

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

BEFORE THE

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

April 30, 2009

Chairman Murray, Ranking Member Bond, and Members of the Subcommittee, 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). The Recovery Act is an extraordinary response to a crisis unlike any since the Great Depression. The Act is an unprecedented effort to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century. In the ten short weeks since this hallmark legislation was enacted, the Department has been working hard to ensure that the Recovery Act is being implemented quickly, wisely, and with unprecedented transparency and accountability to finance transportation projects throughout America. Today, I want to share with you our accomplishments and our plans for the future.

Even before the Recovery Act was enacted, DOT had prepared an implementation strategy to ensure that the agency would be prepared to implement our elements of the legislation as quickly and effectively as possible. We brought together an intermodal team of experts from our policy, legal, financial, and information technology disciplines to work along side programmatic experts in our operating administrations to anticipate the requirements in the new legislation. This new team – termed the Transportation Investments Generating Economic Recovery, or TIGER, Team – was tasked with coordinating and overseeing the Department's responsibilities and reporting regularly to me on their progress.

The work of the TIGER Team has been instrumental in keeping our implementation on track and I am pleased to report that the efforts of our TIGER Team and many others throughout our Department are achieving success. Of the \$48.1 billion of overall resources provided to DOT in the Recovery Act, we have already announced the availability of \$44.8 billion. \$8.1 billion of these funds have already been obligated on specific projects in 48 States and Territories, and the figures are increasing every day.

To keep the funds flowing and to ensure that accountability and transparency are maintained, our DOT TIGER Team is tasked with a broad range of responsibilities. We have established separate stewardship working groups to coordinate issues such as data reporting,

financial management, procurement and grants, job creation, information technology, and accountability. The reporting requirements in the legislation are extraordinary and have required the Department to establish guidance on data and financial reporting to ensure that information provided to the public is accurate and easy to understand. Just recently, we posted maps of the United States on DOT's Recovery Act website showing the number of projects by State and the amount of funds that have been obligated. We are working to refine these helpful depictions of the progress being made in fulfilling the President's objectives for the Recovery Act.

While implementation of the Recovery Act presents significant management challenges, DOT has already taken steps through the TIGER Team to provide effective oversight to ensure that the funds provided by Congress are used efficiently, effectively, and provide maximum benefit to the public.

For example, DOT has developed a systematic and comprehensive approach to risk assessment and management. The risk management tool developed by DOT was so well regarded by the Office of Management and Budget that it subsequently adopted the tool for Government-wide use. The tool uses a four-step approach, which is built upon the sound foundation of internal controls assessments:

- Formal assessment of potential programmatic risks;
- Risk profile that categorizes the level of risk;
- Risk management and mitigation plan; and
- Validation and testing.

As a further check on the extent and validity of our validation work, DOT will be reaching out to partner with another Federal agency to share risk management best practices and to leverage resources for cross validation and testing. At this point, the Department has completed the first two phases of this approach for all Recovery Act programs. We will be continuously updating our risk management efforts due to the nature and sensitivity of risk management for Recovery Act programs.

We are also creating new business processes that make better use of the work done by both the Office of Inspector General (OIG) and the Government Accountability Office (GAO). Early on, we established an Accountability Executive Board that includes top officials from throughout the Department. This group approached OIG and GAO seeking to better ensure that audit findings are thoroughly considered in our Recovery Act programs. First, we broadened the avenues of communication to make certain we had a clear understanding of their concerns as rapidly as possible. We created new mechanisms, including an Accountability Stewardship Group to bring management and the auditors together frequently for a frank, two-way exchange of information. Together with the Inspector General, I have convened a fraud awareness session broadcast throughout DOT to ensure everyone gets the message that we have zero tolerance for waste or fraud. Simply put, I have asked our people to say something if they see something. The Accountability Executive Board continues working with the auditors to identify new and innovative ways

that will better enable DOT to anticipate challenges and incorporate the changes necessary to provide the public with meaningful and effective programmatic results.

President Obama, Vice President Biden and you, the members of Congress, have entrusted me with billions of dollars to help create jobs and improve our Nation's infrastructure. I have just visited several states where Recovery Act investments are making a real difference in people's lives. In New Hampshire, for example, I met 35 construction workers hired to make highway repairs. Many of these individuals had been laid off and were called back to work. They are back on the payroll, supporting their families, and contributing to their local economies. Similar stories are playing out in states all over the country. This effort not only puts people to work, but it gets people to work in a way that moves us towards our long-term goals of energy security, a cleaner environment, and more livable communities.

The Federal Highway Administration (FHWA) has been moving at rapid speed and on March 3rd, just two weeks after the legislation was passed, FHWA announced the apportionment of funds to Maryland Route 650 – the first Recovery Act highway project in Maryland. Within six weeks DOT had announced more than 2,000 transportation projects in nearly every State in the Nation. Of the 2,000 projects, 1,860 were FHWA projects and 300 were Federal Aviation Administration (FAA) projects.

