VIEWS AND ESTIMATES
OF THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
FOR FISCAL YEAR 2013

Overview

The Federal government is on an unsustainable fiscal path that poses a critical threat to our economy. To address this threat, the Federal budget deficit must be reduced. Toward that end, the Committee on Transportation and Infrastructure recommends funding reductions in fiscal year (FY) 2013 for many programs within its jurisdiction. In addition, the Committee will continue to examine programs within its jurisdiction to identify ways to cut costs, streamline programs, consolidate facilities, eliminate waste, and create efficiencies. The Committee will also work to ensure that infrastructure investments funded by these programs are those that make sense and will yield the greatest benefit for the least cost. The Committee will also emphasize strategic planning and intermodalism to ensure that our scarce resources are targeted to the most effective investments.

The Committee recognizes that economic growth is affected not just by the aggregate levels of taxes and spending, but also by their composition and structure. Simply put, *how* we cut spending is as important as *how much* we cut spending. Therefore, as we address our long-term fiscal challenges, we must seek reforms that serve not only to reduce the deficit but also to enhance long-term economic growth.

The Committee believes that properly targeted investment in transportation and infrastructure programs is necessary to ensure the safe and efficient movement of people and goods, increase economic growth, and maintain our global economic competitiveness.

The Committee's legislative priorities this year include reauthorization of surface transportation programs, hazardous materials transportation safety programs, the Coast Guard, the Economic Development Administration (EDA), and the Federal Emergency Management Agency (FEMA), and development of a water resources development act.

This report was circulated to all Members of the Committee on Transportation and Infrastructure for their review and comment, and was approved in a Full Committee meeting on March 8, 2012. The Committee wishes to emphasize that not all Members of the Committee necessarily agree with every aspect of this report. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

The detailed views and estimates presented below make specific recommendations for programs within the Committee's jurisdiction. These recommendations are made in recognition of the need to reduce the Federal budget deficit while at the same time make the properly-targeted investments in transportation and other infrastructure that will allow our economy to grow in the future.

Transportation and the Economy

Throughout our nation's history, economic growth, prosperity, and opportunity have followed investments in the nation's infrastructure. From the "internal improvements" of the early 1800s – canals, locks, and roads – to the Interstate Highway System of today, infrastructure investment has been our foundation for economic growth. For example, between 1980 and 1991, almost one-fifth of the increase in productivity in the U.S. economy was attributable to investment in highways.[1]

Our nation's highways, transit and rail systems, pipelines, airlines, airports, harbors, and waterways not only provide the backbone of our economy by moving people and goods, they also employ millions of workers and generate a significant share of total economic output. In 2010, transportation-related goods and services contributed $1.3 trillion, or 8.5 percent, to the total U.S. Gross Domestic Product of $14.5 trillion. Economic growth and vitality are also dependent upon high quality water and wastewater infrastructure systems.

In addition to facilitating economic growth and global competitiveness, our transportation system has a direct and significant impact on the daily lives of nearly all Americans. To the average American, properly targeted investment in transportation infrastructure will mean shorter commutes that save time, reduce fuel consumption, and decrease pollution; lives saved; safer systems to accommodate the transportation of hazardous materials; and fewer delays for the more than 700 million passengers who travel by air each year.

Transportation Trust Funds

To help construct and maintain our nation's infrastructure, Congress established a series of trust funds to collect user fees. These funds include the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund. Each of these trust funds dedicates user fee revenues in infrastructure programs to finance long-range construction and maintenance activities.

One of this Committee's highest priorities is to ensure that the user fees deposited into these trust funds are in fact used for their intended purposes – to rebuild our nation's infrastructure. These trust funds represent a contract between the government and the user. This contract specified that certain user fees would be levied on the users of highways, airports, inland waterways, and ports. In return, the government pledged to use the receipts to build transportation infrastructure for the taxpayer's use.

[1] "Transportation and the Economy: National and State Perspectives," American Association of State Highway and Transportation Officials, May 1998.

While this contract has been upheld for the Highway and Airport and Airway Trust Funds, the two remaining funds face unique challenges for addressing both the Inland Waterways and Harbor Maintenance needs of the nation. The Inland Waterways Trust Fund balance by the end of FY 2013 is estimated to be $146 million if Congress authorizes the administration-proposed user tax, and $66 million if Congress does not. The Harbor Maintenance Trust Fund balance at the end of FY 2013 is estimated to be $8.1 billion. These user fees should be made available for their intended purposes and not used to mask the federal budget deficit.

<u>Budget Process Reforms</u>

Given the Transportation and Infrastructure Committee's commitment to achieving budget reforms for the transportation trust funds, other budget process legislation is of significant interest to this Committee.

The Transportation and Infrastructure Committee would strongly oppose changes to transportation spending under the guise of "budget reform" that fail to recognize the unique nature of Trust-Funded programs, or negatively impact the ability of states or other relevant planning entities to have some traditional spending level guarantees that have been established for highway, transit, and aviation programs.

The Committee does not support the proposal in the FY 2013 President's Budget to shift all funding for surface transportation programs to the mandatory side of the budget because this proposal fails to recognize the need to link Trust Fund revenues to spending to adequately establish the user fee-based premise of the Trust Fund. The Committee is concerned that, under the Statutory Pay-As-You-Go Act of 2010 (P.L. 111-139) and the recently adopted House "Cutgo" rule, the administration's proposed budgetary treatment would not link Trust Fund revenues to Trust Fund spending, thereby resulting in a growing Trust Fund balance over time.

<u>Eliminating Waste in the Management of Federal Real Property</u>

Given the vast real estate holdings of the federal government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of "high risk" government activities, where it remains today. GAO conducts biennial reviews on high-risk areas within the Federal government to bring focus to specific areas needing added attention and oversight. Areas are identified as "high" risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement, or a need for broad-based transformation to address major economy, efficiency, or effectiveness challenges.

The key reasons the GAO identified federal real property as high risk are:

- excess and underutilized real property,
- deteriorating and aging facilities,
- unreliable property data; and
- over-reliance on costly leasing.[2]

Unfortunately, despite executive orders and memoranda issued during two administrations and acts of Congress intended to improve the management of federal real property, these problems persist.[3] The GAO noted recently in the 2011 High Risk report issued in February 2011 that some progress has been made in some of these areas but that "federal agencies continue to face long-standing problems, such as overreliance on leasing, excess property, and protecting federal facilities."[4]

The high risk activities of Federal real property are significant. Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. For example, in FY 2009, the federal government spent $1.7 billion in annual operating costs for under-utilized buildings and $134 million, annually, for excess buildings.[5]

The dispersal of independent leasing authorities to various agencies has compounded the waste. Often agencies, which obtain such authority to circumvent General Services Administration (GSA) and the standard processes to ensure cost controls, lack the experience and expertise to make prudent decisions. For example in 2010, the Securities and Exchange Commission (SEC) entered into a sole-source lease of 900,000 square feet of prime office space in Washington, D.C. which is now under investigation by the SEC Inspector General. That lease was "negotiated" over the course of a few days and bound the federal government to pay approximately $500 million over ten years without any of the standard cancellation clauses that are typical in government leases. Not long after signing this lease, the SEC determined it did not need the space, having based its projected need on new staffing that had not been fully authorized or funded.

The proper management of Federal assets has been a major focus of the Committee's oversight activities during the 112th Congress, resulting in the development of H.R. 1734, the Civilian Property Realignment Act. This legislation, which passed the House on February 7, 2012, will establish a Commission to review federal properties and

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[2] *See* High Risk Series: Federal Real Property, U.S. General Accountability Office, GAO-03-122, January 2003.
[3] *See,* for example, Executive Order 13327, Federal Real Property Asset Management, signed by President George W. Bush, February 4, 2004; Presidential Memorandum, Disposing of Unneeded Federal Real Estate, signed by President Barack Obama, June 10, 2010; Public Buildings Cooperative Use Act of 1976; Public Law 108-447, Division H, Title IV, Section 412, December 8, 2004 (providing enhanced flexibility to GSA in real property management).
[4] High Risk Series: Managing Federal Real Property, U.S. General Accountability Office, GAO-11-278, February 2011, p. 58.
[5] FY2009 Federal Real Property Report, Federal Real Property Council, September 2010, p. 5.

make recommendations for consolidations, co-locations, redevelopment, selling or other actions, thereby reducing waste, increasing the efficiency of the federal government and producing significant savings for the taxpayer.

Emergency Management

The Committee recognizes the inherent tension between providing disaster relief in an expeditious manner while at the same time minimizing waste, fraud, and abuse. Nevertheless, the Committee expects the Federal Emergency Management Agency (FEMA) to fulfill its obligation to be a good steward of the public's funds and trust. The Committee recognized the importance of this issue when it passed the Post-Katrina Emergency Management Reform Act of 2006, which includes Subtitle F, "Prevention of Waste Fraud and Abuse" (6 U.S.C. 791 -797). In 2007, the Committee continued to provide oversight to prevent waste, fraud, and abuse by holding the following oversight hearings to examine whether FEMA was carrying out these duties: "Post-Katrina Temporary Housing: Dilemmas and Solutions" (March 2007); and "FEMA's Emergency Food Supply System" (April 2007).

