DEPARTMENTS OF TRANSPORTATION, AND HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR 2016

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF TRANSPORTATION, AND HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS

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DEPARTMENT OF TRANSPORTATION, HUD, AND RELATED AGENCIES APPROPRIATIONS FOR 2016

WEDNESDAY, FEBRUARY 25, 2015.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESS

HON. JULIAN CASTRO, SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. DIAZ-BALART. The subcommittee will come to order. This is the first THUD Subcommittee Hearing of the 114th Congress, and needless to say we have some changes. We have new members. We have a new chairman, a new ranking member, and even a new secretary. So it is all new today. So today we welcome Secretary Julian Castro from the Department of Housing and Urban Development to discuss a general fiscal year 2016 budget request.

HUD is requesting $49.3 billion, a new budget authority in fiscal year 2016. It is a 9 percent increase over 2015. That is including an ambitious request in a year where we are all still bound by the Budget Control Act's sequester order. I, frankly, do not see any agency receiving a 9 percent increase over the prior year under current law. Now, compounding HUD's money issues, money problems, and our funding challenges, which we have many, is the increased cost of simply, frankly, just doing business. If we did a basic date change CR from 2015 to 2016, this subcommittee, we would have to come up with an additional $1.4 billion, thanks to a projected drop in FHA receipts, receipts which offset the spending in the bill. By the way, that is only an estimate. We all know, and history has shown us, that CBO projections will probably be lower. They always tend to be lower and that is the estimate, the CBO estimate is what we are tied to, whether we like it or not.

So in essence we are already about $2 billion in the hole, and I have not even looked at maintaining the same baseline of services. Again, those are the challenges that we are going to be facing as a subcommittee. Even in the harshest of budget climates, this subcommittee has made it a priority to ensure that those families currently receiving assistance would obviously still have housing in the next fiscal year.

Now, due to the rebasing of the project-based rental system account and the inflationary cost associated with the tenant-based rental assistance account and similar programs, again we need another $1.5 billion to $2 billion just to keep the same number of families in their homes, something that this subcommittee has always obviously wanted to do. And, again, as I am sure the secretary is aware, I represent low income and urban areas. Whether it is my mayors, my city councils, my community leaders, advocates and constituents, they all rely on HUD programs. So our communities large and small need HUD to be a very good steward of these dollars and programs to help our most vulnerable people, the many, many well-known people.

So I think all of you can imagine my concern then, to find out when I first got here that when I started looking that HUD has tremendous difficulty managing its own resources and oversight. I just came into this position in January, and I was stunned to see the number of IG audits regarding HUD's basic administrative controls, whether it is lax oversight of grantees, questionable hirings, Antideficiency Act violations, poor IT management and systems, and so on. And you, Mr. Secretary, again who is also new, I am sure that you pretty much had the same reaction that I did when you ran into that situation last summer.

So last year, frankly, the secretary had to come up asking for a reprogramming letter to rearrange funds in order to pay rent. Think about that. Just to pay rent. So it kind of exemplifies some of the issues that we have run into that I am sure you also have run into, Mr. Secretary. So we need to come together to straighten this department out, to make sure that it is a quality, high-functioning, organization that can be effective, and that it can efficiently deliver and oversee these important programs. Obviously, if the department is dysfunctional, there is no hope we can expect and demand more from our stakeholders.

So my questions today will focus on the internal workings of HUD, Mr. Secretary, and the offices and activities that support HUD programs. I will save my questions regarding HUD's housing assistance programs and economic development programs for subsequent hearings that we have in March and in April. So Mr. Secretary, we must come together to resolve the issues that HUD has to deal with. I look forward to working closely with you and your staff in the months ahead, and I hope that our dialogue today can help find a better way forward for HUD. I also appreciate, by the way, you being very accessible when we had the opportunity to speak briefly on the phone. So, again, I appreciate—we are going to have to work together and I look forward to it.

With that I will now recognize the ranking member of the subcommittee, the gentlemen from North Carolina, Mr. Price. Mr. Price and I had a great meeting. As I told you, sir, I am greatly looking forward to working with you. And with that, you are recognized.

Mr. PRICE. Thank you, Mr. Chairman. I am looking forward to a good season of cooperation in writing this bill. It is good to be here this afternoon. This is the first of seven scheduled hearings.

As we begin hearings on the fiscal year 2016 budget request for the Departments of Housing and Urban Development and Transportation, I want to congratulate you on your new role. I look forward to working with you in the coming year. I hope we can continue this subcommittee's history of bipartisanship and openness and transparency.

I also want to welcome Mr. Cuellar, a new member on our side, to the subcommittee and new Republican member, Mr. Jolly. I think we have a good group of members on both sides of the aisle. I want you to know that our side and I am sure yours is ready to get to work.

I also want to join the chairman in welcoming the secretary, Secretary Castro, to our subcommittee. This is your first appearance, of course, as Secretary of HUD. You have some big shoes to fill. We greatly enjoyed working with your predecessor, but we know you bring a lot of strengths to this job and we look forward to getting to know you better and working with you throughout this Congress.

The fiscal year 2016 budget request for the Department of Housing and Urban Development is $41 billion. That is $5.4 billion or 15 percent more than last year's enacted levels. Now, this request might seem very generous, but it is important to put it in a multiyear perspective. In the context of previous budgets, it is still relatively low. It is $166 million lower, in fact, than the fiscal year 2008 enacted level.

Before we turn to the HUD budget request in detail, it is important to remind ourselves of the overall budget environment. The Budget Control Act is the law of the land for better or worse, and I would say mainly for worse. The Ryan-Murray Agreement of the current fiscal year gave us a temporary respite from sequestration. By the way, sequestration we need to remind ourselves as well was not ever supposed to occur. Everybody will agree now it is a disaster, but it was never supposed to occur. It is a sign of failure, failure to deal with tax expenditures, failure to deal with entitlement spending, failure to deal with the things that are really driving the deficit. So we return again and again and again to appropriated spending and we are ending up with allocations that just do not let us do our jobs. So that is what we are stuck with—the Budget Control Act and sequestration. The self-imposed austerity, putting the entire burden on discretionary programs leaving the main drivers of the deficit untouched, is severely limiting our ability to invest in this country's key infrastructure needs. What we really need, of course, is a comprehensive budget agreement. But failing that, we at least need a short-term budget agreement, ala Ryan-Murray, to give us numbers we can work with for 2016. So in that sense, the work of the subcommittee is very dependent on decisions made elsewhere with respect to the overall budget plan.

In 2011 a HUD study indicated that there was a capital improvement backlog of nearly $26 billion in America's public housing stock. To make matters worse, capital needs accrue at $3.4 billion per year, yet we have funded the public housing capital fund at more than $2 billion in the last four years. The HOME program, the only dedicated source for affordable housing construction in this bill, has fallen from $1.8 billion in fiscal year 2010 to $900 million in fiscal year 2015. Community Development Block Grants have experienced a similar reduction over the same period. These funding crises are not quite as dramatic as a bridge collapse, a train's derailment, or a water main break. It is still clear that we are neglecting our nation's housing infrastructure. It costs more than 90 percent of the President's request just to keep families that are currently housed in assisted housing in their units, simply keep them in their units, in the coming year, a simple maintenance of effort. There is not enough wiggle room in this budget to invest in key capital projects that both create jobs and provide the affordable housing needed to allow Americans to live productive and fruitful lives.

Now, as in years past, the receipts from the FHA and Ginnie Mae are critical for making this bill work. Again, the budget request assumes declining revenue from FHA premiums. While these declining receipts are a sign of an improving economy, the subcommittee has come to rely on these funds to support community development programs in the bill. Without sufficient and consistent funding for CDBG and HOME, the livability and the economic competitiveness of our communities will suffer. I hope we can discuss that today and in subsequent hearings.

Given the budget constraints, I am pleased to see that the budget request includes $250 billion for the Choice Neighborhoods program, the successor to the popular and successful HOPE VI program. In my district I have seen firsthand how HOPE VI transforms communities. It is a unique program.

Additionally, I am excited about the Department's push to include more construction dollars for housing for the elderly, housing for the disabled, these two vulnerable populations deserve our support. I am hopeful we can get to work on additional housing options to meet their needs.

The budget request also includes funding to increase the current number of tenant-based rental assistance vouchers by 67,000. Here, too, I want to talk about this in detail later. The subcommittee should not see this item as a new spending matter, but instead as a restoration of the vouchers lost in 2013's sequestration. So, Mr. Secretary, we look forward to learning more about your plan to reserve these vouchers—first of all to restore these vouchers and then to reserve them for specific high-needs populations like victims of domestic violence, the homeless, and disconnected families.

I am also pleased that the budget request includes a slight increase in the housing opportunities for people with AIDS, the HOPWA program; however, I remain frustrated that the Authorizing Committee has not updated the funding formula since the creation of the program, leaving areas of the country like mine without our fair share of housing dollars. It is time for Congress to make a commonsense update to the HOPWA formula to reflect demographic changes in the HIV/AIDS population. I appreciate your administration's inclusion of our proposal to modernize the formula in the budget and I want to work hand in hand with you to finally get that done by the end of this Congress.

So, Mr. Secretary, we have a lot to talk about. Thank you for taking on this challenge. I look forward to hearing your testimony today and to working with you on many, many important matters. Thank you.

Mr. DIAZ-BALART. Thank you, again, Mr. Price. With that, Mr. Secretary, your full written testimony will be included in the record, of course. With that, again, you are recognized for 5 minutes.

Opening Statement

Secretary Castro. Mr. Chairman, Ranking Member Price, members of the subcommittee, thank you for inviting me to discuss HUD's fiscal year 2016 budget request. Our request to honor President Obama's vision of investing in the things we need to grow our economy, provide quality and affordable housing for families, seniors, and to use our resources to create opportunities for upward mobility for our residents.

This proposal comes at an important moment to our nation. Last year was the best year for job growth since the 1990s where we had 59 months of increase in new jobs, which is the longest streak of private sector job growth on record. President Obama recognizes that accelerating that growth begins with an economy that strengthens the middle class and lifts more hardworking Americans of modest means into the middle class. That is why the President's budget empowers HUD to continue building on its mission of supporting equitable community development, promoting responsible home ownership, and expanding access to affordable housing that is both free from discrimination and available to Americans with the lowest incomes.

By increasing our Department's funding level to $49.3 billion, nearly $4 billion more than fiscal year 2015's enacted level, the President's budget helps us continue our progress toward each of these goals. That begins with helping more of our fellow citizens secure a place to call a home. HUD's budget proposes more than $21 billion for the Housing Choice Voucher program. That would extend support to more than 2.4 million low income families. Our budget also fulfills the promise to restore vouchers lost to sequestration, which will help 67,000 households.

This support is critically needed. We recently released the findings of our nation's 2015 worst-case housing needs report to Congress. It found that 7.7 million low income households that receive no housing assistance pay more than 50 percent of their income in rent, live in severely inadequate housing, or both. HUD is also proposing funding that would effectively end chronic homelessness and make significant strides in our work to end homelessness among families and youth. With Congress's support through programs like HUD–VASH, we have seen dramatic reductions in homelessness among veterans. If our nation invests in the targeted programs that we know work, we can make similar progress in tackling other forms of homelessness. Specifically, HUD's budget would fund homeless assistance grant at $2.5 billion, a $345 million increase over fiscal year 2015 levels. This funding would provide communities with the forms of housing and service investments they need to effectively end homelessness in all its forms.

We are also proposing new investments to prepare low income Americans who live in HUD-subsidized housing to successfully build careers and improve their lives. That includes $100 million to fund a dynamic, evidence-based initiative called Jobs Plus. Research shows that Jobs Plus improves incomes and opportunities for our residents, so we have put more resources toward this important effort. We are also making an investment of $85 million as part of HUD's Family Self-Sufficiency Initiative. That would connect approximately 80,000 families to job and financial literacy training as well as important services like childcare and transportation.

HUD is also reaffirming our commitment to preserve public housing. Each year our nation loses nearly 10,000 public housing units to disrepair. Fortunately, Congress and the President have come together recently to address this crisis through the launch of the Rental Assistance Demonstration or RAD project. We need Congress's support again. We are asking that Congress eliminate the Rental Assistance Demonstration cap completely. This would spur billions of dollars in private financing for public housing preservation and create thousands of jobs in the construction trades and other industries. So far the RAD program has facilitated the investment of nearly $500 million in private funds to repair our nation's public housing, and we are eager to work with you to secure our nation's affordable housing future.

Finally, HUD is committed to ensuring that neighborhood opportunity is broadly shared and that all communities—rural, tribal, suburban, and urban—prosper. To help meet that commitment, our budget requests $250 million to HUD's Choice Neighborhoods Initiative, expanding a program with an impressive record of success. In fact, between fiscal years 2010 and 2013, the $351 million that HUD invested in these grants leveraged more than $2.6 billion of additional investment in extremely low income communities.

As HUD commemorates 50 years of advancing policies that create opportunity for all, we are also creating a solid foundation for the next 50 years and beyond. The President's budget helps us do that and I look forward to working with you, Mr. Chairman, and ranking member and with this committee in continued partnership to build a future where every American can prosper. Thank you.

[The information follows:]

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

Written Testimony of Julian Castro
Secretary of U.S. Department of Housing and Urban Development (HUD)
Hearing before the Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations
on
"FY 2016 Budget Request for the Department of Housing and Urban Development"
Wednesday, February 25, 2015

Thank you, Chairman Diaz-Balart and Ranking Member Price, for this opportunity to discuss how HUD's fiscal year 2016 budget proposal follows the roadmap the President has laid out for jumpstarting our economy through educating, innovating, and building. This Budget targets our investments to the families and geographies that need them the most, and puts Americans back to work.

HUD's Budget is an essential component of the President's vision of investing in the things we need to grow our economy, create jobs, increase skills training and improve education, while continuing long term deficit reduction. Our request makes critical investments to speed economic growth — growing neighborhoods of opportunity through Choice Neighborhoods and providing access to credit through FHA, and also reverses the effects of sequestration.

Overall, the President's Budget provides $49.3 billion for HUD programs, an increase of $4 billion above the 2015 enacted level. This spending is offset by projected receipts of $8.3 billion. Increases are provided to protect vulnerable families, reverse the effects of sequestration, make significant progress toward the goal of ending homelessness, and support community-centered investments, including funding to revitalize neighborhoods with distressed HUD-assisted housing and concentrated poverty. To build evidence of what works, State and local public housing authorities are offered program flexibilities in exchange for designing and rigorously evaluating innovative programs and policies.

The fiscal year 2016 HUD Budget:

Supports the Mortgage Market and Provides Access to Credit: The Administration projects that the Federal Housing Administration (FHA) will insure $204 billion in mortgage loans in 2016, including mortgages for new home purchases and refinanced mortgages that significantly reduce borrower payments. FHA's loss mitigation program minimizes the risk of financially struggling borrowers going into foreclosure, and last year, FHA helped more than 477,000 families avoid foreclosure. The Budget also includes $60 million for housing and homeowner counseling through HUD.

Provides Ladders of Opportunity for Anybody Willing to Work Hard and Play by the Rules. The Budget provides $250 million for Choice Neighborhoods to continue to transform neighborhoods of concentrated poverty into opportunity-rich, mixed-income neighborhoods. This funding level will be used to revitalize HUD-assisted housing and surrounding neighborhoods through partnerships between local governments, housing authorities, nonprofits, and for-profit developers. Preference for these funds will be given to designated Promise Zones—high-poverty communities where the Federal Government is working with local leadership to invest and engage more intensely to create jobs, leverage private investment, increase economic activity, reduce violence and expand educational opportunities. To further support Promise Zones, the Budget includes companion investments of $150 million in the Department of Education's Promise Neighborhoods program and $29.5 million in the Department of Justice's Byrne Criminal Justice Innovation Grants program, as well as tax incentives to promote investment, jobs and economic growth.

Supports Strategic Infrastructure Planning and Investments To Help Make America a Magnet for Jobs HUD is committed to ensuring that its core community and housing development work contributes to more and better transportation choices; promotes equitable, affordable housing; helps communities address the lingering neighborhood impacts of the foreclosure crisis; and aligns federal policies and funding to remove barriers to local collaboration. The Budget provides $2.8 billion for the Community Development Block Grant (CDBG) formula program, and proposes reforms to better target CDBG investments to address local community development goals.

Protects the Vulnerable Recipients of HUD Rental Assistance and Makes Progress on the Federal Strategic Plan to End Homelessness. The Budget includes $21.1 billion for the Housing Choice Voucher program to help about 2.4 million low-income families afford decent housing in neighborhoods of their choice. This funding level supports all existing vouchers and fully restores the sequestration funding cuts by adding 67,000 new vouchers to the program. The Budget also includes $10.8 billion for the Project-Based Rental Assistance program to maintain affordable rental housing for 1.2 million families, and provides $6.6 billion in operating and capital subsidies to preserve affordable public housing for an additional 1.1 million families.

The Budget provides $2.5 billion for Homeless Assistance Grants, $345 million above the 2015 enacted level. The increased funding will enable HUD to maintain existing projects, fund the increased competitive renewal demand for Continuums of Care in fiscal year 2015, and create 25,500 beds of permanent supportive housing for chronically homeless persons to reach the goal of ending chronic homelessness in 2017. In addition, the Budget includes 15,000 rapid rehousing interventions for households with children, which will support the goal of ending child, family and youth homelessness by 2020.

Puts HUD-subsidized Public and Assisted Housing on A Financially Sustainable Path. Public housing authorities (PHAs) house over three million families. To bring our rental housing system into the 21st century and continue to address the $26 billion in public housing capital needs, this Budget includes proposals that would facilitate the conversion and preservation of additional Public Housing and other HUD-assisted properties under the Rental Assistance Demonstration (RAD). At the same time, the Budget provides $50 million for a targeted expansion of RAD to Public Housing properties in high-poverty neighborhoods, including designated Promise Zones, where the Administration is also supporting comprehensive revitalization efforts.

Improves the Way Federal Dollars are Spent. The Administration continues to seek legislation to modernize the Housing for Persons With AIDS (HOPWA) program to better reflect the current case concentration and understanding of HIV/AIDS and ensure that funds are directed in a more equitable and effective manner. The Budget's $332 million investment in HOPWA, in combination with the proposed modernization, will assist local communities in keeping individuals with HIV/AIDS housed, making it easier for them to stay connected to treatment, and therefore improving health outcomes for this vulnerable population.

The Budget also provides $100 million for the evidence-based Jobs-Plus program, a proven model for increasing public housing residents' employment and earnings. Through Jobs-Plus, public housing residents will receive on-site employment and training services, financial incentives that encourage work and "neighbor-to-neighbor" information-sharing about job openings, training, and other employment-related opportunities.

In addition, the Budget proposes expansion of the Moving-To-Work demonstration program to up to 15 high-capacity PHAs over the next three years through a competition. The Moving-to-Work program provides local PHAs with program flexibility to make local decisions about how to operate their programs and test innovative uses of Federal dollars to enhance tenant outcomes. MTW PHAs have implemented a range of policies designed to preserve and increase the overall affordable housing inventory, achieve administrative efficiencies and increase earnings for low-income families.

Invests in Research and Support to Make HUD and its Grantees More Effective. The American economy of the future requires a federal government that is efficient, streamlined, and transparent. This Budget once again calls for the flexible use of resources through the Transformation Initiative, which the Department will use to invest in technical assistance to build local capacity to safeguard and effectively invest taxpayer dollars; conduct innovative research, and evaluations of program initiatives and demonstration programs so we can fund what works and stop funding what doesn't.

The Budget also continues to invest in focused upgrades to the IT infrastructure to improve service delivery and to better track and monitor our programs.

Consistent with the previous three years, HUD's fiscal year 2016 Budget is structured around the five overarching goals the Department adopted in its new Strategic Plan 2014-2018. These goals reflect the Department's—and my—commitment to 'moving the needle' on some of the most fundamental challenges facing America. Indeed, every month, I hold *HUDStat* meetings on one or more of these goals, to assess progress and troubleshoot problems in order to: 1) ensure that HUD is as streamlined and effective as possible in the way that we administer our own programs and partner with other federal agencies; and 2) hold our grantees accountable for their expenditure of taxpayers' hard-earned dollars.

Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers

This Administration entered office confronting the worst economic crisis since the Great Depression. And while the largest factors contributing to this crisis were market driven, the American people have turned to Congress and the administration for leadership and action in righting our nation's housing market. HUD remains firmly committed to working together with communities and individuals to cope with these unprecedented challenges. This Budget drives economic growth by increasing access to credit and strengthening the FHA.

