

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

**April 11, 2018**

**Introduction**

Chairman Collins, Ranking Member Reed, and members of the Subcommittee – thank you for the opportunity to meet today to discuss the President’s Fiscal Year 2019 Budget request for the Department of Transportation. Together, the President’s Budget request and his recently-released Infrastructure Initiative proposal provide new opportunities to rethink and retool our approach to transportation funding for the future. Both proposals recommend funding alternatives that use modern investment strategies and leverage Federal dollars by building more equitable partnerships with State, local, and private sector entities.

The President’s Budget requests \$76.8 billion to support transportation programs in FY 2019. About 80percent of this funding supports the Department’s Trust-funded mandatory programs. This includes the \$57.4 billion proposed for surface transportation programs, as authorized by the Fixing America’s Surface Transportation (FAST) Act and the \$3.4 billion proposed for the Federal Aviation Administration’s Airport Improvement Program. All together, the President’s request includes a 4 percent increase for the Department of Transportation’s mandatory programs.

The remaining 20 percent -- or \$15.9 billion -- funds the Department’s discretionary programs. In order to ensure that the Department is maximizing the return on its Federal transportation investments, the President’s request does not continue funding for some transportation grant programs but instead leaves open the possibility that projects within these programs could be better considered under the President’s new Infrastructure proposal.

**Addressing our Infrastructure Needs**

Consistent with the President’s Budget request, his Infrastructure proposal provides a bold new approach for addressing our infrastructure needs across the broad spectrum of Federal programs. It tackles the complex problems of improving infrastructure by focusing on better ways to finance, manage, and use our current and future transportation assets. The proposal also calls for advancements in the permitting process that streamline and shorten timeframes so that projects can get underway quickly. The President’s Budget includes \$200 billion that will

leverage State, local, and private investment resulting in at least \$1.5 trillion of new infrastructure investment over ten years. His proposal includes the following programs:

- **Incentive Grants (\$100 billion)** to encourage State, local and private investment by awarding incentives to project sponsors that propose innovative approaches to generate revenue for infrastructure investment, prioritize maintenance, modernize procurement practices, and generate a high return on investment.
- **Rural Infrastructure (\$50 billion)** to address the significant need for investment in rural infrastructure. Most of the funds would be provided to States by a formula distribution, with the remaining funds distributed based on performance. This includes a set aside for Federally recognized Tribes and Territories.
- **Transformative (\$20 billion)** for bold, innovative projects with potential to dramatically improve America’s infrastructure.
- **Infrastructure Credit programs (\$14 billion)** to boost innovative finance programs such as the Transportation Infrastructure Finance and Innovation Act and the Railroad Rehabilitation and Improvement Financing programs.
- **Private Activity Bonds (PABS) (\$5.9 billion)** to expand the flexibility and eligibility of PABs as an additional project financing tool.

This comprehensive action plan will quickly address the Nation’s infrastructure needs by using modern financing tools and business practices that have already proven successful in State and local projects, consistent with the President’s vision.

### **New Directions**

With these new Infrastructure Initiative proposals in mind, and in order to incentivize changes in the way States and local communities finance projects, the President’s FY 2019 Budget request does not include funding for certain discretionary grant programs. Instead, the President’s request proposes a different model that would spur States and localities to raise new dedicated funding for infrastructure, incentivized by competitive Federal grant awards. Projects that had previously been funded by Federal discretionary grants would now benefit from the additional dedicated state and local funding raised.

One such program is the Federal Transit Administration’s Capital Investment Grants program. The Capital Investments Grants program supports transit projects that primarily benefit specific local communities. Under the President’s Infrastructure proposal, if States and localities raise their own dedicated revenues, the Administration would reward them with competitive grants and other incentives. We expect this approach will broaden the options available for funding transit projects in the future and will provide State and local entities more autonomy in deciding which transit-related infrastructure projects to pursue. Consistent with this approach, the President’s Budget request limits funding in this program to projects with signed, Full Funding Grant Agreements.

The President also recommends redirecting the Transportation Investments Generating Economic Recovery (TIGER) grant program into a more comprehensive infrastructure program with both rural and incentives components. The programs comprising the Infrastructure proposal are a more effective approach for supporting projects like those eligible for TIGER assistance,

which would make even better use of these vital infrastructure dollars. The programs empower State and local governments to construct projects based on local priorities and needs, leverage each Federal dollar by incentivizing the creation of new revenue sources dedicated to infrastructure that can sustain lasting investment and maintenance over the long-term, and encourage more innovative and efficient approaches to project financing and delivery.

### **Other Reforms**

The President's Budget request also proposes reforms that would provide efficiencies and reduce costs. For example, the trains that support Amtrak's Long Distance routes are very expensive to operate and maintain, and account for much of Amtrak's \$500 million in operating losses. Typically, few passengers rely on this service and many trains have excess capacity. At the same time, we recognize that some States and local communities value this transportation option. In an effort to create an equitable partnership, the President's Budget request proposes to share the costs of operating Amtrak's Long Distance services with those States that provide fifty percent of the funding needed to continue these services.

Reforms are also proposed for the Essential Air Service (EAS) program. EAS provides scheduled air service to rural communities that otherwise would not be profitable. Although initially envisioned as a temporary program, EAS is now almost 40 years old. Many EAS flights are not full and have high subsidy costs per passenger. What began as a small program is now nearly \$300 million per year. The President's Budget request proposes reforms to the discretionary portion of the EAS program that will save approximately \$57 million. These reforms would impose new distance requirements to small, medium and large hubs, would cap subsidies at \$250, and would eliminate certain waiver provisions. Together, these reforms will ensure that EAS resources are directed to those airports with the highest demonstrated need.

Throughout the development of the President's Budget request, we have taken a hard look at funding directed towards research. Some of the research currently conducted in the Department's programs is replicated in the private sector or reconfirms established findings. This duplication and focus on existing transportation systems represents a missed opportunity for change. The President's request addresses this concern by significantly reducing funds provided for research programs. Remaining research funds will be directed towards new and emerging technologies that will help inform decisions regarding transportation systems in the future.

Finally, I want to highlight the President's Budget includes \$300 million for the Maritime Administration's School ships fleet replacement program. While this request is not included in our current budget materials, it will be part of a forthcoming Budget Amendment that you will receive soon. We recognize the importance of the school ships to the state maritime academies, and will be exploring options for acquiring the necessary replacement ships over the coming months.

Thank you again for the opportunity to appear before you today to discuss the President's Fiscal Year 2019 budget. I will be happy to answer your questions.

\*\*\*\*\*