Often delays in the recovery process relate to burdensome regulations and policies. While the Stafford Act, which governs the response and recovery process, is broad and flexible, regulations and FEMA policies have created an enormous amount of "red tape" and simply do not work effectively in large-scale disasters. Slow recovery following a major disaster results in increased costs due to delays and stifles job creation and economic recovery in the affected areas.

The Committee will continue its vigorous oversight of FEMA's disaster relief program and emergency management operations to ensure the effective use of funds.

Aviation

The aviation industry is a vital part of the United States' economy, contributing roughly $1.3 trillion to our nation's gross domestic product and supporting 11 million jobs. Given this industry's contribution, it is critical that we maintain and improve the nation's aviation system to continue the growth of our economy and encourage job creation. Such improvements must be achieved in a cost-effective, streamlined, and efficient manner in partnership with the private sector.

Since airline deregulation in 1978, air travel has become an essential form of transportation for much of the nation. The number of commercial air travelers has grown dramatically since then, from 312 million travelers in 1980 to a record-high of 765 million in 2007.

This rise in the number of air travelers pushed our nation's air traffic control system and over-crowded airports to the brink of gridlock. In 2007, travelers experienced the highest percentage of late arrivals – 24.2 percent – in the 13 years since DOT has collected such data. On-time performance has since improved, due mainly to a temporary decline in enplanements.

In 2008 and 2009, a slowing economy and increased fuel costs caused enplanements to decline. However, as the economy began to recover, the number of passengers began to increase again in 2010, and is now projected to exceed one billion by 2021. Given this projected growth and the state of the Federal budget, it is imperative that air traffic control modernization and improvements in aviation system capacity and efficiency be achieved in the most cost effective and efficient manner possible to prevent future significant delays for air travelers.

The Airport and Airway Trust Fund (Trust Fund) provides the principal source of funding for the FAA's capital programs. It also provides funding for the FAA's Operations account and the Essential Air Service Program. The Trust Fund receives revenues from a variety of excise taxes paid by users of the national airspace system, most notably the passenger ticket tax. During the recent recession, Trust Fund revenues declined from $12.4 billion in FY 2008 to $10.8 billion in FY 2010. Revenues subsequently increased to $11.7 billion FY 2011.

According to the GAO, from FY 2000 through FY 2011, total FAA expenditures grew about 60 percent. However, during this same timeframe the Trust Fund's revenue contribution increased by only nine percent, while the contribution of general revenues from the U.S. Treasury generally increased to cover a larger share of FAA's operations expenditures. In FY 2011, FAA's budget totaled about $16 billion, with Trust Fund revenues covering about $11 billion, or 69 percent, of that total, and general revenues covering the remaining 31 percent.

From 1970 to 2001, Trust Fund revenues generally exceeded spending commitments from FAA's appropriations, resulting in a surplus. This surplus is referred to as the Trust Fund's uncommitted balance. Over the last decade the uncommitted balance in the Trust Fund, which exceeded $7 billion at the end of FY 2001, declined to $299 million at the end of FY 2009. It has since increased to a $1.4 billion balance at the end of FY 2011; however, that is still quite low historically.

The health of the Trust Fund and the ability of the FAA to meet its obligations given the size of the Federal budget deficit must be taken into consideration as the FY 2013 and future budgets are developed.

On February 14, 2012 the President signed into law the conference report for H.R. 658, the FAA Modernization and Reform Act of 2012 (P.L. 112-65). This Act was negotiated on a bicameral and bipartisan basis, and provides for the stability and growth of the aviation industry and system. The Act encourages industry growth, facilitates air traffic control system modernization, streamlines the FAA to increase efficiency, and authorizes constrained funding levels for the FAA, as discussed below.

FAA Facilities & Equipment

Capital funding for our air traffic control system is necessary to increase system capacity, efficiency, safety, and allow for growth in the economy. The efforts to maintain and modernize the federally-operated air traffic control system are funded mostly by the FAA's Facilities & Equipment (F&E) account.

The FAA has embarked upon on a major Next Generation Air Transportation System (NextGen) program to increase system capacity, safety, and efficiency. In 2007, the interagency Joint Planning and Development Office (JPDO) issued both an Enterprise Architecture and a Concept of Operations for NextGen. These documents provide a high-level blueprint for how to technologically transform the National Airspace System and triple capacity by the year 2025. In January 2009, the FAA issued a mid-term architecture, focusing on objectives through the year 2018. Despite the completion of these documents, the cost of transitioning to the NextGen remains uncertain. For FY 2013, the President requests $955 million within the F&E account for NextGen, an 11 percent increase above the FY 2012 enacted level, but a 16 percent decrease below the President's 2012 request for NextGen.

As it continues to develop and implement NextGen, the FAA also needs to properly fund the maintenance and upkeep of existing infrastructure. The FAA Modernization and Reform Act of 2012 (P.L. 112-95), which was developed by the Committee on Transportation and Infrastructure and signed into law on February 14, 2012, streamlines NextGen development and implementation processes, sets performance metrics, and requires accountability for the programs.

Consolidation of assets made possible by NextGen efficiencies will lead to savings in maintenance and upkeep costs. The FAA Modernization and Reform Act of 2012 provides a mechanism for the consolidation of old, obsolete, and unnecessary FAA facilities. Many of FAA's air traffic control facilities are over 30 years old and based on outdated technology. As the FAA and aviation users transition to newer, satellite-based technology, the number and location of FAA facilities must be adjusted as well. The last major FAA facility consolidation, the Potomac Terminal Radar Approach Control facility (TRACON) saved the FAA $1 million annually, even after taking into consideration the cost of the new, consolidated facility. The potential cost savings from FAA facility consolidations and realignments are enormous.

The FAA will also need to reform or eliminate unnecessary programs, duplicative functions, and wasteful practices to best manage the taxpayers' money.

To ensure that our nation's air traffic control system remains safe, reliable, and efficient, and is ready to accommodate the significantly increased number of passengers anticipated in the near future, the Committee recommends that the F&E program be funded at $2.715 billion in FY 2013, consistent with the funding level authorized by the FAA Modernization and Reform Act of 2012. This amount is sufficient to fund the FAA's priority NextGen projects while maintaining the existing air traffic control system through 2015. The Committee believes that the FAA can achieve greater cost efficiencies through better project management and avoiding past problems with programs that were over-budget and delayed.

The President has also requested an additional $1 billion in "Immediate Transportation Investments" for NextGen to be funded from the F&E account. However, according to testimony of the Department of Transportation Inspector General before the Subcommittee on Aviation, "FAA has not made the decisions needed to move NextGen from planning to implementation." Given the Inspector General's reservations, the Committee believes the additional funding for unplanned activities is not appropriate at this time.

Airport Improvement Program (AIP)

AIP funding is derived from the Airport and Airway Trust Fund, which is supported by excise taxes paid by aviation users. The Committee emphasizes that the primary purpose of the Trust Fund is to meet the capital needs of the aviation system. AIP funding increased significantly over the last decade. Additionally, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) provided an additional $1.1 billion in airport improvement grants. Given the current budget realities, this pace of funding cannot be maintained. Therefore, the Committee recommends a funding level of $3.350 billion for AIP in FY 2013, consistent with the funding level provided by the FAA Modernization and Reform Act of 2012. This amount represents a $165 million reduction from the FY 2011 appropriated level and the same level of funding provided in the FY 2012 Consolidated Appropriations Act.

The AIP program is one source of funding for airport development projects that are necessary to maintain a safe and efficient aviation system. Based on the latest National Plan of Integrated Airport Systems (NPIAS) report dated September 27, 2010, the FAA estimates that between 2011 and 2015 there will be $52.2 billion of AIP-eligible infrastructure development in all segments of civil aviation.

An airport trade association's Capital Needs Survey, conducted in September - December 2010, estimates that airport capital development costs for AIP-eligible and other necessary projects will total approximately $80.1 billion during the same time frame (2011-2015), an average annual cost of $16.0 billion. This survey covers a larger scope of projects than is eligible for assistance under the AIP program, providing a much broader and larger estimate of the amount of airport capital funding that the trade group believes is needed.

Airport development projects are financed by a variety of funding sources, including airport cash flow, revenue and general obligation bonds, Federal/State/local grants, and non-Federal Passenger Facility Charges (PFCs) that are locally imposed. AIP grants and PFC collections together account for about 40 percent of annual U.S. airport capital spending needs, according to information provided in an airport trade association's 2011 Airport Capital Needs survey. In 2011, according to the survey, airports expected that over 63 percent of their near-term infrastructure funding needs would be met by new bonds and PFCs. In 2010, airports reported to FAA that PFCs provided over $2.7 billion (calendar year basis) for local infrastructure investments and airports raised over $10.8 billion (fiscal year basis) in new bond proceeds.

<u>FAA Operations and Maintenance</u>

Consistent with the levels authorized in the FAA Modernization and Reform Act of 2012, the Committee recommends $9.539 billion for FAA Operations in FY 2013. This is $114 million less than the FY 2012 enacted level, and $179 million less than the President's request for FY 2013.

Pursuant to Section 103 of the FAA Modernization and Reform Act of 2012, the FAA is directed to accommodate this budget cut through reductions in non-safety-related activities and expenditures. This requirement was included to ensure that FAA continues to focus on its greatest priority, the safe operation of the National Airspace System. The FAA will also need to reform or eliminate unnecessary programs, duplicative functions, and wasteful practices to best manage the taxpayers' money.