In fiscal year 2016, HUD is requesting $400 billion in loan guarantee authority for the Mutual Mortgage Insurance Fund, and $30 billion in loan guarantee authority for the General and Special Risk Insurance Fund. The need for this investment is clear as FHA has stepped up in recent years to address the unprecedented challenges wrought by the housing crisis, playing an important countercyclical role that has offered stability and liquidity throughout the recession. While a recovery of the housing market is currently underway, FHA continues to act as a crucial stabilizing element in the market, and to assure ongoing access to credit for qualified first-time, low-wealth or otherwise underserved borrowers. However, FHA's expanded role is and should be temporary.

Responding to the Market Disruption

The Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA) continue to have a significant impact on the nation's housing recovery. The activities of the Federal Government are critical to both supporting the housing market in the short term and providing access to homeownership opportunities over the long term, and doing both in a way that minimizes risks to taxpayers.

The fiscal year 2016 Budget request will enable FHA to continue its mission of providing access to mortgage credit for families with low and moderate wealth, and to play an important counter-cyclical role in the continued stabilization and recovery of the nation's housing market. In January, HUD announced a 50 basis points reduction in the FHA mortgage insurance premium, which will allow nearly 250,000 first-time homeowners to buy a home over the next three years. It is estimated that FHA borrowers will save up to $900 per year, benefitting an estimated 2-3 million families over the next three years. Also, due to aggressive and necessary action over the last six years, FHA's value has improved $21 billion in the last two years, and remains on a very strong trajectory.

The Budget also includes a request for the FHA Administrative Fee that will assist FHA in performing critical Quality Assurance work by funding important Information Technology investments and contract administration. This modest fee on lenders will be applied only prospectively, and these funds will make it possible for FHA to continue to increase access, helping to place homeownership within the reach of more Americans.

Redoubling Efforts to Keep Homeowners in their Homes

While there is work still to be done, HUD is proud of the progress this Administration has made in tackling ongoing foreclosure challenges. As part of the Administration's commitment to help responsible homeowners stay in their homes, we have actively sought to use our current programs and authorities to make homeownership sustainable for millions of American families. This Budget supports homeowners, present and future, through increased housing counseling opportunities, for example. In fiscal year 2016, HUD is requesting $60 million in Housing Counseling Assistance, to improve access to quality affordable housing, expand homeownership opportunities, and preserve homeownership, all of which are especially critical in today's economic climate. With this funding, HUD estimates that 2,400 HUD-approved counseling agencies employing an estimated 8,000 certified housing counselors, will assist a total of 2 million renters and owners. HUD-approved counselors help clients learn about purchasing or refinancing a home; rental housing options; reverse mortgages for seniors; foreclosure prevention; loss mitigation; preventing evictions and homelessness; and moving from homelessness to a more stable housing situation.

Goal 2: Meet the Need for Quality, Affordable Rental Homes

In an era when more than one-third of all American families rent their homes and over 7.7 million unassisted families with very low incomes spend more than 50 percent of their income on rent and/or live in substandard housing, it remains more important than ever to provide a sufficient supply of affordable rental homes for low-income families – particularly since, in many communities affordable rental housing does not exist without public support. HUD's 2016 Budget maintains HUD's core commitments to providing rental assistance to some our country's most vulnerable households as well as distributing housing, infrastructure, and economic development funding to states and communities to address their unique needs. Overall, 84 percent of HUD's total 2016 budget authority requested goes toward renewing rental assistance for current residents of HUD-subsidized housing, including public housing and HUD grants to homeless assistance programs, and to some limited, strategic expansion of rental assistance to specific vulnerable households.

HUD's core rental assistance programs serve some of the most economically vulnerable families in the country. In these programs, including Housing Choice Vouchers, Public Housing and Project Based Rental Assistance (PBRA): 75% of families are extremely low-income (below 30 percent of area median income) and an additional 20 percent are very low-income (below 50 percent of area median income). Although worst case housing needs decreased to 7.7 million in 2013 from the record high of 8.5 million in 2011, these needs are still a national problem. Housing needs have expanded dramatically during the past decade and were exacerbated by the economic recession and associated collapse of the housing market, which reduced homeownership through foreclosures and increased demand for renting."

Preserving Affordable Housing Opportunities in HUD's Largest Programs
This Budget provides $21.1 billion for HUD's Housing Choice Vouchers program, which is the nation's largest and preeminent rental assistance program for low-income families. For over 35 years it has served as a cost-effective means for delivering safe and affordable housing in the private market. This 2016 funding level is expected to assist approximately 2.4 million families and support new incremental vouchers for areas of high need, for targeted populations. After the loss of voucher opportunities for vulnerable families in sequestration, this Budget restores voucher leasing opportunities through targeted add-backs, with funding for approximately 67,000 new units of housing. Approximately 37,000 vouchers ($277 million) are targeted to new vouchers for PHAs based on an allocation method that captures relative need. Additionally, approximately 22,500 new vouchers ($177.5 million) are added for families, veterans and Native American families experiencing homelessness through a competitive allocation of vouchers to PHAs that partner with their local Continuum of Care to identify families. Importantly, these vouchers are modeled on the successes of the HUD-Veterans Affairs Supportive Housing Vouchers (VASH) program, and may be extended to veterans regardless of discharge status in support of the goal to end veteran homelessness. Also, approximately 5,000 vouchers ($37.5 million) will support victims of domestic and dating violence, and approximately 2,500 new vouchers ($20 million) will support the Family Unification Program, also allowing youth aging out of foster care to use a voucher for five years after aging out (increased from 18 months.)

The Budget also provides a total of $6.6 billion to operate public housing and modernize its aging physical assets through the Public Housing Operating ($4.6 billion) and Capital ($2 billion) funds, a critical investment that will help over 1.1 million extremely low- to low-income households obtain or retain housing. Similarly, through a $10.8 billion request in funding for the PBRA program, the Department will provide rental assistance funding to privately-owned multifamily rental housing projects to serve over 1.2 million families nationwide.

Rebuilding our Nation's Affordable Housing Stock
Over the last 75 years, the Federal Government has invested billions of dollars in the development and maintenance of public and multifamily housing, which serve as crucial resources for some of our country's most vulnerable families. Despite this sizable Federal investment and the great demand for deeply affordable rental housing, we continue to see a decline in the number of available affordable housing units. Unlike other forms of assisted housing that serve very similar populations, the public housing stock is nearly fully reliant on federal appropriations from the Capital Fund to make capital repairs. Funding and regulatory constraints have impaired the ability for these local and state entities to keep up with needed life-cycle improvements. The most recent capital needs study of the public housing stock, completed in 2010, estimated the backlog of unmet need at approximately $26 billion, or $23,365 per unit. Funding for the Capital Fund has been insufficient to meaningfully reduce public housing's backlog of repair and replacement needs or even meet the estimated $3 billion in annual accrual needs. Under the strain of this backlog, and without financing tools commonly available to other forms of affordable housing, the public housing inventory has lost an average of 10,000 units annually through demolitions and dispositions.

- *Rental Assistance Demonstration*
  To help address the backlog of unmet capital needs and to preserve this critical source of affordable housing, HUD is continuing to implement the Rental Assistance Demonstration (RAD), a program which enables PHAs to convert public housing to the Section 8 platform. In addition to the public housing stock, the RAD program targets certain "at-risk" HUD legacy programs. Prior to RAD, units assisted under Section 8 Moderate Rehabilitation (MR) were limited to short-term renewals and constrained rent levels that inhibit the recapitalization of the properties, and units assisted under Rent Supplement (RS) and Rental Assistance Program (RAP) had no ability to retain long-term project-based assistance beyond the current contract term. As a result, as their contracts expired, these projects would no longer be available as affordable housing assets.

  Conversion to Section 8 rental assistance, as permitted under RAD, is essential to preserving these scarce affordable housing assets and protecting the investment of taxpayer dollars these programs represent. Long-term Section 8 rental assistance allows for state and local entities to leverage sources of private and public capital to rehabilitate their properties. While the Department expects and continues to process Public Housing conversions of assistance without additional subsidy, HUD requests $50 million in 2016 for the incremental subsidy costs of converting assistance under RAD for very limited purposes. Such funding will be targeted *only* to public housing projects that are: 1) not feasible to convert at current funding levels, and 2) located in high-poverty neighborhoods, including designated Promise Zones, where the Administration is supporting comprehensive revitalization efforts. The Department estimates that the $50 million in incremental subsidies will support the conversion and redevelopment of approximately 25,000 public housing units that would not otherwise be feasible to convert and sufficiently stabilize over the long term without incremental subsidies, while helping to increase private investment in the targeted projects.

  In addition to the funding request, the proposed legislative changes to RAD are designed to allow for maximum participation by those PHAs and private owners whose current funding levels are sufficient for conversion. This includes, for example, elimination of the 185,000 unit cap, which will allow for a greater portion of the Public Housing stock that can convert at no cost to the federal government to participate in the demonstration.

Goal 3: Use Housing as a Platform for Improving Quality of Life

Stable housing provides an ideal platform for delivering a wide variety of health and social services to improve economic, health, and broad-based societal outcomes. For some, housing alone is sufficient to ensure healthy outcomes, while others require housing with supportive services to assist with activities of daily living or long-term self-sufficiency, as well as proximity to crucial services. HUD's fiscal year 2016 Budget acknowledges this reality by making critical investments in housing and supportive services, and partnering with other federal agencies to maximize resources and best practices. Moreover, these investments will save money in the long term, by avoiding overuse of expensive emergency and institutional interventions.

Preventing and Ending Homelessness
Nowhere is the relationship between housing and supportive services clearer than in the successful efforts in communities around the country to address homelessness, which have led to a 33 percent reduction in veterans' homelessness and a 21 percent reduction in chronic homelessness since 2010. Additionally, this work has yielded a substantial body of research, which demonstrates that providing permanent supportive housing to chronically homeless individuals and families not only ends their homelessness, but also yields substantial cost saving in public health, criminal justice, and other systems. This year's Budget once again invests in this critical effort, by providing $2.5 billion in Homeless Assistance Grants. This funding level will support competitive programs that annually serve over 800,000 homeless families and individuals, and create 25,500 beds of permanent supportive housing for chronically homeless persons to reach the goal of ending chronic homelessness in 2017. The Budget also includes 15,000 rapid rehousing interventions for households with children.

Leveraging Capital Resources and Serving our Most Vulnerable
This Budget provides a total of $632 million for the Housing for the Elderly and Housing for Persons with Disabilities programs, which includes $25 million to support 700 additional supportive housing units. Doing more with less, the Budget proposes reforms to the Housing for the Elderly program to target resources to help those most in need, reduce the up-front cost of new awards, and better connect residents with the supportive services they need to age in place and live independently.

Historically, HUD has provided both capital advances and operating subsidies to non-profit sponsors to construct and manage multifamily housing for low-income people with disabilities. In an effort to maximize the creation of new affordable units in a time of funding restraints, in fiscal year 2012 HUD began providing operating assistance to state housing agencies that formed partnerships with state health care agencies for service provision to low-income persons with disabilities. These funds are used to set aside supportive units for this target population in affordable housing complexes whose capital costs are funded through Low-Income Housing Tax Credits, HOME funds, or other sources. Investing Section 811 funds under this authority allows HUD to rely on the expertise of the State housing agencies to administer the award and on the State health care agency to identify the most critical population to be served and guarantee the delivery of appropriate services. In fiscal year 2014, HUD requested, and received, similar authority for the Section 202 program. Drawing on lessons learned from implementation in the Section 811 program, HUD will take advantage of efficiencies inherent in these same agencies' oversight responsibilities for tax credits, HOME funds or similar housing funding.

Goal 4: Build Strong, Resilient and Inclusive Communities

No longer can the American economy tolerate the marginalization from the labor force of significant numbers of people because of individualized or systemic discrimination, or because they live in isolated neighborhoods of concentrated poverty. An American economy built to last requires an increased supply of affordable rental homes in safe, mixed-income communities that provide access to jobs, good schools, transportation, high-quality services, and, most importantly, economic self-sufficiency. As such, HUD's fiscal year 2016 Budget puts communities in a position to plan for the future and draws fully upon their resources, most importantly their people.

Each year HUD dedicates approximately 16 percent of its funds to the capital costs of housing and economic development projects throughout the country. Through this investment, HUD and its partners are able to provide better opportunities for people living in neighborhoods of concentrated poverty and segregation, offer choices that help families live closer to jobs and schools, and support locally driven solutions to overarching economic development challenges. HUD's capital grants—including the Public Housing Capital Fund, Choice Neighborhoods, CDBG, and HOME—are focused on assisting areas of great need, including communities with high unemployment.

Preserving HUD's Major Block Grant Programs for Community Development and Housing
Through both formula and competitive grants, HUD has partnered with local organizations and state and local governments to fund innovative solutions to community development challenges. Underpinning these partnerships is the fundamental philosophy that local decision-makers are best poised to drive a cohesive development strategy. In 2016, HUD is requesting a total of $2.9 billion in funding for the Community Development Fund to support economic development initiatives and projects that demonstrate the ability to connect private sector growth to some of our country's most distressed citizens and communities, and $1.1 billion for the HOME program.

The Budget requests $2.8 billion for the Community Development Block Grant (CDBG), which remains the largest and most adaptable community and economic development program in the Federal portfolio for meeting the unique needs of states and local governments. Since its inception in 1974, CDBG has invested in economic development at the local level, investing in infrastructure, providing essential public services and housing rehabilitation, and creating jobs primarily for low-and moderate-income families. Altogether, CDBG funding annually reaches an estimated 7,000 local governments across the country, in communities of all shapes and sizes. However, to ensure that CDBG funds effectively provide targeted benefits to these communities, especially to low- and moderate-income populations, HUD proposes a suite of reforms to strengthen the program; help grantees target funding to areas of greatest need; enhance program accountability; synchronize critical program cycles with the consolidated plan; and reduce the number of small grantees while providing more options for regional coordination, administration and planning.

Often, CDBG dollars alone are insufficient to complete crucial economic development projects that communities desperately need. In those instances, HUD offers another potent public investment tool in the form of the Section 108 Loan Guarantee program. Section 108 allows states and local governments to leverage their CDBG grants and other local funds into federally guaranteed loans in order to pursue large-scale physical and economic investment projects that can revitalize entire neighborhoods or provide affordable housing to low- and moderate-income persons. In 2015, HUD is requesting Section 108 loan guarantee authority of $500 million, and the continuation of a fee-based structure will eliminate the need for budget authority to cover the program's credit subsidy.

In addition, the HOME program is proposed at $1.1 billion and the Budget proposes legislative changes to better target the assistance provided with this funding. HOME is the primary federal tool of state and local governments for the production of affordable rental and for-sale housing for low-income families. In the past 21 years, HOME has completed 1.185 million affordable units. The Budget also proposes statutory changes that would establish a single qualification threshold, and revise "grandfathering" provisions so that HOME participating jurisdictions that fall below the threshold three out of the five years would be ineligible for direct grants, permit statewide non-profits to be designated as Community Housing Development Organizations (CHDOs), and provide for a formula reallocation of recaptured CHDO set-aside funds.

Notably in 2016, CDBG and HOME are part of the proposed Upward Mobility Project, a new initiative to allow states, localities or consortia of the two to blend their CDBG and HOME allocations with funding from the Department of Health and Human Services' Social Services Block Grant and Community Services Block Grant in a flexible way to achieve local goals. Communities would design Upward Mobility Projects around achieving a specific outcome—like increasing families' earnings, improving children's outcomes, expanding employment opportunities, or increasing housing stability—then employ the most promising evidence-based methods to achieve that goal. To support the Upward Mobility Projects, Federal agencies will partner with applicants to blend the identified funds and provide the appropriate waivers needed for required flexibilities, including but not limited to aligning household eligibility criteria, aligning and streamlining reporting requirements, and coordinating and sustaining service delivery.

In addition, the new Local Housing Policy Grants program would complement and leverage communities' CDBG and HOME activities by providing a total of $300 million in mandatory funding for competitive grants to increase economic growth, access to jobs and improve housing affordability by supporting new policies, programs or regulatory initiatives to create a more elastic and diverse housing supply. To that end, the funding would allow localities to make investments in areas like infrastructure expansion or improvement, housing market evaluations, code writing or design assistance, and stakeholder outreach and education.

Assisting Native Americans
Through innovative programming, HUD has found new ways to partner with American Indian and Alaska Native tribal governments to help these communities craft and implement sustainable, locally-driven solutions to economic development challenges. HUD recognizes the right of Indian self-determination and tribal self-governance, and has fostered partnerships that allow tribal recipients the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. In most of these communities, housing and infrastructure needs are severe and widespread, disconnected from transportation networks and isolated from key community assets including jobs, schools and healthcare facilities. In fiscal year 2016, HUD is requesting a total of $748 million to fund programs that will directly support housing and economic development in American Indian, Alaskan Native, and Native Hawaiian communities nationwide, including:

- $660 million for the Indian Housing Block Grant (IHBG) program, which is the single largest source of funding for housing on Indian tribal lands today.
- $80 million for Indian Community Development Block Grants, a flexible source of grant funds for Federally-recognized tribes or eligible Indian entities, requested within the Community Development Fund. Of this funding, $10 million is set aside to attract and retain high-quality teachers in Indian Country by improving the availability and physical condition of teacher housing.
- Up to $15 million to implement a demonstration of the Jobs-Plus model in Indian Country.
- $8 million for the Indian Housing Loan Guarantee Fund, which provides loan guarantees to increase the availability of mortgage lending on Indian reservations and other Indian areas.
- Increases the setaside for *colonias* investment in communities along the US-Mexico border from 10 percent to 15 percent, to address problems with lack of infrastructure, including adequate water, sewer facilities and decent housing.

Transforming Neighborhoods of Poverty
The President has made it clear that we cannot create an economy built from the middle class out if: a fifth of America's children live in poverty, at a cost of $500 billion per year—fully 4% of GDP—due to reduced skills development and economic productivity, increased later life crime, and poor health; a growing population lives with the problems of concentrated neighborhood poverty—high unemployment rates, rampant crime, health disparities, inadequate early care and education, struggling schools, and disinvestment—all of which isolate them from the global economy.

That's why HUD's fiscal year 2016 Budget provides $250 million for Choice Neighborhoods to continue transformative investments in high-poverty neighborhoods where distressed HUD-assisted public and privately owned housing is located. Choice Neighborhoods—along with RAD-- is an essential element of the President's Promise Zones initiative, which is designed to support revitalization in some of America's highest-poverty communities by creating jobs, attracting private investment, increasing economic activity, expanding educational opportunity, and reducing violent crime.

The President announced the first five Promise Zones in January 2014 and will designate an additional 15 Zones by the end of calendar year 2016. Communities compete to earn a Promise Zone designation by identifying a set of positive outcomes, developing a strategy, encouraging private investment and realigning federal, state, and local resources to support achievement of those outcomes. The Promise Zone designation process ensures rural and Native American representation. Promise Zones will receive tax incentives, if approved by Congress, to stimulate hiring and business investment along with intensive federal support and technical assistance aimed at breaking down regulatory barriers and using Federal funds available to them at the local level more effectively. Applicants from Promise Zones will also receive points for competitive federal grants that will increase the odds of qualifying for support and assistance to help them achieve their goals.

Promise Zones are aligning the work of multiple federal programs in communities that have both substantial needs and a strong plan to address them. The Promise Zones initiative builds on the lessons learned from existing place-based programs like the Department of Education's Promise Neighborhoods and the Department of Justice's Byrne Criminal Justice Innovation program, both of which receive substantial increases in the Budget. Other federal agencies that will be aligning their work with that of local Promise Zone partners include the Departments of Commerce, Health and Human Services, and Agriculture.

The Choice Neighborhoods initiative is a central element of the Administration's inter-agency, place-based strategy to support local communities in developing the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. The Department's administration of the first rounds of funding for Choice Neighborhoods grants exemplify how our practices generate effective partnerships with local housing and community development efforts. In the past, many federal grant programs followed a rigid, top-down, 'one-size fits all' approach that dictated what local policymakers could and could not do rather than listening to them and providing the tools they needed to meet local needs. Having served in local government myself, I am committed to a collaborative approach responsive to local needs – and believe the results thus far demonstrate that we are making good on that commitment.

Ensuring Inclusive Housing Nationwide
An inclusive community is one in which all people—regardless of race, ethnicity, religion, sex, disability, or familial status—have equal access to housing and economic opportunities. Throughout its portfolio of programs, HUD is committed to maintaining that inclusivity and providing accountability in housing and lending practices nationwide. Through inclusive development, education, enforcement of fair housing laws, expanded training and language assistance, HUD will affirmatively further fair housing and the ideals of an open society.

The Fair Housing Initiatives Program (FHIP) is critical to building and sustaining inclusive communities. FHIP is the only grant program within the federal government whose primary purpose is to support private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act. In fiscal year 2016, HUD is requesting $45.6 million in FHIP funds, representing the Department's strong commitment to fair housing. The requested amount will continue funding to support fair housing enforcement by all statutorily eligible private fair housing organizations. In addition, it will fund fair housing education at the local, regional and national levels.

