

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

**BEFORE THE  
COMMITTEE ON THE BUDGET  
U.S. HOUSE OF REPRESENTATIVES**

**July 24, 2009**

Chairman Spratt, Ranking Member Ryan, 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). The Recovery Act is an extraordinary response to a crisis unlike any since the Great Depression. This landmark legislation is the most sweeping and ambitious domestic aid package we have enacted in generations. It reflects 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 21<sup>st</sup> century. Since this hallmark legislation was enacted, the Department of Transportation 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.

Less than six months after the enactment of the Recovery Act, the Department has a great deal to show for taxpayers' investments. Congress provided the Department of Transportation with more than \$48 billion in Recovery Act funds. That is equal to nearly two-thirds of our entire annual budget request for fiscal year 2010. It is an enormous opportunity for us, and we are working overtime to make the most of it.

To date, the Department has made nearly half of its funds – almost \$22 billion – available to the States and others so they can green-light priority projects to rebuild and modernize roads, bridges, transit systems, airports, and seaports. We have approved over 6,600 projects for highway and other transportation projects nationwide. Of those, more than 3,200 road, transit and airport improvement projects are under way right now.

I am pleased to report to you that the Department has a strong momentum going in the implementation of these programs. The Federal Aviation Administration met the requirements in the Recovery Act and has allocated virtually all of its stimulus grant funds – more than \$1 billion – to airports all over the country. The Federal Highway Administration (FHWA) has obligated nearly two-thirds of the \$27.5 billion appropriated by Congress. More than \$1 billion in new Amtrak projects have been approved.

For public transit, an unprecedented \$3.2 billion in grants has already been awarded -- and another \$5 billion is in the pipeline. In addition, we are currently reviewing grant

applications that seek a portion of the \$100 million in stimulus funding intended to help improve dozens of small shipyards around the country.

Transportation accounts for roughly 10 percent of the United States Gross Domestic Product. The investments we make in this sector – and the jobs we protect or create – are enormously important to our economic recovery. To be sure, it is difficult to know the counterfactual. But there are indications that the recovery funds are already having a significant impact on state and local budgets and household budgets. And it is important to bear in mind that the stimulus plans are being implemented over the course of 18 months. As a consequence, the full effect of the recovery will not be felt for many more months. The Government Accountability Office (GAO) recently reported that the recovery funds have helped states avoid major service cuts, tax hikes, and widespread layoffs. As I talk to governors, mayors, state transportation officials, and private contractors on a weekly basis all over the country, there is widespread agreement that without these well-timed Federal investments in infrastructure and state services, we would probably be in much worse shape.

I am proud to say that the Department is showing how the Federal Government can move quickly, effectively, and ethically to invest in good projects and good jobs in every state in the Nation. Even before the Recovery Act was enacted, DOT had developed 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 alongside 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 have enabled the Department to achieve success. 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. For example, we have 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 constantly working to refine these helpful depictions of the progress being made to fulfill the President's objectives for the Recovery Act.

While implementation of the Recovery Act presents significant management challenges, DOT has taken steps through the TIGER Team to provide effective oversight to

ensure that the funds provided by Congress are used efficiently and effectively, and to 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 (OMB) that OMB 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.

DOT has collaborated with other Federal agencies to share risk management best practices and develop a comprehensive standard risk assessment tool. The Department has completed three phases of its Risk Management Plan for all Recovery Act programs and is currently reviewing, validating, and evaluating all of its mitigation efforts. We are continuously updating our risk management efforts to ensure that Recovery Act dollars are effectively spent.

We have also created new business processes that make better use of the work done by both the Office of Inspector General (OIG) and the 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.

To really understand how taxpayers and their communities are benefiting, you need a ground-level perspective. In Pennsylvania, for example, the Recovery Act has boosted the State's fiscal year 2009 highway and bridge construction program by more than half – adding over \$1 billion to the budget. That means more than 200 infrastructure projects are funded today that would not even be on the books otherwise. It also means that thousands of private-sector jobs will be saved or created, lay-offs will be avoided, and that Pennsylvania can count on good jobs for months to come.