Cost growth within the FAA Operations account has been, in part, the result of the 2009 arbitration decision which provided a final settlement for the National Air Traffic Controllers Association (NATCA) Collective Bargaining Agreement. This Agreement increased the pay scales for air traffic controllers over a three-year period ending in FY 2012. The total cost of the contract was approximately $669.1 million between 2010 and 2012. This cost was back-loaded with the minimum pay band levels for controllers increasing 30 percent by 2012. Certified Professional Controllers received a $9,300 increase in average base pay and new hires received a $45,665 increase in average base pay over three years. Unlike most Federal employees, the President's proposed Federal pay freeze does not apply to air traffic controllers. The Committee notes that this Agreement failed to take into consideration current budget realities and the inequity of boosting controller salaries at the expense of the salaries of other FAA employees. The Administration will be negotiating a new contract with controllers this year which will have an impact on the FY 2013 budget. The Committee notes that authorized funding levels have been prescribed by law through 2015, and encourages the Administration to negotiate a contract that is mindful of budget realities.

The President's budget request cuts $2 million from the FAA Contract Tower Program funding for FY 2013, and proposes an increased cost share for local communities to participate in the program. First established in 1982, the FAA Contract Tower Program allows the FAA to contract with private air traffic control providers to ensure the safety and efficiency of airfields at a far reduced cost compared to air traffic control services provided by government employees. The cost statistics for the program make a compelling case for the program's cost-effective nature. According to the FAA, during FY 2010, the 246 towers in the FAA Contract Tower Program handled 27 percent of all U.S. tower operations (14.8 million operations), but accounted for just 9 percent (approximately $126 million) of the FAA's overall budget allotted to air traffic control tower operations. In contrast, the 264 FAA-staffed towers that handled the remaining 73 percent of total tower operations (40 million operations), consumed 91 percent (approximately $1.25 billion) of the FAA's budget dedicated to that purpose.

As part of Vice-President Gore's National Performance Review, the FAA converted ninety nine (99) FAA-staffed towers to contract towers, saving the federal government hundreds of millions of dollars each year. A Transportation and Infrastructure Committee review earlier this year determined that converting all remaining low-activity towers to the FAA Contract Tower Program would achieve up to $140 million in annual savings. According to the U.S. Department of Transportation's Office of Inspector General, FAA Contract Towers provide better safety performance at a fraction of the cost to the FAA compared to air traffic control towers staffed by federal employees.

Rather than cutting funding for the program, and threatening access to the program by imposing an overly burdensome local cost share, the Committee urges the President to preserve cost effective programs, such as the FAA Contract Tower Program. Furthermore, the Committee believes the President's budget would be much better served by exploring cost savings opportunities that the FAA Contract Tower Program offers the FAA; these opportunities make good budgetary sense, preserve the safety of the flying public, and are in the taxpayers' best interest.

Essential Air Service

Funding for the Essential Air Service (EAS) program has increased significantly in recent years, from $50 million in 2001 to $200 million in FY 2011. Before September 11, 2001, a total of 106 communities required EAS subsidy (32 in Alaska and 74 elsewhere in the United States). As of March 1, 2012, there are 163 communities requiring EAS subsidy (including 44 in Alaska). The cost of funding the current array of contracts in FY 2012 is approximately $215 million. This does not assume any new communities require subsidy, or any subsidy increases are required as contracts expire and are re-let.

The EAS program is a good example of a taxpayer-subsidized program that has gone unchecked. In FY 2010, 34 EAS communities averaged fewer than 10 passengers per day. Also in FY 2010, 16 EAS communities had subsidies in excess of $500 per passenger, which means taxpayers subsidized service in these 16 communities by more than $1,000 per passenger on a round-trip basis. One community, Ely, Nevada, had a subsidy per passenger of $4,112, which equates to $8,224 on a round-trip basis.

While recognizing the EAS program's importance to many communities across the United States, the Committee supports the major reforms to the program that were recently enacted in the FAA Modernization and Reform Act of 2012. These reforms include: elimination of the most egregious subsidies (communities with fewer than 10 enplanements per day that are located within 175 miles of a large or medium hub airport); a prohibition on new communities joining the program; a continuation of the $1,000 per passenger subsidy cap (eliminating at least three communities, including one with a subsidy of over $3,700 per passenger); and authorization of the appropriation of decreased funding levels (from $143 million in FY 2012 to $93 million in FY 2015, with rest of the program's funding coming from overflight fees paid by international aircraft operators flying in U.S. airspace) reducing the cost to taxpayers. These program reforms are estimated to save at least $16 million per year in the near term. Total savings are likely to be even greater over time, since the 10 enplanement per day and $1,000 per passenger subsidy cap requirements are ongoing and will be applied on an annual basis. In addition, the prohibition on new communities joining the program will likely avoid additional costs in the future.

Coast Guard and Maritime Transportation

United States Coast Guard

The Coast Guard – one of 22 agencies, and the only military service, in the Department of Homeland Security -- protects the safety, security and personal freedom of American seafarers, recreational boaters, cruise ship passengers, dock workers and others who go to sea, or live or work on or near America's coasts. The Coast Guard is the only military service with domestic law enforcement authority. The Service has 11 statutory missions including rescuing those in distress, keeping our ports and waterways safe for navigation, and protecting the U.S. maritime borders from drug and migrant smugglers.

The President requests $8.32 billion in discretionary appropriations for the Coast Guard in FY 2012, $338 million (or -3.9 percent) less than FY 2012 enacted level. For FY 2013, the Committee recommends $8.77 billion to carry out Coast Guard missions, the amount consistent with the level authorized for FY 2013 in H.R. 2838, the Coast Guard and Maritime Transportation Act of 2011. H.R. 2838 passed the House of Representatives by voice vote on November 15, 2011.

Operating Expenses (OE)

The President requests $6.79 billion for Coast Guard operating expenses, an increase of $36 million (or 0.5 percent) over the FY 2012 enacted level. The Committee recommends funding Coast Guard operating expenses at $6.92 billion, the level authorized for 2013 in H.R. 2838 as passed by the House. These funds are necessary to protect property and human life, defend our borders against drug and migrant smugglers, and secure our ports, and waterways against terrorists.

The budget request for OE does not include $254.5 million for Overseas Contingency Operations, which the Administration proposes to appropriate to the Department of Defense (DoD) in FY 2013 and then make available to the Coast Guard. The Committee recommends this funding continue to be appropriated directly to the Coast Guard to provide more accurate accounting of the resources available to the Service to carry out its missions. Doing so would place the Committee recommendation for OE at $7.18 billion.

The Committee supports the 1.5 percent pay raise for Coast Guard military servicemembers included in the FY 2013 budget request. The same amount is requested for DoD military servicemembers.

The Committee opposes the President's request to cut over 1,000 servicemembers from the Coast Guard, including servicemembers engaged in critical frontline operations such as intelligence gathering and airborne use of force operations. The Committee notes the Coast Guard continues to struggle to meet mission performance goals due to a lack personnel. The Committee fails to see how a reduction in the force will enable the Coast Guard to continue to successfully conduct its critical missions.

The Committee opposes the President's request to decommission three 110 foot patrol boats while also terminating the Patrol Boat High Tempo High Maintenance (HTHM) Operations. The Coast Guard is currently operating 103,000 hours short of its patrol boat mission hour needs. The Service estimates the termination of HTHM operations and the decommissioning of three 110's will increase the current patrol boat mission hour shortfall by 17,000 hours. The Committee is very concerned with any request that would exacerbate existing gaps in the Service's mission readiness.

The Committee opposes the President's request to close two seasonal air stations on Lake Michigan. The Committee is concerned this request would result in the removal from service of three recently upgraded HH-65 helicopters, as well as the reassignment of two HH-60 helicopters currently assigned to drug interdiction in the Caribbean and one HH-60 primarily tasked with a tactical port security mission. The Committee recommends the Coast Guard review whether to acquire used HH-60's from the U.S. Navy's Sundown program and retrofit them for the Coast Guard mission as the Service has successfully done in the past.

Reserve Training

The President requests $132.6 million for training of Coast Guard Reserve personnel in FY 2013, a $1.7 million (or -1.3 percent) decrease over the FY 2012 enacted level. The Committee recommends funding for this account at $138 million, the level authorized for FY 2013 in H.R. 2838 as passed by the House. Reserves have been called up frequently in the last several years. Most notably, call ups have occurred to respond to 9/11, Katrina, the Haiti earthquake and the DEEPWATER HORIZON oil spill. It is imperative to keep reservists adequately trained to respond to such emergencies.

Environmental Compliance and Restoration (EC&R)

The President requests $13.2 million for environmental compliance and restoration in FY 2013, $338,000 (or -2.5 percent) less than the FY 2012 enacted level. The Committee recommends funding for this account at $16.7 million, the level authorized for FY 2013 in H.R. 2838 as passed by the House. This account funds the decommissioning of assets which will reduce Coast Guard operating costs and increase the efficiency of those operations in the future. The Coast Guard currently has a backlog of over 400 environmental cleanup projects with an estimated combined cost exceeding $300 million.

<u>Acquisitions, Construction, and Improvements (AC&I)</u>

The President's budget requests $1.19 billion for Coast Guard capital acquisitions in FY 2013, a reduction of $271 million (or 18.5 percent) from the FY 2012 enacted level. Coast Guard capital acquisition programs fund the acquisition, construction, and physical improvements of Coast Guard owned and operated vessels, aircraft, facilities, aids to navigation, information management systems, and related equipment. This account supports domestic shipbuilding capacity critical for expanding jobs, growing our economy, and protecting our national security.