The Fair Housing Assistance Program (FHAP) is a critical component of HUD's effort to ensure the public's right to housing free from discrimination. FHAP multiplies HUD's enforcement capabilities, allowing the Department to protect fair housing rights in an efficient and effective manner. In fact, FHAP agencies investigate the majority of housing discrimination complaints filed in the United States. In fiscal year 2016, the Budget provides $23.3 million in FHAP grants to nearly 90 government agencies to enforce laws that prohibit housing discrimination that have been reviewed and deemed substantially equivalent to Federal law.

Ensuring that an Economy Built from the Middle Class Out Includes Opportunities for Rural Americans
The Administration has placed a significant emphasis on ensuring that America's rural communities are competitive in the global economy – particularly given the reality that rural communities generally have less access to public transportation, along with higher poverty rates and inadequate housing. HUD serves families in small towns and rural communities through almost every major program it funds.

As the single largest sources of funding for housing on Indian tribal lands today, HUD initiatives in Indian country continue to have some of the Department's most successful track records. Programs like Indian Housing Block Grants, Indian Housing Loan Guarantees, and Indian Community Development Block Grants support development in remote areas where safe, affordable housing is desperately needed. HUD recognizes the right of Indian self-determination and tribal self-governance by allowing the recipients the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. Taken together, in fiscal year 2016 HUD is requesting $748 million to fund programs that will support housing and development in American Indian, Alaska Native, and Native Hawaiian communities.

In addition, HUD and the Department of Agriculture meet regularly through an interagency rental housing policy group to better align and coordinate affordable rental housing programs. For homeowners, the FHA helps first-time homebuyers and other qualified families all over the country purchase their own homes. HUD has also entered into a Memorandum of Understanding with the Department of Treasury's Community Development Financial Institutions Fund and the Department Agriculture – Rural Development, to expand the capacity of organizations providing loans and investment capital in underserved rural regions. The initiative, which is being piloted in *colonias* along the U.S.-Mexico border, will improve the delivery of funding from federal agencies and private sources supporting small business, affordable housing and community facilities.

Goal 5: Achieving Operational Excellence

A 21st century American economy that is a magnet for jobs and equips its residents with the skills they need for those jobs demands a government that's leaner, smarter, and more transparent. The current economic and housing crisis; the structural affordability challenges facing low-income homeowners and renters; and the new, multidimensional challenges facing our urban, suburban, and rural communities all require an agency in which the fundamentals matter and the basics function. As such, HUD remains committed to transforming the way it does business. This transformation is more crucial now than perhaps ever before – HUD remains at the forefront of the Federal response to the national mortgage crisis, economic recovery, Hurricane Sandy recovery, and the structural gap between household incomes and national housing prices – roles that require an agency that is nimble and market-savvy, with the capacity and expertise necessary to galvanize HUD's vast network of partners. HUD's 2016 Budget reflects these critical roles, by investing in transformation, research, and development that will be implemented strategically.

Investing In Our Staff
HUD's greatest resource is its dedicated staff. When employees attain skills and are motivated to use those skills to help their organization reach goals, the capacity of the organization grows and employees in the organization grow as well; which is why HUD is creating training and leadership development opportunities for employees at all levels. Over time, the rules and regulations that develop within an organization become hurdles instead of the helpful pathways they were intended to be. HUD is in the process of simplifying and combining programs, streamlining regulations, and eliminating rules and constraints. In addition, the Department is in the middle of a major reform of its information technology, human resources, procurement, and other internal support functions to give more authority to managers and provide better service to HUD customers.

In 2016, HUD is requesting $1.4 billion in salaries and expenses, in addition to $28 million for Ginnie Mae and $129 million for HUD's Office of Inspector General (OIG). The HUD request includes several initiatives to streamline the HUD organization and increase training for our staff. These efforts are supported by a modified resource account structure, and justified by increased detail of how HUD staff support the programs in the department. HUD is making specific investments of more staff to manage major rental assistance programs, increasing our ability to enforce new fair housing rules and provide more oversight to our community grant programs. The Department will continue to improve operations and create a dynamic organization capable of addressing some of our nation's most difficult challenges.

Carrying Out Critical Program Demonstrations and Research
HUD's ongoing transformation is a multiyear effort that can only be achieved through the relentless focus of agency leadership, full transparency and accountability for real results, and sustained and flexible budget resources. The Transformation Initiative (TI) remains the primary source of funding for this transformation. Since TI was first enacted in 2010, it has bolstered research, evaluation, and program demonstrations crucial for increasing the efficiency and effectiveness of the Department's programs. Further, TI has provided a mechanism for innovative, cross-cutting technical assistance that goes beyond program compliance to improve grantee capacity, performance and outcomes.

While the Department's transformation is a crucial long-term commitment, HUD continues to prioritize these efforts in a responsible manner that ensures HUD's constituent services don't suffer at the hands of internal transformation. This year's Budget proposes a Department-wide HUD Transformation Initiative Fund to be funded by transfers from program accounts. In fiscal year 2016, HUD's request includes transfer authority of up to $120 million into its Transformation Initiative Fund, up to $35 million of which will be for research, evaluations and program demonstrations, and at least $85 million of which will be for cross-cutting technical assistance, including place-based technical assistance. This includes training, education, support and advice to help community development corporations and community housing redevelopment organizations carry out community development and provide affordable housing activities for low- and moderate-income persons, as previously funded through the Self-Help and Assisted Homeownership Opportunity Program (SHOP) account. This modified approach will enable HUD to better integrate technical assistance and capacity building.

Upgrading the Department's Information Technology Infrastructure
In 2016, HUD is requesting $334 million for the Information Technology Fund. HUD will continue development efforts and primarily focus on delivery of discrete capabilities in our FHA systems, as well as the continued development of New Core. New Core will enhance capabilities in financial management, travel, procurement, and workforce planning to better support strategic decision making. In fact, New Core is implemented in four releases, two of which have been successfully completed this fiscal year; HUD's travel system and time and attendance systems have all migrated to the shared services environment. In Release 3, New Core will transition HUD's core financial management functions to the Treasury Department in the largest financial management shared service arrangement established to date, and implement a HUD enterprise-wide financial system that will allow the Department to resolve material weakness and audit findings though a consolidated shared services infrastructure platform. These changes will allow HUD to deliver services and manage these multi-billion dollar programs faster, more accurately and using better information for analysis. These funds are crucial to complement HUD's transformation efforts, providing resources for maintaining and improving Department-wide information technology systems.

Conclusion
Chairman Diaz-Balart, this Budget reflects the Administration's recognition of the critical role the housing sector must play to ensure that America becomes a magnet for jobs that strengthen the nation's middle class, including providing ladders of economic opportunity for all Americans, whatever their circumstances. Equally important, it expresses the confidence of the President in the capacity of HUD to meet a high standard of performance.

It's about making hard choices to reduce the deficit – and putting in place much-needed reforms to hold ourselves to a high standard of performance. But most of all, it's about the results we deliver for the vulnerable people and places who depend on us most.

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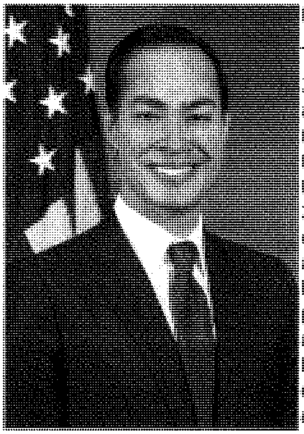

Biography of Secretary Julián Castro

Julián Castro was sworn in as the 16th Secretary of the U.S. Department of Housing and Urban Development on July 28, 2014. In this role, Castro oversees 8,000 employees and a budget of $46 billion, using a performance-driven approach to achieve the Department's mission of expanding opportunity for all Americans.

"Julián is a proven leader, a champion for safe, affordable housing and strong, sustainable neighborhoods," said President Barack Obama after Castro's confirmation. "I know that together with the dedicated professionals at HUD, Julián will help build on the progress we've made battling back from the Great Recession - rebuilding our housing market, reducing homelessness among veterans, and connecting neighborhoods with good schools and good jobs that help our citizens succeed."

As Secretary, Castro's focus is ensuring that HUD is a transparent, efficient and effective champion for the people it serves. Utilizing an evidence-based management style, he has charged the Department with one goal: giving every person, regardless of their station in life, new opportunities to thrive.

Before HUD, Castro served as Mayor of the City of San Antonio. During his tenure, he became known as a national leader in urban development. In 2010, the City launched the "Decade of Downtown", an initiative to spark investment in San Antonio's center city and older neighborhoods. This effort has attracted $350 million in private sector investment, which will produce more than 2400 housing units by the end of 2014. In addition, San

Antonio's East Side is the only neighborhood in America that has received funding to implement major projects under three key Obama Administration revitalization initiatives: Choice Neighborhoods, Promise Neighborhoods and the Byrne Criminal Justice Program.

In March 2010, Castro was named to the World Economic Forum's list of Young Global Leaders. Later that year, Time magazine placed him on its "40 under 40" list of rising stars in American politics.

Previously, Castro served as a member of the San Antonio City Council. He is also an attorney and worked at Akin, Gump, Strauss, Hauer & Feld before starting his own practice.

Secretary Castro received a B.A. from Stanford University in 1996, and a J.D. from Harvard Law School in 2000. He and his wife, Erica, have a daughter, Carina and a son, Cristian.

Mr. DIAZ-BALART. Thank you very much, Mr. Secretary. We have a lot of ground to cover today, and I know that we all have a lot of questions and hopefully we will have a lot of answers, Mr. Secretary, as well.

So we will proceed in the standard 5 minute rounds, alternating sides, recognizing the members in the order of seniority as they were seated at the beginning of the hearing when we started the meeting. We are going to try to move quickly, as quickly as possible, so that everyone can get their questions in. So please be mindful of your time, members, and try to stay within your 5 minute turn. Just again, a reminder, remember that both the questions and the answers of the Secretary will have to be within that 5 minute allocation. So I will try not to cut off the Secretary if he is in mid-sentence, but I reserve the option.

And, again, the Secretary has been very kind and will return again for hearings focused on the housing assistance program and another hearing focused on economic and community development program. So there will be more time again to follow up with the Secretary to get into the substance of those programs and the budget request.

INSPECTOR GENERAL

Mr. Secretary, I want to kind of focus a little bit on accountability, something I hear from Mr. Cuellar, so let me try to focus on it now. You had the Inspector General recently review 12 public housing authorities that reportedly engaged in lobbying activities, and concluded that these violations were due to HUD's failure to implement policies, to monitor policies in compliance with lobbying. Are you considering, Mr. Secretary, any policy changes from HUD to ensure compliance with these basic requirements to report again those lobbying activities?

Secretary CASTRO. Thank you very much, Mr. Chairman, for that question. Of course, we are aware of the Inspector General's findings. Let me say just very briefly at the beginning that very early on in my tenure one of the first things that I did, when we are speaking about accountability, is sign a joint letter with the Inspector General to all HUD employees, encouraging those employees to cooperate with the Inspector General in any review or investigation, to establish a high-level of expectation for cooperation and for accountability in the organization.

With regard to the lobbying activities that you mention, HUD staff is working with the Inspector General to improve the track record there with regard to lobbying that happens out there in terms of the public housing authorities. Also there was a finding regarding lobbying by members of the staff at HUD. We recently concluded training about lobbying specifically into the training that we did for employees to emphasize that.

So I certainly hear your concern and we are working with the Inspector General to make improvements.

Mr. DIAZ-BALART. So as to policy changes, are you looking at that or not?

Secretary CASTRO. We would welcome the opportunity to get back with you and the committee on that, on particular changes as we work to develop them.

Mr. DIAZ-BALART. I appreciate that, Mr. Secretary. And, again, going back to accountability, these findings put the question of accountability for some basic requirements. And that suggests, potentially suggests, a lack of guidance from HUD to the housing authorities. Now, do you believe any violations were a result of willful disregard of the authorities of those regulations and the law, or frankly, is it a failure of the PHAs to understand the law and the regulations that govern them?

Secretary CASTRO. Well, obviously, I am not prepared to go into the individual cases that were covered here in terms of the PHAs. However, let me say that as with most instances like this, I think you find a mix of both of those things. Sometimes, unfortunately, you do find intentionality.

Most of the time it has been my experience in other capacities of public service that training has not been adequate in terms of what is expected.

That is why we have a very heavy emphasis with our employees on setting a culture of cooperation and accountability and ensuring that folks are well trained. That is going to be one of the things that we work with the Inspector General on, whether it is this issue or other issues, so that we avoid some of these issues in the future.

Mr. DIAZ-BALART. Any lessons that you have learned personally from these lobbying violations as it relates to the relationship between PHAs and HUD?

Secretary CASTRO. Well, a couple of things. I would say first of all, it emphasizes the need for HUD to maintain as close a relationship as possible with our PHAs. You can imagine that we have a couple of thousand PHAs that we work with, large and small, doing very important work.

It is also one of the reasons that we have asked in this fiscal year 2016 budget for an increase in the administrative fee. What we hear from PHAs today is they are extremely understaffed and they need assistance.

Our administrative fee right now, I believe, is at 74.5 percent. That is one of the lowest levels it has been at in quite a number of years.

We are asking in the fiscal year 2016 budget that it be set at 90 percent because we recently completed a study that said that was the optimal range.

I think with strong training, with the right staffing levels, that we can improve on these kinds of issues.

Mr. DIAZ-BALART. Thank you, Mr. Secretary. Mr. Price.

VOUCHERS

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, as promised, I want to return to the question of rental assistance vouchers. Your budget request contains funding for a new increment of 67,000 such vouchers.

The new funding, however, is a restoration in the sense that it would simply restore the vouchers that were lost during sequestration.

In contrast to prior years, the Administration proposes targeting these vouchers. As I understand it, targeting all of these added vouchers to high need populations like victims of domestic violence, like the homeless, and like families in need of reunification.

Why did the Administration adopt this targeting strategy? Why did you prefer targeting as opposed to an increase in funding that would just go by formula for renewals?

Secondly, these categories are not exactly parallel in the way they might be determined or administered. Some categories, like domestic violence, would lend themselves to a national pool perhaps. Others might be locally distributed.

Could you describe briefly how each of these different categories of targeted vouchers would be awarded? Finally, what kind of administrative capacity are we talking about here that might be required locally in order to carry out the mandate?

Secretary CASTRO. Those are great questions, Ranking Member Price. Let me just try to succinctly address them.

Congress and the President have had enormous success in what I think is really a sacred obligation to reduce and effectively end veteran homelessness in our Nation. Since 2010, we have seen a 33 percent reduction in veteran homelessness, and that has principally been because of the work of this committee and the Administration, HUD and the VA and others, through the targeted use of what are known as HUD–VASH vouchers.

One of the lessons of that experience was that using these types of targeted vouchers can be very effective to the extent that you create great collaboration down the line to identify and then assist needy populations successfully.

That is the lesson that we are taking in our request for these 67,000 vouchers, and just briefly, 37,000 of them would be based on need, to include very low income individuals and veterans—sorry, 22,500 would be for families, veterans, and Native Americans; 4,900 would be for the victims of domestic and dating violence; 2,600 would be what we call "family unification vouchers" that used to be funded previously.

You asked about working with the community and how we intend to implement these. We very much want to work with the committee as we essentially figure the best way to implement them, but suffice it to say HUD has very good relationships with the Continuums of Care out there in the United States that have shown great success in reducing homelessness among veterans, families and youth.

We have strong relationships with our public housing authorities, and I believe those are getting stronger.

As we look to administer and implement these vouchers, we are confident that we will see some of the same success that we have seen with regard to reducing veteran homelessness.

Your third question was about the administrative aspect of this. Let me just return to what I mentioned in answer to Chairman Diaz-Balart's question.

This committee is well aware that at some points in the past, some public housing authorities, for instance, have thrown up their hands on administering Section 8 vouchers because they say they have not been able to properly fund the implementation. The administrative fee that we have provided them has not been sufficient enough.

We have had in some instances Section 8 vouchers, HUD–VASH vouchers turned away. We want to avoid that, and we want to sufficiently administer these programs. We are asking that the administrative fee go up to the 90 percent level which our analysis shows is the optimal level, so that we can properly implement these voucher programs.

Mr. PRICE. Do I have a couple of seconds?

Mr. DIAZ-BALART. Yes, you do.

Mr. PRICE. All right. I would like to just follow up, if I might. The instance of veterans' homelessness is a very well chosen one, and something of a success story, as these things go. By no means is the problem totally solved, but we have made steady progress, and this is probably the best case you could come up with of the success of a targeted approach.

I think you would agree probably though that the number of targets cannot be multiplied indefinitely and there are some real administrative and efficiency issues involved with having too many national pools, national categories of vouchers, and having too many separate kinds of processes that apply to what a local authority can access.

On the other hand, if you are going to target, then you have to do some of that, and you are probably going to have difficulty leaving the discretion entirely to the local authorities.

I guess I am just asking you to reflect on it, and I am sure we will work on this as we go along, to the extent to which that veterans' case is a model for the future.

Mr. DIAZ-BALART. Please reflect on that, and we will get to that, but let's try to move on. Mr. Yoder.

Mr. YODER. Thank you, Mr. Chairman. Mr. Secretary, welcome to the committee to discuss issues that are relevant to all of our districts. We appreciate your service.

FHA ADMINISTRATIVE FEE

A couple of questions that I do not think we have had a chance to dive into this morning or this afternoon yet. I noted in your budget request a request for $30 million in administrative support fees. I would like to learn a little bit more about that.

I note you requested $174 million in administrative expenses to allow the FHA to implement improved risk management and program support processes, which are critical for your oversight of this and your portfolio, yet you requested an additional $30 million on top of that. I would like to know what bang we get for that buck, first of all, in terms of what we will see in improved outcomes.

I would also like to know a little bit about how that fee would be administered. I do not see many details in terms of how the fee would actually work, which lenders would get taxed, how much, how does the fee actually work.

I know it is a $30 million aggregate result. The administration of it, I think, is an important second question beyond how you use the dollars, how you allocate it within those resources, how you allocate the funding, will this be merely a perspective fee or retroactive in any way? Would this be a perpetual fee or an one year fee program? How long would you see this tax continuing? Would it sunset? How can we justify raising these fees in the face of expenses that a lot of consumers already face?

Thank you, Mr. Secretary.

Secretary CASTRO. Thank you very much, Congressman, for the question, a lot of questions. I will try to get to them as succinctly as possible.

One of the success stories over the last couple of years has been the FHA Mutual Mortgage Insurance Fund, and we have seen that Fund in years 2013 and 2014 have the two strongest years in terms of book of business, two of the most profitable years in the FHA's history.

At the same time, it is very clear that we have certain head winds with regard to administration over at FHA. One of those is improved risk management, and the other one is information technology.

We are asking for this FHA admin fee which would be a fee on lenders and it would be prospective, to allow us to improve our information technology to work on things like quality assurance of the loans, and provide more business certainty for our lenders. We believe this would have the impact of improving the quality of those loans, improving ease of use of our customers of FHA, and in the long term, I think setting FHA on stronger footing as we go forward.

Certainly, we have asked for this fee in the past. This is not the first time we have requested this, and we would look forward to working with you and the committee to try to shape something that is feasible, that is workable.

We see a very strong need for investing in our IT infrastructure at FHA and continuing to improve our systems.

Mr. YODER. Mr. Secretary, can you give us more details on how much the fee would be or how it would be administered, who would be taxes and how much? Give us an idea of what it actually would look like.

Secretary CASTRO. Sure. This would be a fee on lenders, on transactions. I do not have—I have seen but my apologies, I can get you the actual costs. I do not have that immediately in front of me. Here it is, four basis points would be the actual amount of the fee that we are talking about.

Mr. YODER. Would this be a perpetual fee?

Secretary CASTRO. Well, this fee would be prospective, and right now we are asking for it in fiscal year 2016, so we believe this can be, if agreeable to the committee, workable for certain projects that ought to be implemented with regard to IT at FHA.

FHA CONDOMINIUM LOANS

Mr. YODER. Quickly, I am running out of time, but I wanted to ask a little bit about condominium FHA loans. There are a lot of restrictions on the purchases of condominiums through FHA often eliminating this market from prospective buyers.

Some examples of concern, the owner occupancy requirement, burdensome certification process, limits on commercial space. Are there any efforts to support easing restrictions on condos?

Secretary CASTRO. Yes, this is an issue as you might imagine we have heard a lot about, particularly these days, and we are doing what we can to make it easier for folks to utilize FHA vis-&-vis condo purchases. We are working on that. It is on the radar screen. It is something that we are trying to accomplish as we speak.

Mr. YODER. My time has expired, but I would love to follow up more on that. Appreciate it. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Mr. QUIGLEY.

