.8%	122	$363,244,080	56.0%
ALASKA	13	$81,846,961	72.2%	74.2%	18	$110,245,341	35.3%
AMERICAN SAMOA *	1	$4,400,000	100.0%	100.0%	1	$4,400,000	-
ARIZONA	158	$292,852,541	99.4%	100.0%	159	$292,862,541	21.6%
ARKANSAS	66	$131,058,323	88.0%	72.8%	75	$180,078,223	68.3%
CALIFORNIA	452	$1,781,821,669	81.6%	90.1%	554	$1,977,212,869	33.0%
COLORADO	23	$90,931,642	30.7%	31.4%	75	$289,604,854	16.0%
CONNECTICUT	-	$0	0.0%	0.0%	35	$192,444,578	0.0%
DELAWARE	5	$12,014,032	16.7%	21.5%	30	$55,760,647	17.8%
DISTRICT OF COLUMBIA	14	$115,742,908	100.0%	100.0%	14	$115,742,908	100.0%
FLORIDA	130	$201,405,175	34.9%	20.2%	373	$999,182,959	19.7%
GEORGIA	85	$295,817,458	56.7%	52.5%	150	$563,186,128	46.9%
GUAM	5	$18,000,000	100.0%	100.0%	5	$18,000,000	-
HAWAII	6	$25,584,490	50.0%	47.0%	12	$54,407,232	13.6%
IDAHO	34	$97,890,830	89.5%	79.5%	38	$123,083,267	63.0%
ILLINOIS	354	$613,995,545	85.9%	83.2%	412	$738,389,937	22.4%
INDIANA	290	$266,472,627	60.2%	61.6%	482	$432,857,656	40.1%
IOWA	74	$199,437,659	40.2%	62.3%	184	$320,020,404	20.4%
KANSAS	18	$14,698,669	41.9%	6.7%	43	$219,528,343	35.4%
KENTUCKY	32	$172,628,567	69.6%	60.8%	46	$283,801,232	52.8%
LOUISIANA	41	$178,973,113	82.0%	53.7%	50	$333,195,486	34.2%
MAINE	35	$88,678,084	49.3%	67.8%	71	$130,752,032	33.9%
MARYLAND	26	$77,377,164	24.1%	27.2%	108	$284,644,886	15.6%
MASSACHUSETTS	3	$79,406,076	7.9%	39.1%	38	$203,248,843	8.4%
MICHIGAN	327	$438,954,108	87.7%	76.3%	373	$575,337,634	90.7%
MINNESOTA	54	$120,995,838	40.9%	34.3%	132	$352,861,003	21.5%
MISSISSIPPI	66	$268,617,386	94.3%	92.8%	70	$289,368,486	69.5%
MISSOURI	125	$259,108,074	74.0%	66.2%	169	$391,306,345	54.6%
MONTANA	17	$57,408,367	26.6%	43.9%	64	$130,784,272	24.7%
N MARIANA *	1	$4,500,000	100.0%	100.0%	1	$4,500,000	-
NEBRASKA	26	$78,854,514	60.5%	51.1%	43	$154,175,505	27.1%
NEVADA	10	$62,926,218	58.8%	74.8%	17	$84,117,529	8.4%
NEW HAMPSHIRE	-	$0	0.0%	0.0%	26	$122,676,232	0.0%
NEW JERSEY	4	$79,091,298	6.5%	16.7%	62	$472,300,249	6.0%
NEW MEXICO	6	$95,743,476	50.0%	58.7%	12	$163,002,258	54.3%
NEW YORK	179	$300,107,211	50.6%	38.5%	354	$780,502,631	15.7%
NORTH CAROLINA	97	$290,433,697	57.4%	63.8%	169	$455,320,352	46.2%
NORTH DAKOTA	28	$25,794,226	29.2%	29.6%	96	$87,180,097	15.4%
OHIO	173	$416,975,263	90.1%	96.1%	192	$433,771,021	54.6%
OKLAHOMA	131	$299,290,774	79.4%	73.5%	165	$407,285,226	43.3%
OREGON	119	$142,168,311	54.3%	71.5%	219	$198,745,119	32.7%
PENNSYLVANIA	152	$429,118,980	59.8%	49.1%	254	$874,362,248	34.2%
PUERTO RICO *	15	$78,699,028	100.0%	100.0%	15	$78,699,028	-
RHODE ISLAND	48	$104,888,177	98.0%	92.0%	49	$113,949,727	59.6%
SOUTH CAROLINA	67	$151,884,310	74.4%	68.0%	90	$223,328,340	60.7%
SOUTH DAKOTA	13	$63,186,432	76.5%	67.9%	17	$93,113,756	22.2%
TENNESSEE	177	$373,988,390	76.6%	79.6%	231	$469,998,511	40.5%
TEXAS	171	$525,383,369	59.4%	43.7%	288	$1,201,987,023	29.4%
UTAH	47	$89,762,450	48.5%	45.1%	97	$199,202,595	49.9%
VERMONT	10	$40,402,068	34.5%	50.1%	29	$80,674,264	10.3%
VIRGIN ISLANDS *	3	$10,692,498	100.0%	100.0%	3	$10,692,498	-
VIRGINIA	22	$133,338,248	50.0%	48.1%	44	$276,978,203	26.0%
WASHINGTON	145	$332,625,088	81.5%	89.8%	178	$370,397,769	24.1%
WEST VIRGINIA	84	$121,526,709	84.8%	64.3%	99	$189,123,814	66.4%
WISCONSIN	95	$99,777,446	44.8%	27.9%	212	$357,314,391	18.1%
WYOMING	20	$33,958,045	31.7%	21.8%	63	$155,966,058	10.5%
Grand Total	**4,391**	**$10,671,987,715**	**63.4%**	**59.0%**	**6,928**	**$18,084,916,629**	**33.3%**

Note: Obligated projects as of August 28, 2009. EDA status based on March 13, 2009 HEPGIS map and EDA data in RADS. Does not include projects managed by Federal Lands.

* - EDA criteria are not available for Puerto Rico, the Virgin Islands, and U.S. Territories. For the purpose of this report, all ARRA funding and projects are shown as being in an EDA. The percentage population in EDAs for these areas is not determined and is intentionally left blank.