The Committee strongly opposes President Obama's proposed reduction. These cuts threaten the ability of the Coast Guard to protect lives and property, defend our borders, and secure our ports, waterways, and coasts. The Committee supports funding AC&I at $1.5 billion, the amount authorized for FY 2013 in H.R. 2838 as passed by the House.

The Committee opposes the termination of funding for the Response Boat-Medium (RB-M) procurement. The Coast Guard's program of record for this procurement calls for the acquisition of 180 RB-M's to replace the aged, slow, and obsolete 41 foot utility boat. To date, funding has been secured to acquire 166 RB-Ms. Without continued funding, the Service will suffer readiness gaps in its small boat fleet which could undermine search and rescue mission effectiveness.

The Committee strongly opposes the President's request to withhold up to $139 million provided by Congress in FY 2012 to construct six new Fast Response Cutters (FRC) and instead use that funding in FY 2013 to construct four FRCs. The Committee opposes the administration's flagrant disregard for Congressional intent. The delay in acquisition of this critically needed asset is unacceptable. The Committee supports funding for the construction of six FRCs in FY 2012, as well as FY 2013.

The Committee is very concerned with the failure of the Administration to provide for the continued sustainment of the 210 foot and 270 foot Medium Endurance Cutters (WMEC). The Administration proposes to terminate funding for the WMEC Mission Effectiveness Project in 2014. The Mission Effectiveness Program is intended as a bridging strategy for the WMEC fleet until it is replaced by the Offshore Patrol Cutter (OPC). However, no OPC design has been selected and construction of the first OPC is still years away. The Service does not expect to receive the first operational OPC until 2018 and does not expect to complete the acquisition until the mid 2030's. In the interim, the Coast Guard has no plans to continue to ensure the viability of the WMEC fleet. The Coast Guard failed to maintain the High Endurance Cutter (WHEC) after the schedule for the acquisition of the replacement National Security Cutter (NSC) fell further and further behind. This led to a significant decrease in the Service's mission capability and increased the operating costs of the WHECs. Ultimately, these assets did less and less each year, until they were finally tied to the dock. The Coast Guard should not make the same mistake with the WMEC fleet. The Committee supports funding to conduct a condition survey and complete a mission effective project plan to ensure the WMECs can continue to operate effectively until the long-delayed OPCs come online.

The Committee remains opposed to the Office of Management and Budget's (OMB) decision to force the Service to keep certain capital acquisition funds sitting idle for several years rather than spending those funds for much needed capital improvements. OMB is requiring the Coast Guard to have funds available not only to cover the cost of long lead time materials and production, but also the cost of post production activities before entering into a construction contract for the sixth NSC. OMB is not applying this policy to the procurement of vessels for the Navy, or weapons systems for any of the other Armed Services. The Committee objects to the requirement that funds be available for post production activities prior to awarding a construction contract for the Coast Guard's sixth NSC.

The Committee is concerned with the continued delay in developing and testing designs for certain new assets including the Offshore Patrol Cutter (OPC), Cutter Small Boats, and Unmanned Aircraft Systems (UAS). Over 10 years into its recapitalization program and after spending millions of dollars, the Coast Guard still has not chosen an OPC design, identified a solution to the challenges of acquiring small boats capable of being stern launched from newly built cutters, or found a way to employ UAS aboard its cutters or otherwise improve maritime domain awareness for its assets. The Service must complete this process as soon as possible to contain costs, ensure the timely delivery of these critical assets, and maintain the capabilities necessary to carry out the Service's missions.

The Committee is opposed to the administration's decision to terminate funding for upgrades to the HH-60 helicopter fleet. The Service had planned to make critically needed upgrades to the helicopter's search radar sensor system to improve the asset's ability to conduct search and rescue. The Committee supports funding to continue these vital upgrades.

The President requests $15 million for renovation and improvement of shore facilities in FY 2013, $97.9 million (or -86.7 percent) below the FY 2012 enacted level. The Committee strongly opposes this drastic reduction in funding. The Coast Guard currently has a backlog of over 40 prioritized shore facility improvement projects with an estimated combined cost of over $500 million. Included in that list are several projects intended to renovate dilapidated servicemember housing. The Committee is very concerned with the state of Coast Guard servicemember housing and urges the Service to complete its analysis of housing needs as soon as possible. The Committee recommends providing the same level of funding for shore infrastructure improvement and projects to improve housing as was enacted in FY 2012. These funds would create construction jobs, enhance the Service's ability to successfully conduct its missions, and meet the long-term needs for Coast Guard servicemember housing in high cost and remote areas where private sector housing alternatives are limited.

Finally, the Committee supports the request for $8 million to begin design work on a new POLAR class icebreaker.

Research, Development, Testing and Evaluation (RDT&E)

The President requests $19.7 million for RDT&E in FY 2013, a decrease of $8 million (or -29 percent) below the FY 2012 enacted level. The Committee supports funding this account at $19.8 million, the amount authorized for FY 2013 in H.R. 2838 as passed by the House.

Alteration of Bridges

The Alteration of Bridges Program authorizes the Coast Guard to share with a bridge's owner the cost of altering or removing railroad and publicly owned highway bridges which are determined by the Service to obstruct marine navigation. Consistent with the FY 2013 budget request and the FY 2012 Consolidated Appropriations Act, the Committee does not support providing any funding for this program in 2013.

Federal Maritime Commission

The Federal Maritime Commission (FMC) is an independent agency which regulates oceanborne transportation in the foreign commerce of the United States. The President requests $26 million for the Federal Maritime Commission in FY 2013, an increase of $1.9 million (or 7.8 percent) over the FY 2012 enacted level. The Committee recommends $24 million for the FMC in FY 2013, an amount equal to the level authorized by H.R. 2838 as passed by the House.

Economic Development, Public Buildings, and Emergency Management

Economic Development

The President's FY 2013 Budget requests $182 billion for the Economic Development Administration's (EDA) grant programs, $38 billion or 17.3 percent less than FY 2012.

The Committee also has jurisdiction over five existing economic development programs: the Economic Development Administration (EDA), the Appalachian Regional Commission, the Denali Commission, the Delta Regional Authority, and the Northern Great Plains Regional Authority. In addition, the "Food, Conservation, and Energy Act of 2008" (P.L. 110-246) authorized the creation of three new regional commissions: the Southeast Crescent Regional Commission, the Southwest Border Regional Commission, and the Northern Border Regional Commission.

The Committee is committed to reviewing the economic development programs and believes there are opportunities to consolidate and streamline them.

Public Buildings

In the area of public buildings, the Committee intends to address a number of issues concerning the Public Buildings Service of GSA. These issues include the continued viability of the Federal Buildings Fund (FBF), GSA's courthouse construction program, the over-reliance on leased space, redeveloping or disposing of vacant or under-utilized space, realigning federal properties to maximize usage, and reigning in the dispersal of independent authorities.

The FBF, the primary source of funding for GSA's capital investment program, while receiving consistent funding over the past several years, is barely maintaining its present position to take advantage of the market and create a balanced portfolio of properties through construction or purchase of new Federal buildings and the repair of existing buildings. The FBF is supported by lease payments charged to Federal agencies occupying space in GSA facilities. GSA is increasingly relying on the use of leased space. The Committee recommends that the administration carefully review the need for any new space and base determinations of whether to lease or own on what would provide the greatest return on investment to the taxpayer. The administration should address issues related to the high number of old buildings in the federal inventory that drain resources from the FBF and are no longer efficient for modern office space. The Committee will continue take steps to ensure agencies decrease office space, improve space utilization, and lower costs.

In addition, GSA's repair and alteration program in previous years has failed to meet projected demand for the modernization of GSA's aging inventory of Federal buildings that are retained. While GSA outlines criteria it uses to develop its priorities for repairs and alteration, very often the Committee receives proposals for modernization of buildings that are barely used. GSA must work to ensure that its repair and alteration funds are consistent and in line with other property initiatives – such as improving space utilization and the disposal of under-used assets.

The FY 2013 repair and alteration request is $494.8 million which is $214.8 million or 77 percent increase above the FY 2012 enacted level of $280 million. The requested amount will fund repairs and alterations at Federal buildings and judicial facilities.

GSA has requested $56 million for the construction and acquisition of new facilities, a $6 million or 12 percent increase from the FY 2012 enacted level of $50 million. This request includes funding for two building purchases, one in Martinsburg, WV ($25 million) and one in Riverdale, MD ($31 million). Both buildings are currently under lease to the Federal Government and have purchase options within the existing leases. On December 2, 2010, the Committee approved a resolution authorizing the purchase of the building in Martinsburg, WV. Exercising the purchase option in this lease will be more cost-effective than continued lease payments. The Committee recently received, and is currently considering, the administration's request regarding the purchase of the building in Riverdale, MD.

The Committee will continue to monitor GSA's leasing program. The Committee continues to be concerned about the rising amount of leased space being used to meet the requirements of the civilian branch of the Federal Government where Federal facilities are not available. The leasing program is increasing from year to year, largely as a result of the scoring rules implemented pursuant to the Budget Enforcement Act of 1990, which force GSA into short-term, expensive leases, to avoid the budget impact of a capital lease.