HOUSING DISCRIMINATION

Mr. QUIGLEY. Thank you, Mr. Chairman. Mr. Secretary, welcome. A new challenge, some challenges we still have. On the good news, I want to thank you. We learned last week your agency released guidelines stating that discrimination against transgender renters or home buyers based on gender identity or gender stereotypes constitutes sex discrimination and is prohibited. We appreciate that.

The question is how do we get the news out among the housing authorities and how do you enforce this new guideline?

Secretary CASTRO. Yes. I just also want to be clear, Congressman, what we spoke to last week involved transgender individuals in the shelter context, and ensuring they are treated with dignity. We are very happy we are offering that guidance.

We are considering promulgating a rule as well on that, and we are doing that because we believe that all Americans ought to be treated equally, that there are no second class citizens in our country.

We also see, for instance, that among youth who are homeless, up to 40 percent of homeless youth are in the LGBTQ community, and transgender individuals often have the most difficult time finding a place to stay where they are accepted, when they have nowhere else to stay.

We are happy to issue the guidance and we would love to follow up with you and your staff on the parameters of it and our plans for the future.

Mr. QUIGLEY. You hit on an issue of extraordinary amounts of homelessness among the LGBTQ community. We are hearing sort of where we need to improve in my community who have questioned HUD's readiness capabilities for handling this population. I do not know if this is a culture change or what you. I want you to know it is what I am hearing from my community, and there are concerns there of HUD personnel and how they handle this.

Secretary CASTRO. I would appreciate the opportunity very much to work with you and figure out what the concerns are and figure out if there is something that we ought to be doing better and how to do that better.

Let me just very quickly note one of the other things we announced last week was a partnership with the True Colors Fund for a pilot project in two communities, Cincinnati and Houston, that centers around learning how we can better serve members of the LGBTQ youth community who are homeless, taking those lessons learned and then integrating that into the way we do business.

I think this strikes right at the heart of the concern you are bringing up.

MOVING TO WORK

Mr. QUIGLEY. Another great program, in the time I have left, Moving to Work, very important, the Cook County Housing Authority in my district. What is your guess on how many new programs we are going to have and how are they going to designate new housing authorities as the participants?

Secretary CASTRO. Moving to Work (MTW), as you know, is very popular among housing authorities, and it has given many of them the flexibility to accomplish things that they otherwise either would not have been able to or would have had a hard time doing.

We request in fiscal year 2016 the expansion of MTW by 15 agencies. That is part of our budget request. We have seen MTW work for large public housing authorities and not so large public housing authorities. We are going through the MTW renewal process right now, so there are active negotiations as we look at extending MTW contracts beyond 2018.

The request we have in front of the committee is to expand by what is now 39 MTW agencies to another 15, so I guess for a total of 54.

Mr. QUIGLEY. Great. Thank you, Mr. Chairman. I yield back.

Mr. DIAZ-BALART. Mr. Valadao.

FUNDING FOR RURAL COMMUNITIES

Mr. VALADAO. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for coming in and spending some time with us today.

HUD is tasked with supporting housing needs across America in urban, suburban, and rural communities alike. However, the Administration, Federal policy makers and Congress often overlook the needs of rural America, including the rural communities in my district.

How much of HUD's funding goes towards supporting housing needs specifically in rural communities, and how can HUD programs be improved to make the most of those funds to ensure consistent and practical support is provided to rural communities?

Secretary CASTRO. Yes. It is a fantastic question, Representative Valadao. I enjoyed, about a year ago, when I was Mayor of San Antonio visiting Fresno and the Central Valley, a beautiful community out there.

Let me start with two of our biggest programs, which are CDBG and HOME. Thirty percent of CDBG dollars are allocated to states for non-entitlement communities. We estimate of that 30 percent, two-thirds of that money goes to small and rural communities.

With regard to HOME, 40 percent of those funds are allocated to states as opposed to the localities, and although that 40 percent is not limited to non-entitlement communities, the preponderance of that goes to smaller communities.

With those two significant legacy programs, HUD is investing millions of dollars, very significant dollars, in smaller rural communities.

We are known as the Department of Housing and Urban Development, but truth be told, really HUD is the Department of Housing and Community Development, because we also work in tribal communities and small towns.

We can get you a run down of all of our programs, the investments that we make in rural communities.

[The information follows:]

Investment in Rural Communities

Approximately $41.5 billion of HUD's annual funding goes to smaller communities and non-metropolitan areas. HOME and the Community Development Block Grant (CDBG) are the two main sources of funding for rural communities. Over thirty percent of CDBG funds are allocated by statute to states to serve non-entitlement communities. Based on the FY 2015 CDBG enacted level, that means $900 million is directed to states and, based on past performance, HUD estimates that approximately two-thirds of that funding will ultimately be directed to small and rural communities. HOME provides $360 million annually to States and these funds are used largely in rural areas.

Below is a breakdown in percentage of HUD program funds going to smaller communities and non-metropolitan areas.

Percent block grants allocated to state programs in 2015

CDBG15 29%

HOME15 39%

ESG15 49%

HOPWA15 13%

Total CPD Block Grant Programs 31.5%

Percent Assisted Tenants in non-metro areas in 2013

Housing Choice Vouchers 10.1%

Public Housing 17.4%

PBRA/Section 236/202/811/Mod Rehab 12.9%

Total 12.6% *

*8.3% of subsidy is provided in non-metro areas because non-metro typically has lower rents and thus lower per unit costs

**Nationally, 13.5% of people live in non-metropolitan areas

Mr. VALADAO. I do not know if I should move it along or allow others to ask questions because a vote is just starting. It is up to the chairman.

Mr. DIAZ-BALART. You can keep going.

INSPECTOR GENERAL FINDINGS

Mr. VALADAO. Let me just get one more question in. With the limited resources available to HUD, it is important that policies are in place to ensure those who need the help most are able to receive it.

A report published on February 18 of this year found that U.S. Department of Housing and Urban Development was providing housing subsidies to 106,000 units occupied by tenants who did not meet the qualifications for housing benefits. This was a result of HUD's incorrect collection of Community Service and Self-Sufficiency Requirement, CSSR Codes, for 201,000 tenants at a cost to the American taxpayers of $37 million in monthly subsidies.

According to the audit report, if HUD does not fix the problem, it stands to lose $448 million in housing costs for non-compliant tenants in the next year.

How do you plan on implementing policies to ensure housing authorities are in compliance with the law and hold them accountable for any discrepancies?

Secretary CASTRO. I appreciate the opportunity to address that. Of course, this was a finding of the Inspector General just recently, as you mentioned. HUD staff is working with the Inspector General's Office on a five point plan to address that, which essentially involves better monitoring and guidance to public housing authorities.

I will say as well in terms of the budget request the other aspect of this again is that administrative fee to be able to have the staff on the ground to do the kind of monitoring and make sure folks are living up to their obligation. That is an essential component that we see so they can do that kind of monitoring.

Mr. VALADAO. All right. I will yield back in the interest of time. Thank you very much. The next time you come to Fresno, stop by my office, too.

Secretary CASTRO. Certainly.

Mr. DIAZ-BALART. He is always working, Mr. Secretary. Mr. Cuellar.

COLONIAS

Mr. CUELLAR. Mr. Secretary, thank you so much for being here with us. Two questions. One has to do with your initiative in Colonias. Members, I do not know if you are familiar with Colonias, but those are communities on the border, on the U.S./Mexico Border, that have no water, no sewage, no electricity. Basically, all the utilities, they just do not have. New Mexico has about 150, but then you look at Texas and we have a little bit over 2,000 of them.

I want to hear about your initiatives on that.

Then the other one, Mr. Chairman, this is more like a conversation with the chairman, the committee and yourself, we passed GPRA, the Modernization Act, back in 2010, that calls for performance measures and updating, and I know there is a Performance.gov. I looked at what your agency has.

Again, you are new so I do not want to go with what happened before, but we would love to talk to you and maybe this can be the first subcommittee that can actually add some of the performance measures, that we can work with you on this.

I know there is an annual performance but there is something that Florida has, Texas, we have been doing this since 1991 in the appropriation bills, that is a thought we might have.

If you could just talk to us about Colonias, that might be the only thing we can cover right now.

Secretary CASTRO. Okay. I would be glad to. There are four states that have Colonias, Texas, New Mexico, Arizona, and California. As you say, well over a couple of thousand.

What we are proposing in this budget is that right now, with regard to CDBG funds, states can allocate of their share up to 10 percent of those CDBG funds to the Colonias areas.

We are asking that go up to 15 percent. It is important to note this is an "up to', if the state chooses to do that. Right now, three of the states, Texas, New Mexico, and Arizona have maxed out at 10 percent. California, as I understand it, is at five percent because it does not have that many Colonias this would apply to.

We see, as you mentioned, the dire need in Colonias for basic investment in infrastructure and housing, and the difference this could make.

A couple of months ago I had the opportunity, at the request of Congressman Vela, to go visit one of Texas' Colonias. That was one example that I saw with my own eyes of the need that exists. These are often times rural communities, extremely impoverished communities that many times have not been hooked up even to basic services. These dollars could go very far if a state chooses to allocate them, but this legislation would allow them to do that.

Mr. CUELLAR. Thank you.

Mr. DIAZ-BALART. We still have some time, so Mr. Jolly.

HOUSING FIRST

Mr. JOLLY. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here. I will keep it very quick. We have several providers of transitional care in my district that have met with enormous success reintegrating homeless individuals into either education, independent housing, workforce. Really, they have set a model among peer providers.

They have continued to express concern about the move to the Housing First philosophy, if you will. My question for you is somewhat broad but your philosophy on Housing First, transitional care, how they come together, the reintegration portion, and as you implement that throughout your department, your view on that.

Secretary CASTRO. Yes. That is a very timely question, I think, as well, as we work toward the goals of opening doors and effectively ending homelessness.

I see in the landscape of services the value of transitional housing and different types of approaches. I will say that we have found that Housing First is a particularly effective approach, and we do encourage communities to adopt a Housing First strategy, but we maintain a funding commitment and a collaboration with folks that provide transitional housing.

In my public words, in meetings, I have been very clear about that.

Mr. JOLLY. Are there comparative studies between the two or is it just a matter of philosophy?

Secretary CASTRO. Well, there have been studies and experiences that demonstrate the value of Housing First as an approach. A good example of this is a place like Salt Lake City that is getting close to effectively ending veteran homelessness. New Orleans is another example.

At the same time, there are successful——

Mr. JOLLY. Permanency is the issue, right? You visit a successful transitional place and you see the empowerment of every individual who is now enrolled in school and the workforce and on their pathway, if you will, to independence, and truly solving the chronic homelessness issue.

I guess my concern, and then I will yield back, is as you continue to deliberate on these issues, I have seen remarkable success in the transitional housing philosophy compared to Housing First, and I would hate to see that minimized.

If that is the direction the Department goes, I would like to have this subcommittee engaged in that because it would compromise some real success of organizations in my community who are fighting the fight along with you.

Secretary CASTRO. I would love to follow up with you on that through continued discussions.

Mr. JOLLY. Great. Thank you. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Mr. Ryan.

CDBG & CHOICE

Mr. RYAN. Thank you, Mr. Chairman. Thank you and congratulations, great to see you. I want to commend to you and your staff a speech that was given, it is called "The Entwinement of Housing, Neighborhoods and Wellbeing" by Jonathan Rose, who is a major developer out of New York City.

I think when we have these discussions, we think a lot about housing and why are we spending this money, why are we making these investments. More and more research is bearing out how stable housing, good, clean, green environments, how important they are to cognitive development and making sure our kids are healthy, and I just wanted to share that with you.

When you look at a lot of these environmental toxins, for example, even the indoor toxins, what their effects are on infant mortality, lower birth weights, deficits in lung functioning, increased childhood asthma, developmental disorders, intellectual disabilities, cognitive functioning, these investments that we are trying to make in this bill are important.

I think it is important for those of us who want to save money in the long run should recognize that one study in 2008 said mercury exposure, lead poisoning, childhood cancer, asthma, intellectual disabilities, autism, attention deficit, hyperactivity disorder cost us $76 billion.

These investments, as we are going through this budget, I want to make clear that I think they are very important strategic investments that will save us money in the long run.

Two quick questions that I will let you answer because we have votes. One is the community development block grant issue that I know you know very well as a Mayor, and those of us involved in economic development at the local level know how critical these funds are to development.

In Ohio, we have seen a $2.2 billion cut to local government funds. Communities in Ohio are relying more and more on the CDBG monies. If you can speak to that.

The other issue is with regard to the Choice Program, the issue of food deserts. Part of our job here, I think, is to make sure our young people in these communities have access to fresh, healthy, locally sourced food.

If we look at the diabetes epidemic over the next five years, half the country is going to have diabetes or pre-diabetes.

Every program that we have, especially our housing programs and the ones in our urban core, should focus on how do we reverse that trend or we are not going to have any money for housing or anything else.

If you could speak to both the community development block grant issue and the food desert issue and how any of your programs may help in that regard.

Secretary CASTRO. Yes.

Mr. DIAZ-BALART. Mr. Secretary, Mr. Ryan, I want to thank everyone for keeping on time, if you could please hold that thought, Mr. Secretary. I want to thank you all again for being on time.

We are going to come back after votes. I would urge each and every one of you to come back as soon as you can. If you cannot make it back, let us know so we know how to proceed. We want to be done by 3:00.

We are going to take a break. Again, Mr. Secretary, thank you for your patience.

Secretary CASTRO. Sure, I look forward to answering that when we get back.

[Recess.]

MOVING TO WORK EXPANSION

Mr. DIAZ-BALART. Mr. Secretary, thank you again for your patience. Obviously this is a process that you know, so it is the nature of the beast, right. And, Mr. Secretary, when Mr. Ryan comes in, he had posed some questions and we were not able—we ran out of time, and I am hoping that we will be able to get to him. So maybe it would be helpful to give him another 30 seconds if he wants to restate the questions.

All right. So let me then start. Mr. Quigley talked about the PHAs and the Moving To Work agencies, which the administration is proposing to expand by 15. Now some interesting reports have brought to light some of the issues that have come up with the Moving To Work agencies, and the question is, does HUD have the oversight capability to monitor its existing funding at 39 agencies, much less expanding to 15 more. Because obviously as you know, I do not want to rehash what some of the issues are, but there have been issues of, frankly, insufficient oversight. So I am not quite sure how we can expand for another 15 when we have had all these issues with the 39 existing ones.

Secretary CASTRO. That is a good question. Overall, I am confident that our experience with Moving To Work has been quite a success for local public housing authorities and the flexibility that it has given them to achieve more affordable housing opportunities for Americans throughout the nation. We have 39 of them right now. Of course from time to time we have had issues, challenges across those 39, but overall it has been a successful effort because of that flexibility, because they are generally higher capacity public housing authorities that take their responsibility very seriously. I am confident that we do have the ability of good oversight and accountability going forward. The other piece of this that I alluded to in my answer earlier was right now we are going through the negotiation process of the renewal of Moving To Work contracts with these 39 existing agencies. That has given us an opportunity to "press on the gas" so to speak with regard to greater accountability by Moving To Work agencies, and the ability to measure results. Because what we really want to know is if we give you this greater flexibility to combine your funds and other flexibility, what are we getting for that? What is the greater outcome for the people that we serve? And these are the types of issues that are part of the negotiations, so that we know that with Moving To Work we are getting a bigger bang for our buck. That is the perspective that we are taking into those negotiations and that we see as we make this request for 15 additional Moving To Work entities.

Mr. DIAZ-BALART. We are going to have more opportunities to talk about this when you are back and I appreciate that, but for example, the Philadelphia Housing Authority, which is actually in receivership, yet it retains its stature as a Moving to Work agency. So again of the 39 agencies, none has ever lost its status as an MTW to performance. So what would it take? I mean, being in receivership is about as dramatic an issue as you can find, and yet it still retains its status. None as far as I know has ever lost it. So what would it take for one to lose its status, to have its status revoked? Clearly being in receivership is not enough, so what is enough?

Secretary CASTRO. I believe that those are fair questions as we continue to evaluate the program and also as we look at the terms for renewal. And as we think about renewing agencies, those are the kinds of questions that ought to be part of that process. And so aside from articulating a standard out of context, I will say that we are committed to working with these MTW agencies to ensure accountability and ensure results in more affordable housing opportunities for the people that we serve.

Mr. DIAZ-BALART. In the administration's request to expand the MTW, it states that the PHS will be subject to rigorous reporting and evaluation requirements. Now GAO and the IG have both reported that HUD does not have any meaningful performance indicators for its agencies, and no comprehensive evaluation exists. So you talked about measuring results; I agree with you, but when do you expect HUD to have outcome based performance indicators for the MTWs that are, frankly, uniform across the programs that we can actually evaluate the program in its entirety, as again I know that you just talked about it, it is something that most of us here really care greatly about. So when do you expect outcome based performance indicators?

Secretary CASTRO. We are moving in that direction, and this is right at the heart of issues that we are discussing in terms of the negotiations that are ongoing, and the MTW agencies are aware of that and our expectation of that. And so we certainly anticipate that in this next round of MTW expansion, and to the extent that there are expanded agencies, that more consistent, more uniform accountability measures would be part of that.

Mr. DIAZ-BALART. And I am going to have to cut you off on that because I am going to limit myself as well.

Mr. Ryan, you had posed a series of questions and——

Mr. RYAN. Very important questions, Chairman.

Mr. DIAZ-BALART. Crucially important. So what I would ask you—and the Ranking Member has been so kind to in essence give up his time right now to go to you first. So if you could just kind of wind up those questions and give the Secretary an opportunity to answer.

ENVIRONMENTAL TOXINS AND FOOD DESERTS

Mr. RYAN. Sure. Just as a reminder, kind of the integration of health, wellness, if you wanted to comment on that within the context of housing, Community Development Block Grant, and food deserts.

Secretary CASTRO. Great questions. And I believe that one of the lasting legacies of this administration, and I saw this as Mayor of San Antonio, will be getting federal departments to work across silos, and getting local communities, obviously at their option, to mirror that. That is the idea behind our Choice Neighborhoods initiative. And in San Antonio we were successful at getting a Choice Neighborhoods Planning and Implementation Grant. As part of Choice Neighborhoods programs the extent to which, for instance, community addresses issues of food deserts and access to fresh food is one component of the way that an application is scored. So we are making a loud and clear statement to communities out there in these lower income areas that they are working in, where we do find a lack of access to grocery stores with fresh food, affordable fresh food, that there is a value we put on including that in the Choice Neighborhood application.

You also asked about, I think earlier, things like lead-based paint and other environmental issues that often have damaging effects on the development of young people and others. This silo busting that has happened in the administration, maybe the best and earliest example of this was in the sustainable community effort, and that was EPA, HUD, and the Department of Transportation recognizing that we see a value in housing that is in environmentally safe areas with access to transit. We continue to work with that philosophy as we look at awarding Choice Neighborhood Planning Grants and Implementation Grants.

You also asked about CDBG. You know, 85 percent of our budget request is just to keep the lights on for folks that we are currently serving. And what we have seen over the years, and I saw this as a local government official, felt the effect of this, is that that percentage of HUD's budget has been growing and it has created a crunch on everything else and particularly CDBG and HOME. And we see this over the last several years. So the response of the Department has been to say how can we be smarter about how this program works. One example of that is a request that smaller communities be able to partner up in the administration of CDBG so that they reduce their overhead costs and can use more of those dollars to actually make an impact. We also have a list of other reforms that we are interested in that we think would make an impact that we would like to follow up with you and the Committee on.

Mr. RYAN. Thank you.

Mr. DIAZ-BALART. Thank you. And, Mr. Culberson, how are you, sir? Just FYI we skipped over Mr. Price because there was a question that had not been answered. So let us recognize the Ranking Member.

HOPWA

Mr. PRICE. I too have a question pending with you, but I am going to ask you to supply the answer for the record. That has to do with the targeting methodology you have in mind for these categories, domestic balance, family reunification, and so forth, how that is going to work for these 67,000 new tenant-based rental assistance vouchers.

And I am going to move on to another question which involves HOPWA. The method for allocating the housing opportunities for persons with AIDS funds has been an ongoing issue as you know. The HOPWA program was created within four months of the Ryan White HIV/AIDS program. Both programs relied on the cumulative number of AIDS cases in a jurisdiction for determining funding distribution. Now since then our understanding of the disease has grown, our ability to deal with the disease has grown, and Congress has made prudent adjustments to the Ryan White program. So that program no longer allocates funding by cumulative AIDS cases, but instead now uses the number of people living with AIDS and HIV. This formula better represents current needs and allows states like mine and other southern and rural states to better address the changing HIV/AIDS epidemic. Unfortunately though, the HOPWA formula is unchanged and that is what I want to ask you about.

Both Congress and numerous administrations have acknowledged this discrepancy. The GAO in 1997 concluded that revisions were needed. That year this Committee included report language in directing HUD to make recommendations to Congress about an update to the HOPWA formula. In 2010 the Obama administration's National HIV/AIDS Strategy reaffirmed the need to modernize the formula. And late last year AIDS United, the National AIDS Housing Coalition, two major HOPWA advocacy organizations endorsed a strategy to revise the formula. Congress, however, has not acted.