Consider this: in April, contractors working in Pennsylvania reported that stimulus funds helped them sustain or create about 130 jobs. By May, the total jumped to over 700 jobs. The job totals this month will be even bigger.

In state after state, we are seeing a meaningful impact on jobs. The Maryland Department of Transportation has recalled all of its laid-off employees back to work. A private contractor in Massachusetts has brought back nearly its entire workforce – more than 300 people.

In Missouri, Texas, Colorado, Georgia and elsewhere, this story is being repeated. I have personally met with workers around the country who would not be getting paid this week without stimulus-funded transportation jobs. And because they are working, they can support their families, pay their bills, and pump some dollars back into their local economy.

While it will take time for the economy to recover, every single job these investments help to protect, every worker who is recalled from a layoff, and every new college graduate who finds that crucial first job counts as a victory.

There have been questions about whether stimulus-funded projects are in the communities that need them most. We have found that half the states have obligated at least half of their recovery highway dollars to economically distressed areas. I have urged the Nation's governors to spend the funds saved from low bids to highway and transit projects in depressed areas, wherever possible.

Our cities are benefiting too -- making sweeping upgrades to transit facilities and equipment to help fight congestion, reduce emissions, and improve mobility for millions. Ninety percent of recovery funds for transit go to urban areas – cities large and small. This means that cities like South Bend, Indiana can finally replace a century-old transit center with a new multi-modal complex. Minneapolis-St. Paul, Fort Worth, and scores of other cities now have tens of millions of dollars each to buy clean-fuel buses, build new transit facilities, and make deferred repairs.

I am pleased to note that the Department continues to meet all of its deadlines. From the beginning, the FHWA has moved at rapid speed. On March 3, 2009, President Obama and Vice President Biden joined me at DOT to announce that nearly \$26.7 billion was available to the States for highway investment. Within hours of the President's announcement, states began approving projects — in full compliance with all Federal laws and regulations. Just six weeks after approving the first project, the President and Vice President returned to DOT on April 13 to celebrate the 2000th transportation project approved for funding — rebuilding a \$68 million interchange on I-94 in Portage, Michigan. Construction has now started on this project, which the State expects will create 900 jobs this summer, increase safety, and reduce congestion along one of Michigan's most important freight corridors.

Under the Recovery Act, 50 percent of the funds apportioned to a State (excluding funds sub-allocated within the State) were required to be obligated under a project agreement

before June 30, 2009. I am pleased to report that all States were able to meet the target by the 120-day deadline on June 29, which happened to be the 53rd anniversary of the Interstate system. A similar requirement is included in the Recovery Act for our transit programs. The Recovery Act calls for the obligation of 50 percent of transit formula dollars in specific geographic areas within 180 days of apportionment, which means by September 1, 2009. We are well on our way to meeting that deadline, as well.

I am confident that five years from now, when we look back on the American Recovery and Reinvestment Act, we will recognize that the investments we made in infrastructure, energy conservation, education, and other vital needs marked a turning point. The American people have said loud and clear that they want us to rebuild our crumbling roads and bridges, and build clean and green public transportation systems to help ease traffic congestion. We are putting Americans to work doing just that.

But there is also more to come. The Recovery Act included \$8 billion for a new high speed rail program. 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 included a \$1.5 billion discretionary grant program for surface transportation to be administered under my direction. These "TIGER" grants will be awarded on a competitive basis for capital investments in surface transportation infrastructure projects that will have a significant impact on the Nation, a metropolitan area, or a region. In the months ahead, we will also work with Congress to find creative new ways to finance the kinds of transportation systems and services that Americans need and deserve for the 21st century.

In closing, I firmly believe that the American Recovery and Reinvestment Act is working, it is on track, and it will continue to benefit our communities for many, many months. 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 again want to thank Chairman Spratt and the Members of the Committee for inviting me here today. I will be happy to answer your questions.

###