Emergency Management

Federal Emergency Management Agency (FEMA)

National Preparedness Grants – The FY 2013 President's Budget requests $1.5 billion for a new national preparedness grants program, $670 million for federal fire grants, and $350 million for emergency management performance grants. The administration proposes consolidating a number of the all-hazards grant programs and the homeland security grant programs into this new program. The Committee does not support the administration's proposal for transferring all-hazards programs into homeland security programs. While typically consolidation may result in cost savings and the streamlining of overhead, consolidating all-hazards grant programs into terrorism-related grant programs would seriously undermine our Nation's readiness in preparing for all disasters – natural and man-made. The result could be that communities that are known to be prone to natural disasters such as wildfires, floods, hurricanes, and earthquakes will not be adequately prepared, potentially costing more dollars for response and recovery. Therefore, the Committee recommends consolidating the multiple terrorism preparedness grants and reducing their funding levels. While savings also can be achieved in the all-hazards grant programs, they should not be combined with the terrorism grants.

Mitigation – The FY 2013 President's Budget does not request funds for the Pre-Disaster Mitigation (PDM) program, which received $35.5 million in FY 2012. Effective disaster mitigation spending reduces the costs incurred in managing the consequences of natural disasters. Studies have shown that for every dollar invested in mitigation, three dollars are saved in damages from a disaster. The Committee supports cost effective mitigation programs and will work to ensure funding is targeted to those projects that maximize the return on investment.

Disaster Relief – For disaster relief programs administered by FEMA, the Committee recommends funding sufficient to meet the needs of communities hit by disasters. The FY 2013 President's Budget requests $6.1 billion, $1 billion or 14 percent less than the FY 2012 level.

Emergency Management Performance Grants (EMPG) – The EMPG program is the Federal Government's principal grant program to build basic State and local emergency management capability. For FY 2013, the President's Budget requests $350 million, equal to the FY 2012 enacted level. The Committee concurs with the President's request.

Fire Grants – The Firefighter Assistance grants include funding for the Staffing for Adequate Fire and Emergency Response Grants (SAFER) and Assistance to Firefighter Grants. The FY 2013 President's Budget requests $670 million, $5 million less than the FY 2012 level. The Committee supports the lower funding for these grants.

Smithsonian Institution

The FY 2013 President's Budget request for the construction and revitalization of Smithsonian facilities is $197 million, an increase of $22 million or 13 percent above the FY 2012 level. The Committee recommends funding the Smithsonian Institution's construction and revitalization program at a level that will allow it to meet its basic needs while continuing its research and outreach activities.

Architect of the Capitol

The Architect of the Capitol's (AOC) FY 2013 budget request includes $102.6 million for General Administration, $97.1 million for the Capitol Building (including $61 million for the Capitol dome rehabilitation), $18.5 million for Capitol Grounds, $79.4 million for Senate Office Buildings, $84.0 million for House Office Buildings, $53.6 million for libraries and grounds, $12.1 million for the Botanic Gardens, $30.8 million for Capitol Police, $21.6 million for the Capitol Visitor Center, $118.5 million for the Capitol power plant, and $50 million for the House Historic Building Revitalization Fund. The total for these accounts is $101 million above the FY 2012 level. The Committee intends to continue to exercise aggressive oversight over the Capitol buildings and grounds.

John F. Kennedy Center for the Performing Arts

The FY 2013 President's Budget requests $36.0 million for the John F. Kennedy Center for the Performing Arts (Kennedy Center). These funds are exclusively for the Operations and Maintenance (O&M, $22.4 million) and Capital Repair and Restoration (CR&R, $13.6 million) activities of the Kennedy Center. This level is $824,000 or 2.2 percent less than the amount enacted in FY 2012, and is less than the FY 2008 funding level. P.L. 110-338 authorizes appropriations for the John F. Kennedy Center for the Performing Arts through FY 2012. The performing arts programming and administrative support for the Kennedy Center is financed by ticket sales, auxiliary and investment income, and through private donations. The Committee supports the President's request.

Federal Protective Service (FPS)

The FY 2013 President's Budget requests $1.3 billion for the FPS, $66 million or 5.2 percent above the FY 2012 enacted level. The FPS is charged with protecting federal buildings and facilities. It is funded through a revolving account that receives fees collected from Federal tenants. The Committee intends to continue its oversight of building security and the FPS's Contract Guard program.

Highways and Transit

The most recent long-term authorization of the Federal surface transportation program, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) (P.L. 109-59), expired at the end of FY 2009. Since that time, Federal highway, highway safety, and public transportation programs have been operating under a series of eight short-term extensions, the most recent of which extends the programs through March 31, 2012.

The administration's FY 2013 budget request provides the funding outline for a six-year $476 billion reauthorization of the surface transportation programs. This proposal is essentially the same as the FY 2012 Budget proposal, with two exceptions: (1) the $50 billion in "up-front" transportation investments to stimulate the economy would be provided in FY 2012, not as part of the reauthorization proposal beginning in FY 2013; and (2) the National Infrastructure Bank is proposed as an Independent Agency, rather than as part of the Department of Transportation, and is not included in the administration's surface transportation reauthorization proposal.

The administration claims that its surface transportation reauthorization proposal is fully paid for with savings achieved from ramping down overseas military operations. Specifically, the Budget uses $231 billion in savings from reduced Overseas Contingency Operations (OCO) to cover outlays associated with 100 percent of the new spending under the administration's proposal, as well as the shortfalls between revenue and spending that exist under current law for the six-year reauthorization period.

The Committee does not agree with the administration's assertion that its reauthorization proposal is "fully paid for." The reduction in overseas military operations is the result of policy decisions that have already been made. The administration's surface transportation reauthorization proposal would not achieve any additional savings beyond what is already scheduled to occur under current policy. The Committee believes that surface transportation reauthorization should be paid for with real savings.

The Committee on Transportation and Infrastructure recently reported its own surface transportation reauthorization proposal, H.R. 7, the American Energy and Infrastructure Jobs Act of 2012. H.R. 7 accomplishes more with less through significant reforms including cutting in half the time it takes to complete major infrastructure projects. H.R. 7 establishes a blueprint for job creation, is responsibly paid for, and includes no earmarks, tax increases or deficit spending. Rather than emphasize more deficit spending, as the administration has proposed, the Committee's focus in H.R. 7 is on making transportation programs and projects more efficient, and ensuring the best use of available funds.

Highways

The FY 2013 President's Budget proposes a $476 billion six-year reauthorization of the surface transportation programs, of which $305 billion is for road and bridge improvements and construction. In FY 2013 the administration proposes $42.6 billion for the Federal-Aid Highways program, $2.7 billion more than the FY 2012 appropriated level. In addition, the administration has requested an additional $28 billion for FY 2012 for the Immediate Transportation Investment program. The Committee supports funding the Federal-Aid Highways program at a level in FY 2013 that ensures the Highway Trust Fund remains solvent.

The Committee supports streamlining the number of highway programs to increase efficiency and flexibility. Fifty years ago the goal of the federal highway program was to fund road construction projects that facilitated interstate travel and interstate commerce. After the Interstate Highway System was largely completed, the federal highway program began to fund a broader range of projects. Currently, there are over 55 separate highway programs. The Committee believes that many of these programs should be consolidated and replaced with a relatively small number of core highway programs.

H.R. 7 eliminates approximately 40 Federal Highway Administration programs and focuses limited federal resources on projects that have regional or national significance. Federal approvals and processes are streamlined to ensure projects are expedited, and administrative overhead can be reduced through programmatic reform, increasing the amount of funding available for projects.

State Flexibility and Accountability

Under H.R. 7, states maintain the opportunity to fund the broad range of eligible projects under the current Surface Transportation and Congestion Mitigation and Air Quality Improvement programs, but they are not required to spend a specific amount of funding on specific types of projects, such as transportation museums or landscaping. More than 90 percent of federal highway program funding will be distributed through formula programs to state departments of transportation, allowing state and local transportation officials to prioritize projects rather than bureaucrats in Washington, D.C. States are provided the maximum amount of flexibility in choosing what projects to fund with their federal highway dollars, but will be held accountable for those choices through performance measures and transparency requirements.

A Focus on the National Highway System

The new federal highway program under H.R. 7 focuses primarily on the National Highway System – a 160,000 mile system of roads that includes the Interstate Highway System and other roads important to the nation's economy, defense and freight mobility. Under H.R. 7, approximately half of the funding provided for the federal highway program is directed to funding projects on the National Highway System.

Highway Safety

The legislation doubles the amount of funding dedicated to the Highway Safety Improvement Program. This program funds road infrastructure projects designed to improve safety and can fund projects on virtually any road.

Improved Leveraging of Resources

The bill better leverages our limited federal resources, including through the Transportation Infrastructure Finance and Innovation Act (TIFIA) program and the existing state infrastructure bank structure. This approach keeps the federal financing bureaucracy at a minimum and maximizes states' financial capabilities.

Transit

The administration's budget request proposes total budget authority of $10.8 billion for the Federal Transit Administration (FTA) programs in FY 2013, an increase of $233 million (two percent) above the FY 2012 appropriated level. The proposal also includes an additional $9 billion for FY 2012 for the Immediate Transportation Investment program. The Committee supports funding federal transit programs at a level in FY 2013 that ensures the Highway Trust Fund remains solvent.