Meanwhile my state and other southern and rural states have higher AIDS death rates than the national average. This is simply inexcusable; it needs to be changed.

I thank you for continuing to include HOPWA formula modernization language in your budget. Simply putting this language in your budget I am afraid is not enough though. What are the administration's plans to get the formula updated by the end of this Congress? Are you working with the Director of the Office of National AIDS Policy or other administration partners to better advocate for a modernized formula? In other words, how are we going to get this done?

Secretary CASTRO. Yes. And I commend you, Ranking Member Price, for your leadership on this issue. This is one where we very much as you mentioned agree with you. We believe it makes sense to change the HOPWA funding formula to reflect where the need for resources actually is today as opposed to just a historical look back under the old formula. And we want to be active partners with you, with the Committee, and Congress to make that happen. And so HUD under my predecessor, Secretary Donovan, has been a staunch advocate of this. I look forward to advocating and being as helpful as I can be. We recognize ultimately, of course, that this is a decision that Congress needs to make, but we are prepared to be active partners in helping to get there.

Mr. PRICE. Do you have work underway to actually revise the formula, to understand and publicize what an equitable formula would look like?

Secretary CASTRO. I believe that our staff has done some work in that regard. I do not want to overstate that and so I would be glad to follow up with you and your staff on what we have done. That might be helpful in terms of giving folks a look at a new template and what they might expect under that new formula.

[The information follows:]

HOPWA Modernization—Legislative Proposal

SECTION 1. SHORT TITLE.

This Act may be cited as the "Housing for Persons With AIDS Modernization Act of 2014".

SEC. 2. FORMULA ALLOCATIONS.

Section 854(c) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12903(c)) is amended by—

(1) redesignating paragraph (3) as paragraph (4);

(2) striking paragraphs (1) and (2) and inserting the following:

"(1) FORMULA ALLOCATION.—The Secretary shall allocate 90 percent of the amount approved in appropriations Acts under section 863 among States and metropolitan statistical areas as follows:

"(A) 75 percent among:

"(i) Cities that are the most populous unit of general local government in a metropolitan statistical area with a population greater than 500,000, as determined by the most recent decennial census, and more than 2,000 persons living with the human immunodeficiency virus (HIV), using the data specified in subparagraph (C); and

"(ii) States with more than 2,000 persons living with HIV outside of metropolitan statistical areas; and

"(B) 25 percent of funds among States and metropolitan statistical areas based on a combination of the housing cost factor described in subparagraph (D) and the community need factor described in subparagraph (E).

"(C) SOURCE OF DATA.—The data to be used for allocating formula funds for any fiscal year shall be the number of persons living with HIV reported to and confirmed by the Director of the Centers for Disease Control and Prevention, as of December 31 of the most recent calendar year for which such data are available .

"(D) HOUSING COST FACTOR.—For purposes of allocations under subparagraph (B), the Secretary shall use a housing cost factor to account for differences in housing costs among States and metropolitan statistical areas. The housing cost factor shall be based on the fair market rents established by the Secretary pursuant to section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f(c)) or such other methodology established by the Secretary through regulation.

"(E) COMMUNITY NEED.—For purposes of allocations under subparagraph (B), the Secretary shall use a community need factor to account for differences in poverty rates among States and metropolitan statistical areas. The community need factor shall be based on area poverty indexes or such other methodology established by the Secretary through regulation.

"(2) MAINTAINING GRANTS.—

"(A) CONTINUED ELIGIBILITY OF FISCAL YEAR 2014 GRANTEES.—Subject to the amounts available from appropriations Acts under section 863 and approval by the Secretary of the most recent comprehensive housing affordability strategy under section 105 of this Act, grantees that received formula allocations in fiscal year 2014 shall continue to be eligible for formula allocations under paragraph (1), subject to the requirements of paragraph (2)(B). To maintain stable grant arrangements, allocations shall be adjusted annually based on the administrative provisions included in fiscal year 2014 appropriations Acts.

"(B) RE-DETERMINATION OF CONTINUED ELIGIBILITY.—The Secretary shall re-determine the continued eligibility of a grantee that received a formula allocation in fiscal year 2014 at least once every ten years following fiscal year 2014. To remain eligible, the grantee must meet the criteria of paragraphs (1)(A)(i), (1)(A)(ii), or (1)(B).

"(C) ADJUSTMENT TO GRANTS.—Beginning in fiscal year 2015 and through fiscal year 2017, the Secretary shall ensure that a grantee's share does not reflect a loss greater than 10 percent or a gain greater than 20 percent of the average share of the total formula allocation of the preceding fiscal year.

"(3) ALTERNATIVE GRANTEES AND REALLOCATIONS.—

"(A) ALTERNATIVE GRANTEES.—The Secretary may award funds to an alternative grantee if:

"(i) The eligible grantee makes a request for such award to the Secretary, and the Secretary approves the request;

"(ii) The request of the eligible grantee is made pursuant to a written agreement between the grantee and the alternative grantee that addresses how the alternative grantee will take actions consistent with a comprehensive housing affordability strategy under section 105 of this Act; and "(iii) The alternative grantee is a Public Housing Agency, a Unified Funding Agency under section 401 (42 U.S.C 11360) and section 402 (42 U.S.C.11360a) of the McKinney-Vento Homeless Assistance Act, a State, a unit of general local government, or an instrumentality of State or local government.

"(B) AGREEMENT TERM.—The written agreement under paragraph (3)(A) may be for a maximum term of ten years. The agreement may be renewed by the parties with the approval of the Secretary.

"(C) REALLOCATIONS.—If an eligible grantee declines a formula allocation, or the Secretary determines, in accordance with criteria specified in regulation, that the eligible grantee is unable to properly administer its formula allocation, the Secretary shall reallocate the reserved funds to be administered on behalf of the grantee. The Secretary shall make the reallocations as follows:

"(i) STATES.—The Secretary shall reallocate funds reserved for a State to eligible metropolitan statistical areas within the State on a pro rata basis. Where there are no eligible metropolitan statistical areas within a State, the reallocation shall be made on a pro rata basis to the metropolitan cities and urban counties within the State entitled to an annual grant under section 106 of the Housing and Community Development Act of 1974 (42 U.S.C. 5306).

"(ii) METROPOLITAN STATISTICAL AREAS.—The Secretary shall reallocate funds reserved for a metropolitan statistical area to the State in which the metropolitan statistical area is located.

"(iii) If the Secretary is unable to make a reallocation under either clauses (i) or (ii), the funds shall be reallocated on a pro rata basis under paragraph (1)."; and

(3) inserting at the end the following:

"(5) Notwithstanding any other provision herein, all housing provided under this section shall be provided in the most integrated setting appropriate to the needs of any qualified persons with disabilities and shall be subject to the integration regulations under Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131-34) and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 701). For purposes of this section, 'most integrated setting' means a setting in which persons with disabilities have the opportunity to interact with non-disabled persons to the fullest extent possible.".

SEC. 3. ADMINISTRATIVE EXPENSES.

Section 856(g) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12905(g)) is amended by—

(1) In paragraph (1), striking "3 percent" and inserting "6 percent"; and

(2) In paragraph (2), striking "7 percent" and inserting "10 percent".

SEC.4. SHORT AND MEDIUM TERM HOUSING INTERVENTION.

Section 858 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12907) is amended by—

(1) in the section title, inserting "and medium-term" after "short-term";

(2) striking subsections (a)(1) and (a)(2) and inserting the following:

"(1) SHORT-TERM AND MEDIUM-TERM SUPPORTED HOUSING.— Providing short-term and medium-term shelter and services by purchasing, leasing, and in accordance with the terms and conditions prescribed by the Secretary for assistance under section 415(a)(1) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a)(1), renovating, repairing, and converting facilities.

"(2) SHORT-TERM AND MEDIUM-TERM HOUSING INTERVENTION.—Providing short and medium term rental assistance and housing relocation and stabilization services to homeless individuals or families or individuals or families at risk of homelessness, as authorized by sections 415(a)(4) and (a)(5) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a)(4) and (a)(5)) and in accordance with the terms and conditions prescribed by the Secretary for such assistance.";

(3) in subsection (a)(3), inserting after the period at the end the following: "Such assistance shall be provide in accordance with the terms and conditions prescribed by the Secretary for assistance under sections 415(a)(2) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a)(2))";

(4) in subsection (a)(4), inserting before the period at the end the following: ", in accordance with the terms and conditions prescribed by the Secretary for assistance under section 415(a)(3) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a)(3))";

(5) in subsection (b)—

(A) striking paragraphs (1), (2), and (3) and redesignating paragraphs (4), (5), and (6) as paragraphs (1), (2), and (3); and

(B) inserting "and clinical" after "case management" in the newly redesignated paragraph (3).

SEC.5. RENTAL ASSISTANCE.

Section 859(a)(1) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12908(a)(1)) is amended by inserting before the period at the end of the second sentence the following: ", except as may be prescribed by the Secretary for rental assistance under section 858".

Mr. PRICE. Right. I would appreciate that. I really am grateful that the administration has taken this on. I do think though we need to figure out how to make the advocacy operational, how to make it work and what our role might be in terms of what we might do with appropriations of course. We will be looking at that. But I hope you will be looking also at whatever kind of agency and inter-agency efforts are needed to finally get this policy matter resolved.

Secretary CASTRO. We are glad to do that.

Mr. PRICE. Thank you.

Mr. DIAZ-BALART. Mr. Culberson, thank you for your patience, sir.

INSPECTOR GENERAL FINDINGS

Mr. CULBERSON. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here today and for your service to the country. We have as you know a very challenging budget year. The federal government is spending too much money and this Committee has primary responsibility for allocating our taxpayers' hard earned tax dollars, and we want to make sure they are being spent wisely and efficiently. So I wanted to ask in particular about a couple of areas and one that the Washington Post reported on on Monday. And I know this is something that you probably inherited. You have a situation where HUD is sending subsidies out to tens of thousands of ineligible households and it looks like, according to the audit, $448.5 million on subsidies to individuals who are ineligible. And the Inspector General recommended that HUD develop and implement a written monitoring policy to ensure that the housing authorities comply with your guidelines. And I just wanted to ask you if you could talk to us about that. What have you done to implement the IG's recommendations—in particular, to make sure that the only folks that are receiving the subsidies are those who are actually eligible?

Secretary CASTRO. Thank you for the question. I mentioned earlier in my testimony that one of the things I have been very intent in my tenure has been ensuring that we do have a culture of accountability and transparency with regard to these types of matters, and that that flows throughout the organization and to our partners. And so we are working indeed with the Inspector General in improving monitoring and taking steps to ensure that there is more compliance with those requirements. I mentioned earlier as well that we do feel as though on the public housing authority side that investing in their ability to conduct that monitoring through better staffing, through the administrative fee, is an important step in that direction, not just for this issue but for other issues, and would ask the Committee to consider that. But on our end we are actively working with our Inspector General on the recommendation that was made to implement that.

Mr. CULBERSON. But if you could, be more specific. For example, the IG recommended penalties and sanctions against housing authorities that would award subsidies to ineligible households. What in particular have you done to try to prevent this waste of our taxpayers' hard earned dollars?

Secretary CASTRO. So the first approach that we see, and this was brought up earlier, sometimes these types of issues come up because of intentional acts, and sometimes it is because there is not the training there or the knowledge among some of our grantees. So we are trying to improve guidance to public housing authorities on this issue. So we are improving guidance, we are developing training for public housing authorities so that they understand the requirements that are in place, we are applying penalties and sanctions against public housing authorities in some contexts.

Mr. CULBERSON. What contexts?

Secretary CASTRO. Well, with regard to rules that were not followed. I am a little hesitant here because I do not have in front of me all of the different housing authorities that——

Mr. CULBERSON. Sure, sure.

Secretary CASTRO. And I do not want to——

Mr. CULBERSON. We just want you to be aggressive about it.

Secretary CASTRO. We will appropriately deal with these issues. And so I do not want to over promise in terms of particular housing authorities or outcomes.

Mr. CULBERSON. Sure.

Secretary CASTRO. But as the IG recommended, that is part of the approach that HUD is taking.

Mr. CULBERSON. So you intend to implement the Inspector General's recommendations?

Secretary CASTRO. We do.

Mr. CULBERSON. Thank you; that is super. And then if I could also ask about the—I know it was a surprise to the Committee to get a reprogramming request so you could pay rent. What are you doing specifically to help make sure something like that does not happen again? To consolidate essential administrative activities and lease management and make sure those are handled efficiently so that our Chairman does not have to deal with another reprogramming requests for rent.

Secretary CASTRO. Yes. Well, we always seek to improve efficiencies. We are doing that now. As we see it we have at HUD two significant long-term challenges. One of them is with IT infrastructure. And one of the requests that we have as part of this fiscal year 2016 budget is to actually improve upon the fiscal year 2015 budget and to give HUD some developmental IT money because we see that we are not nearly as efficient as we could be with many of the older systems that we have in place. That is one thing.

The other is personnel. We are requesting in this budget about $110 million in new money for S&E across the organization. And we believe that the IT investment and the personnel investment will help the organization become more efficient in the long run.

Mr. CULBERSON. I was astonished to see that it takes up to two weeks for you to confirm the number of full-time employees that you have. You may have already handled this question earlier.

Mr. DIAZ-BALART. No, I am sorry, Mr. Culberson. We are just kind of out of time.

Mr. CULBERSON. Excuse me.

Mr. DIAZ-BALART. It is a good question. But unfortunately we are sticking to the time limit here.

Mr. CULBERSON. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Mr. Cuellar.

JOBS PLUS

Mr. CUELLAR. Thank you, Mr. Chairman. Secretary, you mentioned the Jobs-Plus Program in your opening statement. Can you elaborate a little bit more why you think this is important?

Secretary CASTRO. Yes. There is a request for $100 million in Jobs-Plus. You know, what I am most excited about in terms of this role is the opportunity to connect folks who live in public and subsidized housing with other opportunity in life so that they can move up and out, and get to a place in their lives where they feel like they are as productive as possible in the place that they want to be. And in order to do that we need to make investments in programs like Jobs-Plus which is essentially connecting folks with resources like job training, other employment resources, connecting them with maybe moving a step up pin terms of a better job, putting them in a position so that they can be as successful as possible. And the overall effect of this is I believe going to be that more folks are going to move up and out, and you are going to shorten the average amount of time that a family is in public or subsidized housing. Another important component of this, though, is that we have thousands and thousands of people who are on waiting lists for public and subsidized housing. So every time we have a success story through investing in this kind of economic opportunity it means that there is another family that can actually get in there and avail themselves of the resources that we have. In fact HUD is only able to serve one out of every four people that qualify for our programs across the board. And I see Jobs-Plus as a key component of ensuring that more folks are able to move up and out.

PUBLIC-PRIVATE PARTNERSHIPS

Mr. CUELLAR. A good idea. Let me ask you just one last question. In the Appropriations Committee last year we added the public-private partnerships to help bridges on the border do infrastructure and equipment because there is just not enough federal dollars. We are hoping that this year we can do a public-private partnership for federal buildings, at least a pilot program to cover for example the San Antonio Courthouse that we have been working on that you are very familiar, which I just talked to your brother, he was asking me how you were doing and I told him you were doing a great job; talking about Congressman Castro, the other Castro. But do you have any thoughts on any sort of public-private partnership innovative ideas that we can look at because we know, look, there is sequestration and unless we make some changes to the Budget Reduction Act, I mean we are stuck at certain amounts. Any ideas that you might have? I am always exploring the public-private partnerships.

Secretary CASTRO. Certainly. And I want to commend the Committee for the investment they have made in allowing us to do the Rental Assistance Demonstration, or RAD Program. That has led to just a fantastic set of public-private partnerships to improve public housing. We have $26 billion of backlogs in public housing needs, and we lose about 10,000 units of public housing every year to disrepair. So Baltimore is a good example. In Baltimore they were able to do through RAD, which basically is a conversion of traditional public housing through Section 8, they were able to do 80 years worth of improvements to their public housing stock in just one year. In other words if they had to wait for the public housing capital investment that generally comes it would have taken 80 years what they were able to do with private sector dollars in just 1 year. In this fiscal year 2016 budget we are asking that the cap on RAD be lifted. Right now there are 185,000 unit cap on RAD. We already have applications for 188,000 units. An analysis that was recently done demonstrated that through RAD for every $1 of public investment there are $19 of private investment that are made. And we have already completed 6,000 units of RAD and it is going strong. And it is a good example of how we can create more impact without having to use more public dollars.

Mr. CUELLAR. And I got a very good briefing from your staff. Mr. Chairman, this is something we ought to look at because we did that in Homeland and if we do not have the funds we really should look at this private. I would be happy to work with you, Mr. Chairman, and the Ranking Member on this public-private partnership.

Secretary CASTRO. Thank you, Mr. Cuellar.

Mr. CUELLAR. Thank you.

Mr. DIAZ-BALART. Thank you, Mr. Cuellar. Our time is about up, Mr. Secretary. Thank you again for your patience; kind of waiting around until we got back from votes.

Secretary CASTRO. Sure.

Chairman. DIAZ-BALART. So, again, thank you to your staff, for also your answers and your participation.

The Committee staff will be in contact with your budget office regarding questions for the record. I know that I have a number of questions still remaining that I will be submitting, and I would imagine that other members of the Committee have the same thing as well. So if you would please work with OMB to return the information for the record to the Committee within 30 days from Friday, we will be able to publish a transcript of today's hearings and make informed decisions when crafting the fiscal year 2016 bills.

And again we will see you on Tuesday, March 24, to delve into HUD's Community Development Programs, and again on Tuesday, April 21—we are going to become good buddies here—for the Housing Assistance Programs.

And again I want to thank the members of the Committee for helping me out today. And, Mr. Price, any final comments?

Mr. PRICE. No. I will just add my thanks. We will be following up with some additional questions and I look forward to seeing you back here.

Secretary CASTRO. Okay.

Mr. DIAZ-BALART. Thank you.

Mr. PRICE. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you. With that the hearing is adjourned.

Department of Housing and Urban Development
Fiscal Year 2016 Questions for the Record
Chairman Mario Diaz-Balart
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Diaz-Balart #1

Moving to Work

The Administration's request to expand MTWs states that "PHAs will be subject to rigorous reporting and evaluation requirements." But GAO and the IG have both reported that HUD does not have any meaningful performance indicators for its MTW agencies, and that no comprehensive evaluation exists.

Question: Don't you think we should have a completed evaluation of the existing MTWs before expanding the program?

Answer: HUD put in place stronger reporting requirements with meaningful performance indicators through the revised Annual MTW Plan and Annual MTW Report (HUD Form 50900) beginning in 2013. The revised reporting format requires MTW agencies to report on their MTW initiatives using standard metrics that allow HUD to assess performance locally, and of the overall MTW program, in meeting the three statutory objectives of the demonstration. HUD's Office of Policy Development and Research (PDR) has two major evaluations underway related to MTW:

1. Rent Reform Demonstration. MTW agencies have implemented a number of changes to how, and how often, tenant rent share is calculated. PDR and PIH have worked with five MTW agencies to develop a rigorous study being conducted by MDRC to test the impact of a number of these rent policy changes on tenant employment and income, per unit subsidy expenditure, and PHA cost to administer. The MTW agencies have agreed to randomly assign tenants to two groups: (a) the traditional rent group; and (b) the rent reform group, for whom 27.5 percent of gross income is used instead of adjusted income and who experience a higher ($75) minimum rent; triennial recertification; simplified utility allowances; and streamlined hardship policies

2. An overall MTW evaluation. The call for proposals, which is being conducted through HUD's Research NOFA, is currently posted on grants.gov, and the deadline for proposals is April 30, 2015. The evaluation is intended to answer these overarching questions: What can we learn from MTW initiatives about how to deliver federal housing assistance to achieve goals of cost efficiency, client self-sufficiency, and increasing housing choice? What are the risks and opportunities inherent in MTW flexibilities? To answer these questions the evaluation will accomplish the following objectives:

    a. To describe the current universe of MTW flexibilities, associated MTW activities and data available to study outcomes and impacts of MTW activities;

b. To study the outcomes and/or impacts of selected types of MTW activities using rigorous experimental or quasi-experimental methods; and,

c. To describe program performance in relation to statutory requirements (e.g., to serve substantially the same number of families, to implement rent policies that promote self-sufficiency) and goals (i.e., cost effectiveness, client self-sufficiency, and increasing housing choice).

Regarding the IG and GAO audits, HUD has satisfied the IG's audit concerns and that audit is now closed. HUD continues to work with GAO to address their recommendations.