Projects are not only being approved ahead of schedule, but they are also coming in under budget. State departments of transportation around the country have reported intense competition by contractors for Recovery Act projects. Some bids have been roughly 15 to 20 percent lower, and some as much as 30 percent lower, than engineers anticipated. For example, in Colorado, the State's bids for the first five Recovery Act transportation projects announced on April 2nd were 12 percent lower than anticipated. In Maine, the low bid for one bridge project was 20 percent lower than estimated. In Oregon, during February and March 2009, bids have averaged 30 percent lower than expected. Just last week I sent a letter to our Nation's Governors and State Secretaries of Transportation, reminding them that any money they save as a result of Recovery Act projects bids coming in lower than anticipated must be used for additional transportation projects.

FAA has been working hard to get Grants-in-Aid for Airports funding distributed to eligible projects. To date, FAA has announced more than \$1 billion -- or 94% -- of its airport improvement funding for 301 projects. Of the \$200 million provided for Facilities and Equipment projects, FAA has been working on contract awards for air traffic control facility improvements, power system upgrades, new airport runway lighting, and navigation systems and other infrastructure projects.

In the area of transit, the Federal Transit Administration (FTA) has a total of 109 grants totaling \$1.47 billion in the pipeline to be obligated. FTA has engaged in significant outreach with stakeholders to inform them of the requirements in the legislation. On March 5th, FTA announced \$6.7 billion in formula funding under two transit capital assistance programs and the Fixed Guideway Infrastructure Investment program. FTA is in the midst of receiving grant applications under the Transit Investments for Greenhouse Gas and Energy

Reduction (TIGGER) Program. When implemented, the TIGGER grants will reduce greenhouse gas emissions and energy use for decades into the future. FTA has also requested applications for the Tribal Transit Program.

The Federal Railroad Administration (FRA) was given \$8 billion in Recovery Act funds to support the development of a High-Speed Passenger Rail initiative. On April 16th, fifty-seven days after the Recovery Act was enacted, President Obama announced the release of the new High-Speed Rail plan at a well-attended event at the White House. The strategic plan outlines the Administration's vision for high speed rail in America. This Administration believes that high-speed rail can transform travel in America, reduce dependence on cars and airplanes, and spur economic development. We would like states and local communities to put together plans for a network of 100-mile to 600-mile corridors, which will compete for the Federal dollars. The merit-driven process will result in Federal grants as soon as late summer 2009.

President Obama's vision for high-speed rail mirrors that of President Eisenhower, the father of the interstate highway system, which revolutionized the way Americans traveled. Now, high-speed rail has the potential to reduce U.S. dependence on oil, lower harmful carbon emissions, foster new economic development, and give travelers more choices when it comes to moving around the country.

The Recovery Act also includes \$1.3 billion for capital grants to the National Railroad Passenger Corporation (Amtrak), of which \$450 million is to be used for capital security grants, including life safety projects. Priority for the use of non-security funds is to be given to projects for the repair, rehabilitation, or upgrade of railroad assets or infrastructure, and for capital projects that expand passenger rail capacity, including the rehabilitation of rolling stock. Funding was also to be awarded within thirty days after enactment. Amtrak and FRA personnel have worked diligently and expeditiously to identify rail passenger capital projects that meet the Recovery Act requirements, both in terms of their contribution to improving intercity rail passenger service and in terms of prompt initiation of new or expanded projects that will create or retain jobs and support economic development. Consistent with the Act's requirements, FRA and Amtrak executed the American Recovery and Reinvestment Act of 2009 Grant Agreement on March 19th, and Amtrak is moving aggressively to implement Recovery Act funded projects.

The Maritime Administration is also implementing a new shipyard assistance grants program under the Recovery Act. The \$100 million provided in Assistance to Small Shipyards will be used to award grants in this area. As of April 20th, more than 400 individual grant applications had been received.

Finally, the Recovery Act includes a \$1.5 billion discretionary grant program for surface transportation to be administered under my direction. These TIGER grants will be awarded based upon the criteria specified in the legislation after an extensive review process. The criteria for the TIGER Grants are currently in the review process within the Department. There is lots of excitement about this new grant program, and I welcome the opportunity to update you and other members of the Committee at a later date on our progress.

I again want to thank Chairman Murray and the Subcommittee for inviting me here today. I can tell you that we are making real progress in achieving the goals of the Recovery Act. I have had the privilege of standing along side the President and the Vice President at events marking the arrival of Recovery Act funds in cities throughout America. I have seen first hand the excitement on the faces of newly hired workers who now have a job. These people have families to care for and communities that are counting on them. In turn, they are helping to rebuild and refurbish our transportation infrastructure so we can together keep America moving. I will be happy to answer your questions.

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