The President's Budget proposes to restructure the federal transit programs, bringing the total number of major programs down to five. However, within those five major programs, there are 20 different subprograms, seven of which are new. This is not real program reform, and does not serve the goal of increasing federal program transparency and predictability. The Committee is supportive of restructuring the federal surface transportation programs and eliminating programs that are no longer in the federal interest and consolidating programs that overlap or are duplicative. The transit title of H.R. 7 restructures and consolidates FTA programs, repealing programs that are discretionary in nature or are not in the federal interest (such as the Paul S. Sarbanes Transit in the Parks program and the Clean Fuels Discretionary Grant program) and consolidating programs that have similar missions and functions. Under H.R. 7, the actual number of federal transit programs is reduced from 20 to 10.

The administration's budget also proposes enormous growth in FTA administrative expenses, from current funding of $99 million to $166 million, and an increase in full time equivalent staff from 570 to 645. A major component of this proposed increase, $45 million, is associated with FTA's proposal to federalize transit safety, which is now regulated at the state level. The Committee opposes establishing a new federal bureaucracy to regulate transit safety. H.R. 7 addresses shortcomings in state safety oversight by authorizing formula funds to strengthen state safety oversight agencies, as well as establishing new safety standards for the states in performing this important regulatory function over their own rail transit systems.

Highway and Motor Carrier Safety

The FY 2013 budget proposes $793 million for the behavioral safety programs at the National Highway Traffic Safety Administration (NHTSA). This is a 20 percent increase over the FY 2012 appropriated level of $660 million. Additionally, the administration's FY 2013 budget proposes to increase funding for the Federal Motor Carrier Safety Administration to $580 million, an increase of 4 percent over the FY 2012 appropriated level of $555 million.

Recent years have seen a steady decline in highway fatalities, from 43,510 in 2005 to 32,885 in 2010. There has also been a dramatic reduction in severe and fatal crashes involving large trucks and buses, with fatalities from such crashes dropping from 5,539 in 2005 to 3,944 in 2010.

H.R. 7 builds upon the progress made in recent years and ensures continued safety improvements by incorporating performance measures into each state's highway safety and motor carrier safety plans. Under the bill, each state is required to establish quantifiable targets for each performance measure. This will help states target the most effective highway and motor carrier safety activities and hold states accountable for how they spend their federal funding.

<u>National Highway Traffic Safety Administration (NHTSA) Safety Programs</u>

H.R. 7 focuses funding on NHTSA's highway safety grant program, distributing money to states through a formula for highway safety activities, including initiatives to increase seat belt use, prevent impaired driving, and improve motorcycle safety. In addition, the bill changes the distribution formula for NHTSA's highway safety grant program so states that have laws and programs designed to increase seat belt use, prevent impaired driving, or improve the safety of young drivers receive more funding. Finally, the bill holds states accountable by requiring them to spend federal funding in areas where they are not meeting performance goals.

<u>Motor Carrier Safety Programs</u>

H.R. 7 ensures that federal regulations keep unsafe trucks and buses off the road while allowing companies that operate in a safe and responsible manner to continue to do so. Specifically, the bill prevents companies that have been shut down for violating safety standards from reincarnating as new carriers to avoid compliance. It consolidates grant programs and institutes new performance measures to focus state motor carrier safety efforts on reducing the number of crashes and fatalities involving large trucks and buses. It establishes annual inspection programs for buses. The bill also requires the Secretary to establish a clearinghouse of positive drug and alcohol test results by commercial drivers, and prescribe regulations to establish minimum training requirements for commercial drivers.

Railroads, Pipelines, and Hazardous Materials

Federal Railroad Administration

Rail Safety

The Committee reauthorized the Federal Railroad Administration's (FRA) rail safety program in the 110th Congress through enactment of the Rail Safety Improvement Act of 2008 (P.L. 110-432). Prior to enactment of the Rail Safety Improvement Act (RSIA), the FRA's rail safety program had not been reauthorized since 1994. The administration's FY 2013 Budget request of $196 million for FRA Safety and Operations activities represents a 10 percent increase over the FY 2012 funding level of $178.6 million.

To offset some of this cost increase, the administration proposes (as it did in FY 2012) to establish a new rail safety user fee on railroad carriers, specifically to cover the cost of FRA safety inspectors. The offsetting collections are budgeted at $80 million. There is no current statutory authority for imposing such a fee, and imposing a safety user fee on railroads would divert scarce resources that are necessary for safety-related investments in rail infrastructure, technology and equipment. The Committee strongly opposes the authorizing language included in the budget that would prescribe these user fees and rejects the proposed increase in funding and staffing for the Federal Railroad Administration.

Passenger Rail

The President's Budget requests $2.5 billion in two new accounts called Network Development and System Preservation and Renewal, which consolidate the High Speed and Intercity Passenger Rail (HSIPR) program, Operating Grants for Amtrak, and Capital and Debt Service Grants to Amtrak. Of this total, $1 billion is for high speed rail implementation to provide grants to meet a goal to offer fast and convenient passenger rail access to 80 percent of Americans within 25 years. Over $10 billion was appropriated for HSIPR grants in the American Recovery and Reinvestment Act of 2009 (2009 Stimulus Act) and the FY 2010 Consolidated Appropriations Act.

However, in the past two fiscal years, Congress has de-funded the HSIPR program. Numerous concerns have been raised regarding FRA's project selection process; these concerns are outlined in a March 2011 Government Accountability Office (GAO) report. The HSIPR program also experienced strong opposition at the state level from the Governors of Ohio, Wisconsin, and Florida, who cancelled HSIPR projects in their States that had been awarded funding by FRA and returned the funds to the Department of Transportation. Most recently, the single largest HSIPR project, the California High-Speed Rail project, has received almost $4 billion in HSIPR funding, but the cost estimate for construction has more than doubled from $43 billion to $98.5 billion and it will take 13 years longer than originally planned. This project appears to be in disarray. The Committee opposes providing further funds for the troubled HSIPR program until a clearer program mission and more transparent and merit-based grant award process have been developed.

In addition to the FY 2013 request of $2.5 billion, the President's Budget also requests supplemental funding in FY 2012: $4 billion for Network Development to make additional HSIPR grants, and $2 billion for System Preservation and Renewal for Amtrak to purchase new rail cars and make station accessibility improvements. This $6 billion in rail funding is part of the administration's FY 2012 supplemental request for $50 billion for Immediate Transportation Investments. The Committee does not support supplemental rail funding in FY 2012. Thus far, the HSIPR grants already appropriated and awarded are not being spent or creating new jobs. According to DOT, at the end of December 2011, only $365 million had been spent of the $8 billion awarded to HSIPR projects in the 2009 Stimulus Act.

Amtrak

On February 1, 2012, Amtrak submitted its General and Legislative Annual Report to Congress for FY 2013, which requests a total of $2.167 billion in FY 2013, a 53 percent increase above the FY 2012 appropriated level of $1.418 billion. Amtrak has averaged an appropriation of $1.36 billion annually over the last five fiscal years. In the 2009 Stimulus Act, Amtrak received an additional $1.3 billion for capital grants, doubling its annual funding, and 76 of the 78 HSIPR grants awarded by FRA to States were for existing Amtrak routes and services.

Amtrak was created in 1970 under the Rail Passenger Service Act, which established a national passenger rail route network and on May 1, 1971, Amtrak began operations. The railroad has required a federal subsidy for every year of its 41-year history and has received more than $39 billion in federal subsidies in total. Today, the federal government's subsidy of Amtrak's capital and operating costs results in an average per-ticket subsidy of $49.19. The subsidy is much higher on some routes. For example, the Sunset Limited from New Orleans to Los Angeles averaged a per ticket subsidy of $390.50.

It is notable that Amtrak is requesting a lower operating subsidy in FY 2013 than in previous years. Specifically, Amtrak requests $450 million for operating expenses, which is $16 million less than FY 2012 appropriations for operating expenses and $181 million less than the FY 2013 authorization. However, this lower operating expenses request is more than offset by a substantially increased request for capital grants. In H.R. 7, Amtrak's operating grant authorization was reduced without increasing the authorization for capital grants.

The Committee supports continuing the downward trend in federal operating subsidies for Amtrak, and does not support the significant increase in capital grants requested by Amtrak. To further reduce federal subsidies for passenger rail service, the Committee supports the full implementation of private sector participation initiatives included in the Passenger Rail Investment and Improvement Act of 2008 and in the rail title of the American Energy and Infrastructure Jobs Act.

The Northeast Corridor (NEC)

The NEC is one of the most valuable transportation assets in the United States, providing the only continuous physical link, along with I-95, between the major population centers of Washington, D.C., Baltimore, Philadelphia, New York City, and Boston. The Northeast mega-region is the most densely populated area in the United States, with 18 percent of the nation's population living in just two percent of its land area. Taken as a whole, the NEC region would be the sixth largest economy in the world with a GDP of $2.59 trillion, and a population equal to the United Kingdom.

In late 2010, Amtrak proposed a "Vision Plan" to bring the NEC up to world-class high-speed rail standards by building dedicated high-speed tracks on new rights-of-way between Washington, D.C. and Boston. Unfortunately, this vision would cost $117 billion and take 30 years to implement. Amtrak's historical failure to successfully execute capital projects strongly suggests that the United States should explore alternative solutions for future high-speed rail service on the NEC.