The demonstration has been effective in providing agencies with the flexibility to administer housing programs based on locally defined priorities and needs, thus providing the Department with information about how federal housing assistance programs and policies can be improved. Coupled with rigorous evaluation requirements, HUD believes that the proposed modest expansion of the MTW program would provide more opportunities for housing policy innovation and potential scalability of effective practices.

Mr. Diaz-Balart #2

Authorizing Reforms

Once again, your budget request includes several new authorizing changes. We count about 40 new, permanent changes to statute in your FY 16 budget. Your request for FY 2016 itself illustrates the need for reform. Putting aside the changes in FHA receipts, your budget request includes $4 billion in programmatic increases, mostly to continue to serve the same number of assisted residents. In the current budget environment, this level of increase would be difficult without gutting entire programs from the rest of this bill.

Question: Mr. Secretary, can you outline your plans to engage the authorizing committees with a sincere effort to reform housing programs?

Answer: HUD provided a separate memo highlighting the legislative requests to the House Financial Services Committee's staff when the budget was released. HUD plans to follow-up with detailed briefings on these legislative requests. Finally, Secretary Castro is working with the House Financial Services Committee to testify before the Committee's Members at its hearing on the President's legislative proposals within the fiscal year 2016 HUD budget request.

Question: What is your timeframe for submitting specific proposals to the authorizers?

Answer: We are working with OMB on specific proposals and look forward to working with the Financial Services Committee and the Appropriations Committee on these items.

Question: Do the dramatic increases requested by HUD for FY 2016 suggest the need for legislative reform of housing assistance programs, or are reform and funding separate issues?

Answer: Reform and funding are intertwined. The Budget includes several proposals that would require changes to authorizing language - in all cases these reforms are critical to helping HUD meet its mission most efficiently and effectively, whether through better targeting of assistance to maximize potential outcomes, or through providing the agency the ability to improve operations.

Mr. Diaz-Balart #3

Transformation Initiative

Mr. Secretary, it is bold to request another $120 million for the Administration's Transformation Initiative, or TI, while at the same time slashing $200 million from CDBG formula funding.

In addition to $35 million in federal research projects, HUD is proposing $85 million for technical assistance while cutting funds that would go to the very same communities it hopes to "assist."

Question: Mr. Secretary, do you really believe HUD grantees would prefer federally selected consultants over direct financial support for their most pressing needs?

Answer: HUD invests billions of dollars each year in assisted housing and community development resources that transform neighborhoods and serve our Nation's most vulnerable families those with extremely low incomes, the elderly, and persons with disabilities. That significant and precious investment must be evaluated and managed responsibly, efficiently, and effectively to achieve maximum outcomes for families and communities. HUD's proposed investments in research and Technical Assistance (TA) represents less than one quarter of one percent of HUD's overall proposed budget, but has the potential to significantly improve results.

HUD's grantees are intent on achieving their mission – whether that is ending homelessness, providing quality affordable housing, ensuring equal access to housing, or improving communities. HUD's resources are an important contributor toward that mission and those resources have complex federal requirements to which by law grantees must adhere.

Without technical assistance, many grantees, at various points, struggle to use HUD's resources to achieve their mission. Staff turnover in city offices, at PHAs, within Tribally Designated Housing Entities, and at nonprofits, particularly those without succession planning, can leave these organizations without the experience and knowledge needed to design and manage HUD's housing and community development grant programs. This is one reason why HUD is now devoting TA resources to developing online tools and curriculum that teach program basics, so that anyone – new or experienced staff – can access training at any time.

Even with more grant funding, one challenge some of our grantees encounter is committing funds to projects in a timely manner. TA helps grantees overcome barriers to selecting projects and designing programs so that the funding can be spent. In these cases, where a grantee is not fully equipped with the knowledge, skills, tools and/or systems needed to implement HUD programs and policies successfully, TA, as opposed to additional grant funds, is the most effective resource in addressing these issues.

HUD is using TA resources to "teach grantees to fish," – building their internal capacity and systems – so that long-term, they can effectively manage HUD grant funds. It would be easier and less costly for TA consultants to provide a short-term fix, however, without ongoing TA training these problems would continue to occur.

Technical assistance, when done well, helps our grantees comply with program requirements and facilitates their implementation of the most effective programs.

Question: If HUD's programs require so much technical assistance for participation, perhaps we should instead look at the program, and why it's too hard to use?

Answer: HUD is making efforts to reduce administrative burden when possible. For example, HUD conducted listening sessions with its CDBG grantees in 2013 to support development of a legislative proposal to improve the program and reduce some of the burden on CDBG grantees. HUD continues to coordinate with the Administration on the submission of those proposals to Congress.

Some program requirements exist to ensure taxpayer funds are being used appropriately. For example, many of our grantees require TA on procurement and project selection. Procurement rules are complex for a reason – so that sub-awards of federal funds are made fairly and based on the applicant's merit.

Grantees may also need TA on subrecipient monitoring, which ensures that the organizations actually delivering programs on the ground are using funds appropriately, as well as on financial management to ensure federal funds are tracked, reported, and used appropriately. HUD is developing financial management training for both CPD grantees and PHAs.

In short, we agree that it can be difficult to implement federal programs. It is unusual for programs to have a reduction in requirements; it is much more common for new laws or experience to result in more and increasingly complex requirements. Nonetheless, the complexity of programs is exactly the reason that Technical Assistance is critical to ensure our grantees can still achieve their mission and program goals while protecting our grantees from the risk of undertaking work only to have to repay funds due to program non-compliance.

Mr. Diaz-Balart #4

Transformation Initiative

In addition to research and technical assistance, HUD has requested a staff increase of more than 300 additional FTE. In dollar terms, HUD is looking to increase spending on federal operations by over $110 million. Mr. Secretary, for the past 7 years we have invested hundreds of millions of dollars in transformations, reorganizations, IT overhauls, and countless other initiatives that promised not only to improve HUD oversight capacity, but also lower costs. And yet, without fail, every year the budget asks Congress to increase the size and cost of the HUD bureaucracy.

Question: What are you doing to hold yourself and your agency accountable to the claims of future savings from these expensive initiatives?

Answer: One of our goals has been building a stronger HUD, to make sure that we make the most of every dollar the federal government invests to create opportunity and put people in homes. The Department's request reflects moderate overhead costs given HUD's scope of work. HUD is charged with the deployment, oversight, and management of tens of thousands of grants and rental contracts and hundreds of millions of Federal Housing Authority and Ginnie Mae loan guarantees. The funds requested for operating the Department are specifically targeted to achieving our strategic goals and maximizing progress on our policy goals while reducing risk to the taxpayer. We are achieving these goals--including strengthening the capital position of FHA while increasing access to reasonably priced mortgages for homebuyers; making progress towards ending chronic and veteran homelessness; and leveraging private capital to accelerate investments in public housing through the RAD program.

The Department's fiscal year 2016 request seeks to rebuild the workforce with a staff increase of approximately 300 FTE. Despite net growth in HUD's overall assistance portfolio, HUD has experienced a decline in staffing—falling from 8,500 FTEs in 2010 to an estimated 7,812 in fiscal year 2015, excluding Ginnie Mae and OIG. Of the requested increase, nearly half is for priority initiatives--including RAD, the new Affirmatively Furthering Fair Housing Initiative, and Promise Zones. Greater staffing levels are necessary to carry out these initiatives and maximize progress on these goals.

Similarly, the Department continues to invest in its information technology (IT) infrastructure. Investment in IT is particularly focused on modernizing the infrastructure of the Department to both improve operations and advance critical outcomes while reducing risk. HUD's IT request for fiscal year 2016 includes a one-time $60 million increase associated with the basic infrastructure replacement known as the HUD Enterprise Architecture Transition (HEAT) project. The HEAT project is not elective--the Department's existing infrastructure cannot support performance or security needs. Further, HUD's current infrastructure is outsourced, and contracts are expiring. The relatively large increase in request is needed to ensure HUD can continue to deliver on its mission in a transparent and effective manner.

In addition to investing in human resources and IT, the Department is also focusing resources on what it does best and outsourcing non-mission functions through shared services for financial systems and certain HR tasks. Further, the Department is developing a plan to stand up a working capital fund to improve stability, efficiency, transparency, and accountability in enterprise-type investments and services.

Mr. Diaz-Balart #5

Transformation Initiative

Question: Mr. Secretary, can you please explain to me why TI should operate on this transfer basis instead of a direct appropriation with research activities funded under PD&R and technical assistance under an appropriate office?

Answer: HUD continues to recommend transfer authority rather than a direct appropriation for the Transformation Initiative account. The influence of the shared contribution that TI represents for HUD's operating culture should not be minimized or overlooked. Many agencies struggle to accomplish their missions because internal silos create barriers to effective functioning. The across-the-board transfers from program accounts reinforce the interdependencies between HUD's program areas in achieving our common mission. Through transfers funding for investments in research and technical assistance which are critical to the effective operation of any program are steadily tied to program activity and more predictable.

Mr. Diaz-Balart #6

Transformation Initiative

Question: TI has been around for years – going on 7 – and I would hope HUD would have "transformed" by now. How many years will it take before you no longer need this special funding source?

Answer: When TI was proposed in 2010 it sought to do a number of things, two of the most important were to (1) incent and implement central, comprehensive planning of HUD's technical assistance investments; and (2) support critical research and demonstrations to inform program and policy improvements. We think TI has been a success in both areas. TI has successfully coordinated HUD's TA and brought HUD together as a team to address common TA needs. It has also supported ground breaking and critical research, such as research on how much it costs to administer the Housing Choice Voucher program and what interventions are most effective for addressing family homelessness - two TI studies that will be released this year.

However, there is and will continue to be a need to improve the skills and capacity of our partners to respond to changes in local communities and in the programs they oversee, and there is an ongoing need to evaluate and improve HUD's programs and test new ideas. That is, TI continues to be needed as a central sustaining fund for HUD's Technical Assistance and Research and Evaluation. As such, we don't see a time when there won't be a need to continue to fund these two important activities.

Mr. Diaz-Balart #7

Transformation Initiative

In this constrained budget environment, we need to be aware of every dollar in the bill. Seventeen programs are identified as sources of funding for TI, with some proposed transfers reducing the overall source program funding level by tens of millions of dollars. For example, your budget would reduce the tenant-based and project-based accounts by $20 million each. Public housing operating would be reduced by more than $18 million.

Question: Are the pre-transfer account levels inflated to accommodate these transfers, or can the reduced account levels more than adequately address the program needs?

Answer: The pre-transfer levels of the proposed Transformation Initiative transferring accounts are not inflated to accommodate the proposed transfers. In the case of the Tenant-Based and Project-Based accounts, HUD would transfer no more than $20 million - less than two tenths of one percent of the proposed 2016 funding levels for contract renewals. HUD is confident that the programs could accommodate these small reductions for reinvestment in the significant Department-wide benefits the TI activities confer.

The constrained budget over the past few fiscal years has resulted in lower funding levels for HUD's formula grant programs. It is critical that these lower funding levels are coupled with Technical Assistance (TA) resources to ensure that each dollar is being used not only properly, but in the most efficient way. We have observed the positive outcomes TA has in assisting struggling grantees that have experienced high staff turnover as a result of the recent economic downturn with effective administration of their grant programs. Also important during a difficult fiscal environment is to ensure that we look for innovative ways to meet our strategic goals and to evaluate current and new programs to gauge their effectiveness through our Research and Demonstration programs. Research and Demonstrations have been a valuable resource to inform HUD program and policy improvements.

Mr. Diaz-Balart #8

HUD IG Investigation of HUD Hiring and Conflicts of Interest

HUD's IG and the GAO are reporting alarming instances of improper payments, anti-deficiency act violations, and failure to properly reserve its mortgage portfolio. HUD has time and again failed to live up to even the most basic standards of competent oversight. Recent investigations by the HUD IG reveal that these problems continue as they have uncovered ongoing, systemic problems in carrying out a task as fundamental as ethical and competitive hiring. The IG found that senior Administration officials were able to pay a housing industry lobbyist, Deb Gross, to lead an effort to rewrite rules that govern that very same industry.

Question: Wasn't it abundantly clear that contracting out this kind of responsibility to industry insiders represented a huge conflict of interest? Or is this typical at HUD?

Answer: One of Secretary Castro's top priorities is building a stronger HUD, with high ethical standards, and a commitment to transparency and accountability. In his first month as Secretary, he joined with the HUD Inspector General (HUD IG) and sent a letter to all employees that reinforces these goals and emphasizes the need to advance the Department's mission by enhancing the integrity, efficiency and effectiveness of our programs and operations. The Department is also committed to reviewing any issues brought to light by the HUD IG and the Government Accountability Office (GAO), and to making appropriate policy and procedural changes.

The Department has taken, and is taking, several measures to address the issues and concerns raised by the HUD IG as a result of the investigation. HUD's Office of General Counsel now reviews all temporary assignments of non-federal employees for conflicts of interest and, in partnership with HUD's Chief Human Capital Officer and the relevant program office, determines which, if any, employees are required to file financial disclosure reports. The Department is also considering additional measures to ensure individuals under the Intergovernmental Personnel Act (IPA) agreements do not have any conflicts of interest and we are providing additional guidance to ensure each IPA's performance is assessed.

Mr. Diaz-Balart #9

HUD IG Investigation of HUD Hiring and Conflicts of Interest

It is my understanding that special accommodations were made by the then Assistant Secretary for Public and Indian Housing to hire the lobbyist as permanent staff. Both the candidate and the Assistant Secretary were once employed by the same industry lobbying organization.

Question: Is it ethical, in your view, to modify competitive hiring procedures to target one outside person for the position, especially someone to write the regulations for the industry that employs her? Are you planning to make any changes in HUD hiring protocols to stop this kind of thing from happening in the future?

Answer: The candidate was not hired as a federal employee, and was not a lobbyist. The assignment under the IPA was temporary in nature. Additionally, there are reviews in place for departmental policy approval and implementation. As described, the Department has taken, and is taking, several measures to address the issues and concerns raised by the HUD IG as a result of the investigation. HUD's Office of General Counsel now reviews all temporary assignments of non-Federal employees for conflicts of interest and, in partnership with HUD's Chief Human Capital Officer and the relevant program office, determines which, if any, employees are required to file financial disclosure reports. The Department is also considering additional measures to ensure individuals under IPA agreements do not have any conflicts of interest and we are providing additional guidance to ensure each IPA's performance is assessed.

Mr. Diaz-Balart #10

HUD IG Investigation of HUD Hiring and Conflicts of Interest

Insult to injury, this contract cost the federal tax payer almost $200,000 per year in salary costs, which is $40,000 more than what HUD's human resources office identified as the maximum salary necessary to hire for this position.

Question: Why would HUD agree to OVER-pay a lobbyist to spend time working directly on issues of interest to themselves? It sounds like her employer should have been paying you!

Answer: While IPA agreements are negotiable, the participant must retain their salary with the parent organization. As described, the Department has taken, and is taking, several measures to address the issues and concerns raised by the HUD IG as a result of the investigation. HUD's Office of General Counsel now reviews all temporary assignments of non-federal employees for conflicts of interest and, in partnership with HUD's Chief Human Capital Officer and the relevant program office, determines which, if any, employees are required to file financial disclosure reports. The Department is also considering additional measures to ensure individuals under IPA agreements do not have any conflicts of interest and we are providing additional guidance to ensure each IPA's performance is assessed. Additionally, the new proposed policy on IPA agreements will not allow for non-HUD participants to work in supervisory or managerial positions.

Mr. Diaz-Balart #11

HUD IG Investigation of HUD Hiring and Conflicts of Interest

Some of what the IG uncovered goes beyond hiring practices and into real damage done to the credibility of HUD's policies. The IG reported that the industry lobbyist in particular was put in charge of an effort to make HUD regulations more favorable financially to her industry and more flexible with respect to HUD oversight requirements.

Question: Can you enumerate exactly what changes were put in place under the leadership of this lobbyist? And are any of those changes still in effect?

Answer: The OIG raised concerns with the work conducted by the Office and Public and Indian Housing (PIH) to streamline administrative requirements for public housing authorities (PHAs), something that Congress has instructed HUD to do for several years. PIH developed a streamlining committee consisting of representatives from every program office that reviewed and analyzed all regulations for opportunities to reduce burdens and maximize efficiencies. Many of the regulations reviewed also were flagged by public housing agencies and their industry groups as unduly burdensome, especially during the time period where sequestration resulted in historically low administrative fee funding for the Housing Choice Voucher Program (HCVP).

The OIG's opinion was that some of the requirements regarding income verification (among others) should not be revised, and that if PIH were to pursue these changes that they should be done through a formal rulemaking process and not by a policy notice. The notice that caused the OIG the most concern was PIH Notice 2013-03, Public Housing and Housing Choice Voucher Programs – Temporary Compliance Assistance. PIH Policy Notice 2013-03 allowed agencies four temporary measures to reduce administrative burden including:

1. Allowing the option to use participants' actual past income in verifying income;
2. Allowing households to self-certify as to having assets of less than $5,000;
3. Allowing optional streamlined annual reexaminations for elderly families and disabled families on fixed incomes; and/or
4. Allowing PHAs to establish a payment standard of not more than 120 percent of the fair market rent (FMR) without HUD approval as a reasonable accommodation.

The above options were generally considered to be unduly burdensome without any financial benefit to HUD or the PHA and with acceptable alternatives that continued to ensure the financial integrity of the program. They were outlined in detail in HUD's "Report to Congress on Existing Regulations that Need Updating," a report requested by the Senate in the 2014 appropriations bill and provided in February 2015. Specifically, the Senate Committee on Appropriations said, "It is clear that some existing regulations are creating burdens for PHAs with little benefit to the oversight of the program. At the same time, HUD should be requiring different information that would provide better insight into its programs and improve its oversight." Along with a summary of these streamlining provisions, the report included the intended purpose of the regulation and why the regulation needs to be eliminated or revised.

The Temporary Compliance provisions offered through the PIH Notice expired March 31, 2015 and will not be extended. Agencies that wish to continue these provisions after March 31st have been directed to submit a regulatory waiver request.

On January 6, 2015, HUD issued a proposed streamlining rule that adopted all of the temporary provisions offered through the Notice, including other streamlining measures. This Proposed Rule was subject to the typical HUD clearance process, which included review and concurrence from the Office of the Inspector General. The comment period for the proposed rule expired on March 9th and HUD is in the process of evaluating the comments and moving forward to a Final Rule. Allowing the Temporary Compliance Notice to expire, and using the formal rulemaking process to implement any regulatory revisions should alleviate the OIG's concerns.

Mr. Diaz-Balart #12

HUD IG Investigation of HUD Hiring and Conflicts of Interest

Question: Now that you are aware of the blatant conflict of interest under which these changes were conceived, have you made any efforts to review these changes for reversal?

Answer: We have reviewed these provisions, and we have briefed Congressional offices on the rationale for these changes. As described in the previous answer, there were good reasons to allow the streamlining provisions offered to PHAs in 2013. They were generally considered to be unduly burdensome without any financial benefit to HUD or the PHA. As noted in the previous response, these provisions expired March 31, 2015. Any agencies that wish to continue them must submit a regulatory waiver request. If the January 6, 2015 proposed rule is finalized, the waivers will no longer be necessary.

Mr. Diaz-Balart #13

FHA Single Family Mortgage Annual Premium Reduction

After increasing FHA mortgage premiums five times since 2010 to help shore up the MMI fund, HUD reduced FHA annual mortgage insurance premium (MIP) by 50 basis points (from 1.35% to 0.85%), effective January 26th.

Mr. Secretary, it appears the economy is continuing to improve, and is certainly in better shape than a few years ago. The housing market is on the upswing and foreclosures are much less prevalent.

Question: Is it prudent to reduce this MIP -- especially in light of the fact that HUD has not achieved the 2% capital reserve ratio on the MMI fund?

Answer: Based on the fiscal year 2014 Actuarial analysis, we do believe it was an appropriate time to reduce the cost burden on borrowers, and we expect that FHA will still add at least $7 billion to the fund each year for the next several years. Raising FHA premiums to historic highs in the aftermath of the crisis was necessary to strengthen FHA's financial health. These increases have helped put FHA back in the black and on a strong trajectory to hit the required 2 percent ratio. However, at the 2014 level of 1.35 percent, FHA annual fees were nearly triple their previous levels, prohibiting many creditworthy borrowers from purchasing a home. We estimate that, over the next 3 years, more than 800,000 FHA borrowers will be able to save an average of $900 annually, which translates into roughly 2 million households saving a total of $2 billion.

Mr. Diaz-Balart #14

FHA Single Family Mortgage Annual Premium Reduction

Question: Increasing affordability is a laudable goal, but should we do this before our financial house is in order, before we have achieved the mandated 2% reserve ratio that protects against losses and protects the taxpayers?

Answer: FHA is back in the black and we expect that we will continue to add at least $7 billion per year for the next several years to the fund. The recent reduction will only have a marginal impact on reaching the 2 percent reserve ratio, while expanding affordability for many hardworking, creditworthy families that were previously priced out of the market.

Mr. Diaz-Balart #15

FHA Single Family Mortgage Annual Premium Reduction

Question: Mr. Secretary, wouldn't we achieve the mandatory reserve ratio sooner if we kept the annual premiums at the higher 1.35 percent?

Answer: We believe the advantage of immediately improving access to credit for thousands of households outweighs the advantage of reaching the 2 percent ratio with a slight acceleration. FHA's mission and historical role have always been to help underserved and first time borrowers, and our 2014 historically high pricing left many creditworthy borrowers out of the market. We believe the premium reduction announced in January allows us to fulfill our dual mission with marginal impact on the capital reserve ratio.

Question: Specifically, what effect does HUD's premium reduction have on achieving the 2% reserve ratio?

Answer: Based on the fiscal year 2014 independent actuary's data and analysis, and holding all else equal, we estimate that our recent action to expand affordability for responsible American families will only marginally impact the rate at which we reach 2 percent moving back the timing by less than one year. We will have updated estimates when the Independent Actuary completes their fiscal year 2015 review.

Mr. Diaz-Balart #16

FHA Single Family Mortgage Annual Premium Reduction

Your budget anticipates a 40 percent increase in loan volume associated with the MIP reduction (from $121 billion to $173 billion).

Question: Does your experience since the implementation date of January 26th validate your estimate?

Answer: It is too early to quantify the impact on receipts given the implementation date was only 2 months ago. There are other factors than the MIP levels that affect the level of loan volume demand as a whole. Consequently, it should be kept in mind that the actual volume increase associated with the MIP reduction can be either higher or lower than the simple change from a baseline estimate without the reduction.

Question: If not, what percentage change has HUD seen on FHA loan volume since the premium reduction?

Answer: Again, given the implementation date was only 2 months ago, it is still too early to quantify the impact on endorsements. These data will be available in FHA's monthly reports in the online Reading Room.

Question: How will that translate into receipts?

Answer: While it is too early to quantify the impact on receipts, FHA expects the fund to continue growing at a rate of at least $7 billion a year for the next several years. These data will be available in FHA's monthly reports in the online Reading Room.

Mr. Diaz-Balart #17

HECM Program (Reverse Mortgages)

Mr. Secretary, the HECM program allows seniors to tap into their home equity so they can age in place. However, the high default rate in reverse mortgage program has negatively affected the welfare of seniors participating in this program and their ability to stay in their home. It has also driven down the capital reserve ratio, and necessitated a $1.7 billion infusion from the Treasury.

I recognize that HUD has taken some important initiatives to shore up this program, and I note that your budget proposes $2 million "to assess all the issues affecting the reverse mortgage market and study the government backed reverse mortgage program." At the same time, your budget proposes authorizing language, again in fiscal year 2016, to make the HECM program permanent, by lifting the cap on the number of loans HUD can insure.

Question: Why are you proposing to make a program permanent if HUD believes it is necessary to do more research on the program?

Answer: HECM is a permanent program, but the cap on the number of loans affects our ability to manage the program effectively on an ongoing basis. The study that is budgeted for the program is an element of the Department's ongoing evaluation and assessment of this program - as the Department does for all of its programs - and should not suggest that there is any reason to limit the utilization of the program. We will continue to take steps to strengthen the program, as we have done in the recent past. The proposal to lift the cap is intended to ensure that the program can be administered successfully on an ongoing basis, and not dependent on legislative action to utilize the program at levels beyond the cap.

Question: Shouldn't the completed study influence the program?

Answer: All of our continuing efforts to review and strengthen the HECM program will influence its future direction, but FHA believes that lifting the cap will aid in the successful administration of the program immediately, even before the results of the study are known.

Mr. Diaz-Balart #18

Information Technology Fund Request

Mr. Secretary, the IT Fund request is an ambitious $84 million increase over Fiscal Year 2015. However, the budget justification materials are somewhat superficial, which makes it difficult to advocate for your request.

Of the $334 million total request, $60 million is for costs associated with transitioning over to a new IT platform.

Question: How did you arrive at a $60 million price tag for this effort?

Answer: The $60 million is a one-time request for the transition of HUD's IT infrastructure to new service providers. To effect the transition to a new infrastructure without negatively impacting our core business functions, HUD will need to operate both the old and new IT infrastructure environments simultaneously for a minimum of six months. The costs to maintain the current IT infrastructure and end-user environment in fiscal year 2015 amount to $140 million. During the transition, the existing servers and applications will be moved in stages, or "lifted and shifted" in logical and physical segments. HUD is beginning to develop a detailed transition plan to map out the schedule for migrating systems to the new infrastructure environment, a process expected to be complete by the second quarter of fiscal year 2016. The timing and segmentation of the moves are critical to ensure continuity of operations, and HUD expects to achieve a modest savings during and after the transition period through consolidation of IT infrastructure. Based on the fiscal year 2015 cost of infrastructure and end user services, the length of the transition, and expected savings, HUD arrived at an expected one-time transition cost of $60 million.

Question: What are the consequences of NOT providing the funds in total or only partially funding the transition?

Answer: HUD relies on its IT to deliver programs and services to single family home buyers and lenders, homeless organizations, millions of families that rely on housing vouchers, and many more external stakeholders. Due to rules in the Federal Acquisition Regulation (FAR), HUD cannot remain with the current infrastructure contract. The FAR does not allow sole source contracts to be awarded to a vendor this long or at this funding level.

During the datacenter transition, all systems, regardless of location, will require availability for HUD mission operations. Any reduction in funding will jeopardize existing systems and tools, since HUD will be forced to eliminate either services or availability. Additionally, all new capabilities being developed to improve the management and effectiveness of HUD's core mission will be severely impacted.

Without the additional $60 million in funding, HUD risks having to eliminate systems and tools; stop all user device refreshes (desktops, laptops, mobile); and halt development and implementation of new programmatic capabilities, including Access to Credit, NGMS, New Core, AFFH and FIFO updates for grants management. HUD would also cease all development of new IT capabilities and stop operations and maintenance of some of our mission critical systems. Such an outcome would cripple the Department and cause real harm to the millions of Americans who rely on our programs and services.

Transitioning to a new IT environment will enable HUD to consolidate functionality, move applications to the cloud, and potentially decommission legacy systems. The new environment will also allow HUD to be more agile and responsive to technology needs, increasing capacity to support a mobile workforce with better tools to work outside of the HUD offices.

Mr. Diaz-Balart #19

Information Technology Fund Request

Question: Page 4-4 of your budget states, "These contracts, which are primarily supported by two vendors, are not structured to provide HUD with details on costs or execution." What exactly does that mean?

Answer: Since 2005, HUD has been unique within the federal government by operating and maintaining a fully outsourced IT infrastructure (the servers and communications required to run all of HUD's systems and applications) and end user support (all of the mobile devices, desktops and laptops). These infrastructure services were provided under the HUD Information Technology Services (HITS) contract, a performance-based, fixed-cost, 10-year contract awarded to two vendors. The HITS contractors were required to deliver core infrastructure and end user services that met or exceeded stated performance levels and to support HUD's business needs. As is the case with any fixed-cost services contract, the contract does not itemize the services the contractor will provide to meet the business requirements, but instead requires the contractor to meet the performance levels at a predetermined price. This approach allowed HUD to shift the risk of infrastructure cost and uncertainty to the contractors.

Question: If the current vendors won't tell you what the costs are, how can we be sure that HUD and the taxpayers aren't being fleeced during this transition?

Answer: The HITS contracts include transition-out provisions that HUD negotiated to ensure that the Department receives good value for the work that will be done during the transition. Under these terms, during HUD's transition from HITS to its new IT infrastructure the contract will convert from a fixed-cost contract to a cost plus fixed fee contract. This means that during the transition, HUD will be billed based on the cost incurred by the HITS vendors, limiting the possibility that HUD is overcharged during this transition. HUD's long-term strategy for achieving increased transparency, reduced cost, increased and elastic capacity, and improved efficiencies in IT services is the HUD Enterprise and Architecture Transformation (HEAT) project. This project will enable us to optimize opportunities to use the government cloud computing business model for infrastructure, platform, and software as a service. HUD anticipates implementing a hybrid infrastructure approach that will include private, government, and government shared cloud services. The Office of the Chief Information Officer (OCIO) will continue to plan for and transition workloads to the public shared cloud model to realize longer-term return on investment and further mobilize HUD's workforce. Under the hybrid infrastructure approach, HUD will have the ability to track cost and performance throughout this process.

Mr. Diaz-Balart #20

Information Technology Fund Request

The "Development, Modernization, and Enhancement" (DME) request totals $24 million - $2 million of which is for the Grants Management eCon Planning Suite, which the justification describes as "an expansion of the suite to support other Federal Agencies' planning processes," Department of Commerce EDA grants and Health and Human Services Community and Social Services Block Grants.

Question: Is this $2 million for HUD's grant requirements or for the processes required by other agencies?

Answer: The $2 million DME request for the eCon Planning Suite is to support the needs of HUD's grantees. The planned enhancements to the suite will support comprehensive community planning through data and visualization of a community's needs and assets. These enhancements will not only strengthen grantees' ability to make place-based decisions, but have the potential to address or leverage the planning requirements imposed by other federal agencies. The Suite is a required system for more than 1,200 state and local HUD grantees, many of which also receive funding from other federal agencies with similar, potentially overlapping planning requirements. If the Suite is enhanced to meet other federal agency planning requirements, it would increase efficiencies for grantees, promote better place-based planning, and create efficiencies of scale that would save money for the federal government as a whole.

Question: Is this system a "nice to have" for localities, or is the use of this system required?

Answer: As indicated above, use of the system is required for more than 1,200 state and local grantees and an important tool for supporting the strategic investment of HUD funding.

Question: If required, what EXACTLY is the requirement?

Answer: HUD grantees are required to develop their Consolidated Plan in accordance with 24 CFR Part 91, and HUD requires submission through IDIS. The origin of the requirement is in Notice CPD-12-009: Use of IDIS to Submit the Consolidated Plan, and can be accessed at: https://www.hudexchange.info/resource/2674/notice-cpd-12-009-use-of-idis-to-submit-the-consolidated-plan/

Department of Housing and Urban Development
Fiscal Year 2016 Questions for the Record
Ranking Member David Price
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Price #1

Tenant-Based Rental Assistance

Question: Provide a list of all PHAs that have turned back HUD-VASH vouchers in each of the past 3 fiscal years.

Answer: Please see list of these PHAs below.

HA Code	PHA Name	VA Facility Long Name	Year
AL006	Housing Authority of the City of Montgomery	Central Alabama Veterans Health Care System (HCS), Montgomery Campus	2014
AR104	Springdale Housing Authority	VA Health Care System of the Ozarks (Fayetteville)	2014
FL015	Northwest Florida Regional Housing Authority	North Florida/South Georgia Veterans Affairs Health Care System (HCS)/Lake City Campus	2014
GA011	Housing Authority City of Decatur	Atlanta VA Medical Center (VAMC)	2014
KY015	Housing Authority of Newport	Cincinnati VA Medical Center/Belleview Community-Based Outpatient Clinic	2014
MS005	The Housing Authority of the City of Biloxi	Biloxi VA Medical Center (VAMC)	2014
ND002	Housing Authority of the City of Williston	Fargo VA Health Care System/Williston Community-Based Outpatient Clinic	2014
OH007	Akron Metropolitan Housing Authority	Cleveland VA Medical Center (VAMC), Akron Community-Based Outreach Clinic (CBOC)	2014
OH027	Medina Metropolitan Housing Authority	Louis Stokes Cleveland VA Medical Center/Akron Community-Based Outpatient Clinic	2014
OH029	Ashtabula Metropolitan Housing Authority	Erie VA Medical Center	2014
OH045	Darke County Metropolitan Housing Authority	Dayton VA Medical Center	2014
PA009	Reading Housing Authority	Lebanon VA Medical Center/Berks Community-Based Outpatient Clinic	2014

HA Code	PHA Name	VA Facility Long Name	Year
TN038	Morristown Housing Authority	James H. Quillen (Mountain Home) VA Medical Center/ Morristown Community-Based Outpatient Clinic	2014
TX023	Beaumont Housing Authority	Michael E. DeBakey (Houston) VA Medical Center/Beaumont Community-Based Outpatient Clinic	2014
TX032	Texas City Housing Authority	Michael E. DeBakey (Houston) VA Medical Center/Galveston Community-Based Outpatient Clinic	2014
AR002	North Little Rock Housing Authority	Little Rock VA Medical Center (VAMC)	2013
KS004	Wichita Housing Authority	Robert J. Dole VA Medical Center (VAMC)	2013
MN038	Housing and Redevelopment Authority of St. Cloud, Minnesota	St.Cloud VA Medical Center (VAMC)	2013
MN177	Otter Tail County Housing and Redevelopment Authority	Fargo VA Health Care System (HCS)	2013
NY001	Syracuse HA	Syracuse VA Medical Center (VAMC)	2013
OH007	Akron Metropolitan Housing Authority	Cleveland VA Medical Center (VAMC), Akron Community-Based Outreach Clinic (CBOC)	2013
OH015	Butler Metropolitan Housing Authority	Cincinnati VA Medical Center (VAMC), Hamilton VA HC Associates	2013
OH021	Springfield	Dayton VA Medical Center (VAMC), Lima Community-Based Outreach Clinic (CBOC)	2013
OH044	Allen Metropolitan Housing Authority	Dayton VA Medical Center (VAMC), Lima Community-Based Outreach Clinic (CBOC)	2013
PA013	Housing Authority of the City of Erie	Erie VA Medical Center (VAMC)	2013
PA036	Lancaster	Lebanon VA Medical Center (VAMC)	2013
PA052	Housing Authority of the County of Lebanon	Lebanon VA Medical Center (VAMC)	2013
TN007	Jackson Housing Authority		2013
TX010	Housing Authority of the City of Waco	Temple VA Medical Center (VAMC)	2013
VA011	Roanoke Redevelopment & Housing Authority	Salem, VA VA Medical Center (VAMC)	2013
WI031	Wausau Community Development Authority	Tomah VA Medical Center (VAMC)	2013
WI068	Wisconsin Rapids	Tomah VA Medical Center (VAMC)	2013
WV006	Housing Authority of the City of Martinsburg	Martinsburg VA Medical Center (VAMC)	2013

HA Code	PHA Name	VA Facility Long Name	Year
WV010	Housing Authority of the City of Keyser	Martinsburg VA Medical Center (VAMC), Cumberland Community-Based Outreach Clinic (CBOC)	2013
PHAs accepting one allocation but declining the second			
GA901	Georgia Residential Finance	Atlanta VA Medical Center (VAMC)	2013
TX003	Housing Authority of the City of El Paso, Tx	El Paso VA Health Care System (HCS)	2013
FL015	Northwest Florida Regional Housing Authority	North FL/South GA Veterans Health System/Lake City VAMC	2012
GA901	Georgia DCA	Atlanta VAMC/ East Point CBOC	2012
MA012	Worcester Housing Authority	VA Central Western MA HCS/Northampton VAMC/Worcester CBOC	2012
OH004	Cincinnati Metropolitan Hsg Auth	Cincinnati VAMC	2012
OH007	Akron MHA	Louis Stokes VAMC/Akron CBOC	2012
OH038	Butler Metropolitan Housing Authority	Cincinnati VAMC/Hamilton VA HC Associates; Butler County	2012
TX010	Housing Authority of Waco	VA Central Texas Health Care System - Waco VAMC Campus	2012
TX023	Beaumont Housing Authority	Michael E. DeBakey VAMC/Beaumont CBOC	2012
TX392	Denton HA	VA North TX HCS/Denton CBOC	2012
WI201	Waukesha	Milwaukee VAM	2012

***PHAs accepting one allocation but declining the second**

Mr. Price #2

Tenant-Based Rental Assistance

Question: Provide a list of all PHAs that have terminated or consolidated their tenant-based Section 8 programs in each of the past 3 fiscal years.

Answer: Ninety-three PHAs divested their tenant-based Section 8 programs in the last 3 completed fiscal years. Please see list of these PHAs below.

List of PHAs Divesting Section 8 HCV Programs

DIVESTING HA#	DIVESTING HA NAME	EFFECTIVE DATE OF TRANSFER FY 2012, 2013 and 2014
FL117	Sumter County HA	10/1/2011
IN036	Kendallville HA	10/1/2011
IN070	Franklin County HA	10/1/2011
CO100	Manitou Springs	10/1/2011
CO105	El Paso County HA	10/1/2011
FL089	Hillsborough	10/1/2011
AL055	Cordova HA	11/1/2011
TX251	Brady HA	12/1/2011
AL128	Samson HA	12/1/2011
NY044	Geneva HA	1/1/2012
NY437	City of Binghamton	1/1/2012
CA913-A	California Dept of Housing and Community Development	1/1/2012
CA913-B	California Dept of Housing and Community Development	1/1/2012
CA913-C	California Dept of Housing and Community Development	1/1/2012
CA913-D	California Dept of Housing and Community Development	1/1/2012
MS109	HA City of Long Beach	1/1/2012
NY116	Village of Pelham	4/1/2012
MI160	Dearborn Hts	4/1/2012
NM062	Dona Ana HA	4/1/2012
NM070	Los Lunas HA	4/1/2012
AR226	Howard County Ha	4/1/2012
AR250	Lafayette County	4/1/2012
AR228	City of Magnolia/Columbia County	4/1/2012
AR238	Servier County	4/1/2012
AR246	Calhoun County	4/1/2012

DIVESTING HA#	DIVESTING HA NAME	EFFECTIVE DATE OF TRANSFER FY 2012, 2013 and 2014
AR249	Dallas County	4/1/2012
AR222	Union County	4/1/2012
FL107	Haines City HA	6/1/2012
NC154	Jackson County HA	7/1/2012
CA145	HA City of West Hollywood	7/1/2012
WV002	Morgantown HA	7/1/2012
IA121	HA City of New Hampton	7/1/2012
TX408	Monahans HA	7/1/2012
TN016	Sweetwater HA	7/1/2012
CO081	Archuleta County HA	7/1/2012
MI165	Royal Oak Housing Commission	7/1/2012
TX391	Kermit HA	7/1/2012
NM035	Town of Bernalillo HA	7/1/2012
CO901	Colorado Department of Local Affairs	7/1/2012
MI026	Ypsilanti Housing Commission	11/1/2012
TX437	Lancaster HA	12/1/2012
TX437	Lancaster HA	12/1/2012
NY517	Village of Lake Placid	1/1/2013
NJ091	Paterson Dept of Comm Dev	1/1/2013
TX367	Kyle Housing Authority	1/1/2013
CO065	City of Lamar HA	1/1/2013
AR201	Walnut Ridge	1/1/2013
AR202	Hoxie	1/1/2013
WV014	Benwood-McMechen HA	1/1/2013
TX428	Hallettsville HA	1/1/2013
WI262	Oconto County HA	1/1/2013
TN095	Shelby County HA	1/1/2013
SD038	Miller Housing & Redevelopment Commissionb	1/1/2013
WI039	Wittenberg HA	1/1/2013
FL098	Green Cover Springs HA	4/1/2013
IA123	Bettendorf HA	7/1/2013
MO070	HA of Richmond	7/1/2013
FL140	Jefferson County Board of County Commissioners	7/1/2013
NY115	City of White Plains	7/1/2013
NJ115	Cherry Hill HA	7/1/2013
NC158	Harnett County Dept. of Housing Services	7/1/2013

DIVESTING HA#	DIVESTING HA NAME	EFFECTIVE DATE OF TRANSFER FY 2012, 2013 and 2014
MI188	Madison Heights Housing Commission	7/1/2013
IL001	East St. Louis Housing Authority	10/1/2013
CT022	New London HA	10/1/2013
AL103	HA of the City of Hartford	11/1/2013
IN103	Marshall County HA	11/1/2013
MO080	HA of the City of Oren	11/1/2013
NM069	Mountainair Housing Authority	1/1/2014
TX326	Yoakum HA	1/1/2014
CT025	Winchester HA	1/1/2014
PA049	Bradford HA	1/1/2014
CO889	The Center for People with Disabilities	1/1/2014
IN083	Sellersburg HA	1/1/2014
MO880	Community Housing Network	1/1/2014
IL911	Illinois Department of Commerce and Economic Development	1/1/2014
KS163	HA of the City of Hutchinson	1/1/2014
VA043	Roanoke Total Action Against Poverty	2/1/2014
KS105	Junction City Housing Authority	2/1/2014
TX489	Housing Authority of McKinney	4/1/2014
TX469	Navasota Housing Authority	7/1/2014
TX318	Marfa Housing Authority	7/1/2014
MN051	City of Willmar	7/1/2014
VA880	Piedmont Housing Alliance	7/1/2014
ME031	Saco Housing Authority	7/1/2014
NY055	Town of Oyster Bay HA	7/1/2014
OK150	Del City HA	7/1/2014
WI263	Taylor County HA	7/1/2014
IL115	Henderson County HA	7/1/2014
MO208	New Madrid County	7/1/2014
WI207	Eau Claire HA	8/1/2014
NM038	Taos County HA	8/1/2014
WI259	New Berlin HA	9/1/2014
WI261	Waukesha County HA	9/1/2014
Total 93		

Mr. Price #3

Tenant-Based Rental Assistance

Question: How many HUD-VASH vouchers are currently available for use?