Bringing true high-speed rail to the NEC will be a net economic gain, resulting in reduced air and highway congestion, increased productivity, and development opportunities. The line will be profitable and will not require federal subsidy. However, the NEC was awarded only a very small percentage of HSIPR funding by the FRA, about $954 million of the total $10.1 billion program. If other passenger rail projects around the country fail to progress and are canceled, as occurred in Wisconsin, Ohio, and Florida, the Committee supports reinvesting those funds in the NEC. To make successful high-speed rail a reality, the expertise and investment capital of the private sector must be utilized, in conjunction with state and local participation.

Pipelines and Hazardous Materials Safety Administration

Pipeline Safety

The President's Budget request includes $177 million for Pipeline Safety, an increase of $67 million (61 percent) above both the FY 2012 enacted levels and the FY 2013 authorized level. The request also includes an additional 150 new positions within the Office of Pipeline Safety, 120 new inspectors and 30 program personnel. In addition, the Budget proposes a new Pipeline Safety Design Review fee that would be levied against pipeline operators to cover the costs associated with pipeline facility design safety reviews conducted by the Pipelines and Hazardous Materials Safety Administration (PHMSA).

The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (Public Law 112-90) authorizes the pipeline safety programs through FY 2015. The President's Budget request ignores this bill that was signed by the President in January and continues to put forth proposals that were rejected by Congress during the reauthorization process. The Committee strongly supports the funding levels and the policies put forth in the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 and recommends funding the pipeline safety programs consistent with the FY 2013 funding levels authorized in such Act.

Hazardous Materials Safety

The authorization for PHMSA's hazardous materials safety program expired in 2008. H.R. 7, the American Energy and Infrastructure Jobs Act of 2012, includes a Hazardous Materials Transportation title reauthorizing this program.

The President's Budget requests $51 million for FY 2013 for PHMSA's hazardous materials safety program, an increase of $8 million and 22 new positions above the current FY 2012 funding and staffing level. Of the $51 million requested, $12 million is proposed to be funded by a new Special Permits and Approvals Fee to be collected from companies and individuals involved in the transport of hazardous materials seeking special permits and approvals from the Hazardous Materials Regulations. The fee would range from $700 to $3,000 and would be assessed on a per-application basis. Governments and foreign entities would be exempt from the user fee. The Committee is concerned that the proposed fees would disproportionately impact small U.S. businesses, and the Committee opposes this proposal. Furthermore, the Committee's proposed reauthorization of hazardous materials transportation programs specifically prohibits PHMSA from charging such fees.

Surface Transportation Board

The Surface Transportation Board (STB), while administratively affiliated with the U.S. Department of Transportation, is decisionally independent. Therefore, the STB and the President submitted separate budget requests for the agency. The STB's budget requests $34.6 million (including offsetting collections of $1.25 million) and 170 full-time equivalent (FTE) staff for administration of the STB's economic oversight of the nation's freight rail system, the intercity bus industry, non-energy pipelines, household goods carriers, non-contiguous domestic water transportation, and certain aspects of Amtrak's relationships with the freight railroads and States. This request is $5 million more than the FY 2012 appropriation of $29.3 million and is 22 FTE over current staffing levels. The increase is primarily intended to cover the STB's enhanced statutory responsibilities under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) and to process rate reasonableness cases, increase mediation efforts, and enhance auditing of industry financial filings.

The President's Budget requests a more modest FY 2013 funding level of $31 million. While the Committee recognizes that the STB's responsibilities have increased and its rate case docket has grown, the Committee agrees with Commissioner Ann D. Begeman who dissented from the STB's budget request stating that given our nation's fiscal crisis a modest but not significant budget increase to support the growing case load, notably in the rate case docket, would be appropriate.

Water Resources and Environment

Army Corps of Engineers

The President recommends $4.731 billion as the total budget for the Corps of Engineers for FY 2013. This represents a decrease of $271 million (-5.4 percent) below the $5.002 billion level provided for FY 2012 (excluding amounts provided in the Disaster Relief Appropriations Act, 2012). The Committee supports Federal investment in the Civil Works program at the total level recommended by the President as part of an overall strategy to significantly reduce federal spending.

More importantly, the Committee believes that the funds in the budget need to be focused on the missions of the Corps of Engineers that provide an economic return on investment – these are the missions of navigation and flood damage reduction. While aquatic ecosystem restoration is an important mission of the Corps, those projects do not typically generate long term jobs nor as high an economic return on investment as do navigation and flood damage reduction projects. For FY 2013, the Congress must focus on creating jobs and restoring economic health.

<u>Investigations</u>

The Corps must conduct new studies to determine where there is Federal interest in water resource development. The President's Budget requests $102 million to conduct studies in FY 2013. This is $23 million (-18 percent) less than the FY 2012 enacted level of $125 million.

The Committee recommends that the limited funds in the Investigations Account are prioritized to go to completing on-going studies on projects that provide economic benefits. Additionally, it has come to the Committee's attention that approximately 30 studies are taking 10 years or longer. The Committee recommends the Corps either terminate those studies or expedite their completion.

<u>Construction</u>

The President's Budget requests $1.471 billion for project construction in FY 2013, a decrease of $223 million (-13 percent) below the FY 2012 enacted level of $1.694 billion. The Committee is concerned that, unless funds are properly targeted, low funding levels for the Construction account will increase the cost of completing projects and delay the national economic and ecosystem restoration benefits that these investments provide. For this reason, it is important that funding be focused on those projects that provide the most economic return on investment – typically the navigation and flood damage reduction projects. Therefore, the Committee supports funding the projects in the Construction account at the Corps' capability level so that they could be completed in an efficient manner.

Operation and Maintenance

The President's Budget requests $2.398 billion for project operation and maintenance in FY 2013, a decrease of $14 million (-0.6 percent) below the FY 2012 enacted level of $2.412 billion. The Committee recommends that the these funds be focused on navigation and flood damage reduction projects so that the economic benefits of those projects can be more fully realized.

Harbor Maintenance Trust Fund

The Harbor Maintenance Trust Fund is supported by taxes paid by users of ports and is meant to pay for harbor maintenance projects. The Committee remains concerned that the Fund is not being fully utilized for its intended purpose. At the end of FY 2012, the estimated balance in this fund is expected to be $7.11 billion. The Committee believes that this practice is a breach of trust between the federal government and those who pay the taxes. In addition, currently, only one-third of the nation's federal navigation projects are at their authorized depths and widths. This results in ships having to lighten their load, increasing the cost of transportation. The Committee strongly believes that, if the federal government is going to charge a fee such as the harbor maintenance tax, the proceeds of that fee should be fully spent for its intended purposes.

Inland Waterways Trust Fund

Revenues in the Inland Waterways Trust Fund are derived from a 20-cent-per-gallon tax on diesel fuel used by commercial vessels engaged in inland waterway transportation, plus investment income. The Trust Fund is used to pay one-half of the costs associated with the construction, replacement, expansion, and major rehabilitation of Federal inland waterways projects. Currently, the Corps is using the money at the same rate that it is collected and that is insufficient to maintain an efficient construction schedule for existing projects or to begin any significant new investments. The budget calls for using $94.78 million from the fund in FY 2013, resulting in an estimated balance of $66 million at the end of FY 2013.

The infrastructure along the inland waterway system is old and in need of repair, replacement, and rehabilitation. The Committee is aware that the current rate of revenue collection and investments is not sustainable in the long term if we are to keep inland waterways as a viable part of a multimodal transportation system. Nevertheless, the Committee disagrees with the Administration's proposal to place an additional tax on those who utilize the inland navigation system to provide for operation and maintenance of the system. Some, including the Inland Waterway Users Board, have proposed new methods of collecting revenue to allow for greater investments in inland navigation infrastructure. Recognizing that water transportation is typically more economical, more fuel efficient, and less polluting per ton-mile than other modes of transportation, the Committee continues to express reservations regarding any proposal to raise the costs of shipping goods along the inland waterway system.

Regulatory Program

The President's budget requests $205 million for the regulatory program in FY 2013. This is $12 million (6 percent) more than the FY 2012 enacted level of $193 million. The requested funding provides for costs incurred to administer laws pertaining to regulation of activities affecting U.S. waters, including wetlands, in accordance with the Rivers and Harbors Act of 1899, the Clean Water Act, and the Marine Protection, Research and Sanctuaries Act of 1972. The Committee expects the additional funds to be used to expedite permit processing.

The Committee notes the increasing regulatory burden being placed on the nation's economic development community by the current Administration. The Committee would recommend, in addition to the funds for the regulatory program, that the Administration reduce unnecessary regulations on the nation's job creators.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

The President's budget requests $104 million for FUSRAP for FY 2013. This is $5 million (-2.6 percent) less than the FY 2012 enacted level of $109 million. FUSRAP provides for the cleanup of certain low-level radioactive materials and mixed wastes, which are located mostly at sites contaminated as a result of the nation's early atomic weapons development program. This program was transferred from the Department of Energy to the Corps in the FY 1998 Energy and Water Development Appropriations Act.

The Committee recommends funding be restricted to an amount that ensures existing projects continue and can be completed.

Mississippi River and Tributaries

The President's budget requests $234 million for FY 2013 for planning, construction, and operation and maintenance activities associated with Mississippi River and Tributaries water resources projects located in the lower Mississippi River Valley from Cape Girardeau, Missouri to the Gulf of Mexico. This is $18 million (-7 percent) less than the FY 2012 enacted level of $252 million.

The Committee notes that recent flood events on the Mississippi, Missouri, and Ohio Rivers require renewed attention to the nation's deteriorating flood damage reduction infrastructure. The Committee recognizes the importance of flood damage reduction projects and supports continued funding for such projects at a level consistent with current budget constraints.

Flood Control and Coastal Emergencies (FCCE)

The Administration's budget request proposes $30 million for the Corps of Engineers' Flood Control and Coastal Emergencies (FCCE) account. This is an increase of $3 million (11 percent) above the FY 2012 enacted level. The Corps has authority under P.L. 84-99 for emergency management activities, including disaster preparedness, emergency operations (flood response and post flood response), rehabilitation of flood control works threatened or destroyed by flood, protection or repair of federally authorized shore protective works threatened or damaged by coastal storms, and the provision of emergency water due to drought or contaminated sources. Funds for the Corps' FCCE account are typically provided on an emergency basis through supplemental appropriations acts.

Natural Resources Conservation Service (Small Watershed Program)

Under authority of the small watershed program, authorized in the Watershed Protection and Flood Prevention Act of 1954 (P.L. 83-566) and the Act of December 22, 1944 (P.L. 78-534), NRCS provides technical and financial assistance to local organizations to install measures for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife enhancement. Depending on its size and cost, a project may be carried out administratively or with Congressional approval by the House Agriculture Committee (projects with a structure up to 4000 acre feet of storage capacity) or the Transportation and Infrastructure Committee (projects with a structure over 4,000 acre feet of storage capacity) and comparable Senate committees. There are more than 11,000 such structures under the NRCS authority nationwide.

Watershed Surveys and Planning

The watershed surveys and planning account funds the studies needed to carry out the small watershed program. The President's budget requests no money for the Watershed Surveys and Planning Program (studies) in FY 2013, and no funds were provided in FY 2012. The Committee concurs with the President's request.

Watershed and Flood Prevention Operations

The Watershed and Flood Prevention Operations Account funds both the Small Watershed Program, discussed above, and the Emergency Watershed Protection Program, which provides assistance to State and local governments after a flood or other emergency has taken place. The President's FY 2013 budget requests no money for this account. For FY 2012, $215.9 million was appropriated for the Watershed and Flood Prevention Operations account. The Committee concurs with the President's request.

Watershed Rehabilitation Program

In 2000, Congress amended the Watershed Protection and Flood Prevention Act to allow NRCS to provide assistance to rehabilitate flood protection dams that had been built with assistance provided under that Act and have now reached the end of their useful lives, creating threats to property and lives. The President's FY 2013 budget request includes no funding for the Watershed Rehabilitation Program to provide technical and financial assistance for upgrading or removing aging dams. The FY 2012 enacted level for this account is $15 million. The Committee concurs with the President's request.

Environmental Protection Agency

For water infrastructure programs administered by the Environmental Protection Agency (EPA), the Committee recommends that limited funds be focused on programs that will have the greatest impact on local economies and job creation, such as the State Revolving Loan Fund Program, Brownfields, and Superfund programs. These programs generally lead to construction projects and turn contaminated land into usable property with an enhanced economic value. Further, these programs provide an opportunity to leverage state, local, and private funds to achieve greater economic and environmental benefits. The Committee supports programs that directly assist communities and businesses in their efforts to meet regulatory requirements.

The Committee does not support the administration's proposal to reinstate the Superfund tax on businesses. The Superfund program is designed to be principally a cost recovery statute, but the tax the administration is proposing would be aimed mostly at where the money is, not where the responsibility lies, and as a result, the taxes would unfairly penalize a substantial amount of companies who did not cause any pollution and had no contact with any Superfund site. During these challenging economic times, increasing the tax burden on businesses will only stifle investment, slow recovery, and slow the creation of new jobs.

<u>Clean Water State Revolving Loan Funds</u>

The Clean Water State Revolving Loan Fund (SRF) program is a highly successful program administered by states to provide low interest loans to local communities around the country to make wastewater infrastructure improvements and to address other water quality needs. To date, Congress has provided $32 billion in grants to help capitalize 51 Clean Water SRFs. With the 20 percent state match and the fact these SRFs earn interest, receive loan repayments, and are used to secure state bonds, the return on this Federal investment has been greater than two to one. The total amount made available in loans from Clean Water Act State Revolving Funds from 1998 through June 2008 exceeds $89.5 billion.

For FY 2013, the President's budget is requesting $1.175 billion to further capitalize these funds, a decrease of $291 million below the FY 2012 enacted level of $1.466 billion. The Committee supports the President's request for lower funding.

While there is a need for Federal investment in wastewater infrastructure, it is clear that the Federal government cannot meet this need alone. It is going to take a partnership of Federal, State, and local governments, and where appropriate, the private sector, to meet this challenge.

To this end, it is important that all entities who are looking for ways to maximize their investments in wastewater infrastructure and other water pollution control activities seek out innovative and alternative ways of raising capital and increasing investment to supplement the "traditional" ways of funding these programs. Our nation needs to have at its disposal a wide range of funding mechanisms and funding sources available to meet our nation's clean water needs. There is a tremendous amount of capital from other public and private sources potentially available for investment in our infrastructure, and there is a need to learn more about innovative and alternative ways of accessing it.

The Committee supports a shift in the focus of EPA's water program away from creating new unfunded regulatory mandates and toward finding additional ways to leverage current resources to pay for the multitude of regulatory mandates on the regulated community that EPA already has in place.

Nonpoint Source

The nonpoint source management program authorized by section 319 of the Clean Water Act has been very helpful to States and local governments in addressing nonpoint source water quality issues around the nation. For FY 2013, the President's Budget is requesting $164.76 million for EPA's nonpoint source management program, a slight increase above the FY 2012 enacted level of $164.5 million.

The Committee supports the President's request. The Committee notes that the EPA needs to focus on additional ways to leverage current resources under the Clean Water Act for addressing nonpoint sources with the resources available from other Federal and State programs. For example, there are programs and resources under the U.S. Department of Agriculture and other agencies that support complementary efforts aimed at improving water quality. EPA needs to improve its coordination with these other agencies and programs to maximize the collective water quality benefit from these programs.

State Water Management Programs

The foundation of the Clean Water Act has long been the Federal-state partnership in implementing the provisions of the Act. In support of this partnership, the Federal funding is provided to the states for state water quality management programs under Section 106 of the Clean Water Act. Prevention and control measures supported by state water quality management programs include Clean Water Act permitting, pollution control activities, surveillance, monitoring, enforcement, local governmental training, and public information. For FY 2013, the President's Budget requests an appropriation of $265.3 million for state water quality management programs under section 106 of the Clean Water Act, an increase of $26.9 million above the FY 2012 enacted level of $238.4 million. These funds go directly to States to help communities meet federal environmental requirements. The Committee supports the requested increase.

Superfund

For FY 2013, the President's Budget requests an appropriation of $1.176 billion for the Superfund program administered by the EPA, a decrease of $37.4 million below the FY 2012 enacted level of $1.214 billion. The Committee supports the President's request for lower funding. The economic benefits from the Superfund program are derived from the cleanups that occur under the program, which return sites to productive use. Therefore, the Committee recommends that EPA devote a larger proportion of the funding for on-the-ground removal and remedial activities, and less for program overhead, to maximize the economic return from the program. As with other accounts, the EPA should give highest priority to projects that create the most jobs and economic activities.

Brownfields

The Brownfields program was authorized under the Small Business Liability Relief and Brownfields Revitalization Act (P.L. 107-118). This program authorizes brownfields site assessments, cleanup, research, and technical assistance, which enables local communities and private landowners to assess and physically clean-up sites, putting valuable urban land back into productive use. The results are jobs created during the cleanup and more jobs created during the economic development generated by the land coming into productive use. The President's FY 2013 Budget requests $139.891 million for the brownfields program, a $3.345 million decrease below the FY 2012 enacted level of $144.165. The total request of $139.891 million includes $93.291 million for direct grants to assess and cleanup brownfields, and $47.572 million to support state response efforts to clean up brownfields sites. The Committee supports funding at the level requested by the President. The Committee recommends that EPA devote a larger proportion of the funding for on-the-ground removal and remedial activities, and less for program overhead, to maximize the economic return from the program.

Saint Lawrence Seaway Development Corporation

The Saint Lawrence Seaway Development Corporation is a wholly-owned government enterprise created in 1954 to construct, operate, and develop jointly with Canada a seaway between Montreal and Lake Erie. Funding for operation and maintenance of Seaway facilities is appropriated from the Harbor Maintenance Trust Fund, which derives its revenue from a 0.125 percent tax on the value of cargo loaded or unloaded at U.S. ports, as well as from tolls collected on the Saint Lawrence Seaway.

The Saint Lawrence Seaway Development Corporation has developed a 10-year U.S. Asset Renewal Program Capital Investment Plan for navigation infrastructure and facilities, including lock operation upgrades and maintenance, waterway management, tunnel and bridge maintenance, and facility upgrade and maintenance. The total cost of the 10-year asset renewal program is $164,605,000, which is authorized by section 5015 of the Water Resources Development Act of 2007 (Pub. L. 110-114).

The Committee strongly supports sufficient appropriations in FY 2013 and beyond to carry out the long-term asset renewal plan of the Seaway.