Answer: There are 14,458 HUD-VASH vouchers currently available for use. In 2014 alone, 17,264 veterans were housed under the HUD-VASH program. Since 2008, HUD has allocated almost 70,000 vouchers for homeless veterans, and those will remain available upon turnover. From fiscal year 2008 to fiscal year 2014, HUD invested over $1.1 billion in HUD-VASH resources, and in 2015, HUD will be allocating another 10,000 HUD-VASH vouchers. (NOTE: This does not include the investment for case management from the VA).

Mr. Price #4

Ending Veteran's Homelessness

Question: How close are you to the goal of ending veteran's homelessness in 2015?

Answer: Since the Obama Administration launched *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness* in 2010, three major cities have met important milestones toward ending veterans' homelessness: Phoenix and Salt Lake City have ended chronic homelessness among veterans, and New Orleans became the first major city to end veteran homelessness entirely. At the national level, federal collaboration with local governments, non-profits and the private sector has reduced veterans' homelessness by 33 percent.

The goal of ending veterans' homelessness in 2015 remains within reach, and HUD's dedication to this goal is unwavering. To date, almost 70,000 HUD-VASH vouchers have been provided to over 400 Public Housing Authorities (PHAs) nationwide, and another 10,000 vouchers will be awarded in fiscal year 2015. By the end of fiscal year 2014, HUD-VASH had helped over 80,000 Veterans. In addition, there are over 14,000 HUD-VASH vouchers from previous fiscal years to be leased this calendar year, in addition to the newly-appropriated 2015 allocation – which will total another approximately 10,000 vouchers. As with all of HUD's voucher programs, HUD-VASH has turnover. When Veterans who no longer need such intensive support services move on or leave the program for other reasons, those HUD-VASH vouchers become available for other Veterans experiencing homelessness. We estimate the turnover potential of HUD-VASH to be about 12,000 vouchers per year.

While the partnerships forged through HUD-VASH will help model what solving homelessness looks like for other populations, HUD still needs resources to reach those populations that cannot be served under HUD-VASH including Veterans ineligible for VA Health Care services. That's why HUD's fiscal year 2016 Budget request includes $177.5 million for targeted rental assistance through the Tenant-Based Rental Assistance account, a portion of which will be used to serve those Veterans experiencing homelessness regardless of discharge status.

Of course, the goal of ending veteran homelessness is about more than a number – it's about helping communities put a system in place that can house every veteran experiencing homelessness today and prevent it in the future. We are making extraordinary progress implementing such a system nationally and in communities across this country. Indeed, more than 440 mayors, governors, county executives, and other local officials have joined us and committed to the "Mayors Challenge to End Veterans Homelessness," which aims to end homelessness among veterans by the end of the year. Much work remains to make sure every veteran has a place to call home, but the extraordinary success thus far and local support to expand such success serve as promising indications that our goal can be achieved.

Mr. Price #5

PHAs in Receivership

Question: How many PHAs in receivership does the department plan to return to local control in FY 2015?

Answer: The one remaining judicial receivership, Chester Housing Authority in Chester, PA was released by the court on December 31, 2014. There are 5 PHAs remaining in administrative receivership including: Detroit Housing Commission, Wellston Housing Authority, East St. Louis Housing Authority, Lafayette Housing Authority and Gary Housing Authority. The Department has returned the Detroit Housing Commission to local governance in March 2015 and anticipates that transition plans will be implemented for Wellston, East St. Louis and Lafayette with the goal of returning them to local governance or repositioning in early fiscal year 2016.

Mr. Price #6

PHAs in Receivership

Question: How many PHAs in receivership did the department plan to return to local control in FY 2014?

Answer: During fiscal year 2014, the Department returned three PHAs in administrative receivership to local governance and one PHA was returned to local governance from judicial receivership as outlined in the chart below.

PHA	Type	Date Returned
Cocoa, FL	Administrative	December 30, 2013
New Orleans	Administrative	July 7, 2014
Virgin Islands	Administrative	May 30, 2014
Kansas City, MO	Judicial	May 1, 2014

Mr. Price #7

Choice Neighborhoods

Provide the Committee with an understanding of number of Public Housing Authorities that still have severely distressed public housing units.

Question: What is the level of need and interest in the program relative to the funds available?

Answer: The Department estimates that approximately 105,000 units (81,910 public housing and 22,275 HUD-assisted housing units) are severely distressed and located in distressed neighborhoods. This number considers the age, size and physical condition of the public and HUD-assisted housing projects and includes distressed units that are located in neighborhoods of concentrated poverty.

The number of grant applications has far exceeded the number of grant awards that HUD is able to make. For the fiscal year 2013 Choice Neighborhoods grant application process, 96 applications were submitted. With the funds available, HUD was only able to award 4 Implementation Grants and 9 Planning Grants. For the fiscal year 2014 grant application process, HUD received 51 Planning Grant applications and made 7 awards. HUD is currently reviewing 33 applications for an Implementation Grant and anticipates making 4 grant awards before the end of this fiscal year.

Mr. Price #8

Choice Neighborhoods

Question: Should the Committee provide $250 million for Choice Neighborhoods, what is the Department's plan to prioritize our blighted public housing stock?

Answer: Addressing the blighted public housing stock is a priority of Choice Neighborhoods. In addition to the statutory requirement that Choice Neighborhoods grants be awarded to projects that are severely distressed, the scoring criteria in the Notice of Funding Availability (NOFA) also measures the level of distress of the property in terms of the cost of necessary renovations, structural deficiencies, and design deficiencies. The Department also reviews a number of other considerations that are vital to a project's success. Grantees are required to identify local strengths and challenges, propose feasible solutions and establish strong collaborative partnerships to address affordable housing, employment, education, health, safety, transportation, economic development and other key areas. Of the approximately 105,000 units of public housing and HUD-assisted housing estimated to be eligible for Choice Neighborhoods, nearly 80 percent are public housing units. To date, 10 of the 13 Implementation Grants and 56 of the 63 Planning Grants have targeted severely distressed public housing.

In order to reach these units, the Choice Neighborhoods program spurs large-scale projects that leverage millions of dollars in additional private and public investment as part of comprehensive, locally determined neighborhood transformation plans, rebuilding not just the housing but the neighborhoods that have suffered due to the deteriorated housing. For fiscal year 2016, the Department is asking for an increase of $170 million for the Choice Neighborhoods program in order to address more units. This will allow HUD to award 6-8 Implementation Grants and to make a significant impact in those neighborhoods. Furthermore, these grants are projected to generate more than $1 billion in leverage from private and other public sources.

To address rehabilitation needs in the rest of the public housing stock, the Department has requested continuation of the Rental Assistance Demonstration. As the Department mentioned in the fiscal year 2016 Congressional Justification for the program, as of January 2015, approximately 13,000 units had converted and PHAs and their partners had raised over $485 million. As of March 24, 2015, HUD has completed conversion of additional units, bringing the total to 13,840 units at 134 projects, with a total of $688 million in associated construction activity.

Mr. Price #9

NGMS Status Update

Question: What is the status of the NGMS project?

Answer: In September 2013, HUD delivered the Portfolio and Risk Management Tool. In the 3rd quarter of fiscal year 2015 we will be enhancing its capabilities, which will enable HUD to respond to programmatic questions faster and with better precision; to better identify, mitigate, and control at-risk PHAs; and to more effectively use the Section 8 program funds to serve as many families as possible.

The Budget Formulation and Forecasting (BFF) module implementation is being achieved through incremental releases. The first BFF module was released in August 2013 and subsequent enhancements were implemented in March 2014. The planned delivery of the final release is anticipated for the 4th quarter of fiscal year 2015. This release will include budget versioning and scenarios capabilities (e.g., determination of voucher program need based on a number of variables, and the ability to review effects of "what-ifs" and policy options), as well as Moderate Rehabilitation and Mainstream 5 program budgeting capabilities. These enhancements will enable a more accurate budget request for this multi-billion dollar program and help ensure the maximum number of households are being served.

Mr. Price #10

NGMS Status Update

Question: Provide a detailed accounting of DM&E expenditures, both planned and actual, for the FY 2013, FY 2014, FY 2015 and FY 2016 that directly support NGMS.

Answer: See table below.

NGMS Obligations by Source Year

($ in thousands)

	FY 2013		FY 2014		FY 2015		FY 2016
	Planned	Actual[1]	Planned[2]	Actual (as of March 17, 2015)	Planned	Actual (as of March 17, 2015)	Planned
Cash Management Phase 2	$688	$688	2/	$0	$0	$0	$0
Affordable Housing Data Architecture Phase 2	$680	$680	2/	$0	$0	$0	$0
Affordable Housing Life Cycle Information Center – Requirements Definition	$1,952	$1,952	2/	$0	$0	$0	$0
Project Portfolio & Risk Management Tool Phase 2	$680	$680	2/	$0	$0	$0	$0
Budget Forecasting and Formulation Voucher Tool	$0	$0	2/	$231	$0	$0	$0
Total NGMS Obligations:	$4,000	$4,000	2/	$231	$0	$0	$0

1/ Funding for NGMS is awarded by vendor and multiple vendors work on multiple NGMS modules; obligations by module as provided in the table are estimates.

2/ HUD has not yet finalized its fiscal years 2014/2016 DME Expenditure Plan, and therefore cannot give a planned obligation level for NGMS projects from fiscal year 2014 funds. Once the plan is finalized, HUD will transmit it to the appropriations committee as required by the Consolidated Appropriations Act, 2014.

Department of Housing and Urban Development
Fiscal Year 2016 Questions for the Record
Congressman Mike Quigley
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Quigley #1

HOPWA

Mr. Secretary, Last year's budget proposal, following the directive of the National HIV/AIDS Strategy, included a proposal to update the formula for distribution of funding under the Housing Opportunities for Persons With AIDS program to eliminate disparities brought about by an out-of date formula.

Estimates released by the Department of funding under its legislative proposal reveal potential deep cuts and hence infeasible disruptions to well-functioning programs as we move to direct more resources to under-resourced areas. By HUD's own estimates more than 140,000 households are eligible for and not receiving housing assistance and only 52,600 can be served with the proposed $332 million proposed funding level.

Question: Can you speak to why the budget fails to propose a funding level that addresses more acknowledged need?

Answer: In a tight budgetary environment with competing funding priorities, the Department recognizes that communities face funding obstacles in sustaining current program beneficiaries and are limited in assisting new incoming households. The $332 million HOPWA request is a $2 million increase from the fiscal year 2015 appropriations and will enable communities to continue to prevent homelessness and sustain housing stability for 52,600 primarily extremely low-income households.

HOPWA grantees report an estimated unmet housing need of more than 127,000 households/individuals, as reported through Consolidated Plan estimates, project data, housing waiting lists, and related planning sources. Currently, communities are provided flexibility in conducting an assessment of unmet housing need based on current data through their local or state Consolidated or Annual Plan. The Department is working to develop and implement a standard methodology for the calculation of a community's unmet housing needs for those living with HIV to provide consistency in the calculation of this data element while enabling communities to make informed decisions as they develop strategies for addressing unmet housing needs.

With respect to formula reform, currently 53 percent of the statutorily required cumulative AIDS cases used to run the formula program represent deceased individuals. Under the legislative proposal, the majority of HOPWA formula grantees would receive an increase in their grant allocation based on the use of living HIV/AIDS cases versus the cumulative AIDS cases. Key provisions of the formula modernization are as follows:

1. All formula grantees remain eligible. New grantees would need 2,000 living HIV cases to be eligible, rather than the former requirement of 1,500 cumulative AIDS cases.
2. A stop-loss provision is included so that formula adjustments would be phased in over a period of 3 years and a grantee would not lose more than 10 percent or gain more than 20 percent of the average share of total formula allocation of the previous fiscal year.
3. The current formula requirement that 25 percent of funds be distributed based on AIDS incidence is replaced with an equal weighted factor of fair market rent and poverty rate for each eligible formula grantee.

Mr. Quigley #2

HOPWA

Question: Considering how important the Office of HIV/AIDS Housing is to my constituents, can you provide the subcommittee with some insight into the Administration's plans to fill current vacancies within the office?

Answer: The Department remains committed to addressing the staffing requirements of the Office of HIV/AIDS Housing (OHH) and ensuring that OHH is in the best position for ongoing leadership in the HIV/AIDS housing field.

The Department had explored the possibility of realigning OHH as a division within the Office of Special Needs Assistance Programs (SNAPS). While that proposal was under consideration, the Department put on hold the recruitment of a new director – although it did move forward with filling other positions within OHH. The Department has, at this time, decided to not pursue the plan to restructure OHH and SNAPS, and is now in the process of developing the recruitment package for the director of OHH. Because the incumbent had been in the position for many years, the position description and recruitment package had to be completely overhauled, which was a time consuming process. The position description is currently in the process of being classified, and the Office of Community Planning and Development estimates that the vacancy announcement for internal and external candidates will be released in 4-6 weeks.

Mr. Quigley #3

Special Projects of National Significance

The FY16 HOPWA justification suggests that the 10% of funds dedicated to Competitive grants is sufficient to fund the 30 permanent supportive housing grants slated to expire during the fiscal year. As HIV/AIDS housing and service providers adjust to meet the changing landscape of care and service delivery, providers and clients are concerned about the changes in medical care service delivery and care coordination.

Programs are making creative adjustments to better coordinate housing and services utilizing new funding sources through the Affordable Care Act and Medicaid expansion. Replication of these innovative models such as Chicago's Together4Health offers an opportunity for improvements in care delivery and services, stabilizing housing and achieving significant cost savings.

Question: In this critical time of health care reform when new and effective models are emerging and programs are working to adapt the changing healthcare landscape, why did the HUD budget fail to expand these Special Projects of National Significance?

Answer: The HOPWA statute requires that 10 percent of the appropriation be competitively awarded to areas not eligible to receive formula funding and to support innovative model projects that address special issues or populations through the award of Special Projects of National Significance. In addition, since 2002, HOPWA appropriations language has required HUD to prioritize this funding for expiring permanent supportive housing grants, which are renewed as a three year grant term. The fiscal year 2016 budget request estimates that the $33.2 million that would be available for competitive grant awards is sufficient to fund only eligible renewal grants that will expire.

Of note, HUD recognizes the importance of housing assistance to improve health outcomes and is working with HHS and other federal partners on a technical assistance initiative entitled *H^2: Linking Housing and Health Care*. This initiative will bring critical information and resources to HUD's HOPWA and Continuum of Care (CoC) communities to increase housing participants' access to healthcare resources. The initiative emphasizes the fundamental link between housing and quality healthcare, and the need for increased coordination between these two systems so that housing participants have improved outcomes related to health and housing stability.

Mr. Quigley #4

Vouchers Lost to Sequestration

In your 2016 budget request, HUD has asked Congress for funds to renew existing vouchers and to restore 67,000 vouchers lost because of sequestration. HUD would target 30,000 of these vouchers to special populations: homeless families, veterans, tribal families, and survivors of domestic or dating violence.

Another 37,000 requested vouchers would not be specifically targeted beyond allocating them "based on relative need."

Question: Could you talk about the importance of targeting restored vouchers for specific populations, especially survivors of domestic violence, and how this supports HUD's overall strategic priorities?

Answer: Based on the Department's efforts to end Veteran homelessness through administration of the HUD-Veterans Affairs Supportive Housing (HUD-VASH), HUD has learned that sustained and targeted voucher resources with evidence-based approaches are effective. As requested in the 2016 Budget, 30,000 of the 67,000 vouchers lost from sequestration will be allocated to assist our most vulnerable citizens and help prevent and end homelessness.

The 2016 Budget builds on the successes of previous special purpose voucher initiatives and includes $177.5 million for rental voucher assistance for about 22,500 new vouchers for families, Veterans, and tribal families experiencing homelessness, as well as victims of domestic or dating violence. These vouchers are to be awarded competitively to Public Housing Authorities (PHAs) and tribally designated entities in geographic areas of demonstrated need, and would require PHAs receiving vouchers to partner with local Continuums of Care for appropriate assessment and wrap around services. The Budget also requests $37.5 million for approximately 5,000 new vouchers for victims and survivors of domestic or dating violence, sexual assault, or stalking currently living in assisted housing to help with emergency relocation. In addition, the Budget also requests $20 million for about 2,500 Family Unification Program vouchers, which would ease and facilitate children's transition from foster care to independent adulthood, as well as assist families who have children in foster care due to a lack of safe and adequate housing.

The targeted vouchers are in support of the Administration's efforts to end homelessness as described in *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness* and HUD's own strategic homelessness goals. The Budget enables HUD to continue the strategies that support the four major goals to prevent and end homelessness outlined below:

1. Build on past progress to prevent and end chronic homelessness;
2. Prevent and end homelessness for veterans;
3. Prevent and end family and youth homelessness; and
4. Set a path to ending all types of homelessness.

Furthermore, vouchers for victims and survivors of domestic or dating violence support the Administration's priority to help families live free of violence, as they would allow these families to access safe, stable and affordable housing. In fact, on March 24, 2015 HUD announced a new proposed rule to increase protections and enforce laws that prevent landlords from discriminating against survivors of domestic violence. The rule would implement the Violence Against Women Reauthorization Act of 2013 (VAWA 2013), which expands HUD's authority to protect survivors of domestic and dating violence, stalking and sexual assault residing in housing assisted by HUD. The VAWA 2013 reauthorization expanded legal protections to nearly all HUD programs. Previously, only residents of public housing and Section 8 tenant-based and project-based programs were covered through the VAWA 2005 legislation. Newly covered programs include:

- HOME Investment Partnerships program;
- Section 202 supportive housing for the elderly;
- Section 236 Rental Program;
- Section 811 supportive housing for people with disabilities;
- Section 221(d)(3) Below Market Interest Rate (BMIR) Program;
- HOPWA (Housing Opportunities for Persons with AIDS) housing program;
- HUD's McKinney-Vento homeless programs;
- Low-Income Housing Tax Credit properties; and
- U.S. Department of Agriculture Rural Housing properties.

Mr. Quigley #5

Vouchers Lost to Sequestration

Question: What has the Success of reducing homelessness among veterans through increased availability of vouchers taught HUD about the impact of targeting resources to those with the most severe housing problems?

Answer: The success of reducing homelessness among Veterans affirms that HUD's approach of targeting voucher resources in a sustained and evidence-based manner is effective. As a result, the fiscal year 2016 Budget proposes to restore a portion of the approximately 67,000 vouchers lost to sequestration in a targeted manner. Specifically, 30,000 vouchers would be available to (1) families, Veterans, and Native Americans experiencing homelessness; (2) current HUD-assisted tenants who experience domestic or dating violence; and (3) families whose children are at imminent risk of foster care placement, and to youth aging out of the foster care system.

The Department is eager to apply similar strategies it has developed through the HUD-Veterans Affairs Supportive Housing (HUD-VASH) program to other extremely vulnerable populations. Specifically, the Department proposes to structure the award and coordination of the proposed targeted voucher assistance in a manner similar to HUD-VASH where appropriate. The success of HUD-VASH is due to sustained Congressional support, as well as strategic federal and community partnerships between HUD and VA, PHAs, VA Medical Centers, and Continuum of Cares (CoCs).

The success in reducing homelessness among Veterans builds on what we have been learning for over a decade - we know that consistently investing in targeted, evidence-based practices, and prioritizing those investments according to need, is the most effective strategy in ending homelessness across the country. In addition to reducing homelessness among Veterans, this is evidenced by the 29 percent reduction in chronic homelessness from the 2007 to 2014 point-in-time counts. Though the rate of progress on reducing chronic homelessness has slowed because of funding constraints, continued progress is due to the Department's efforts to prioritize CoC resources for those with the highest levels of need.

The other lessons are to award vouchers competitively to higher capacity PHAs and to have PHAs form effective local partnerships in areas of demonstrated need. In the case of the vouchers requested in the 2016 Budget, the PHAs receiving targeted vouchers would be required to partner with local CoCs and/or Public Child Welfare Agencies to identify program participants through coordinated assessment process and to collaborate to improve outcomes for these populations.

Mr. Quigley #6

McKinney-Vento Homeless Assistance Grants

The FY15 omnibus included $2.135 billion for HUD's McKinney-Vento Homeless Assistance Grants program, including at least $250 million for Emergency Solutions Grants (ESG). This overall funding level represents an increase for the program over the enacted FY14 funding level.

HUD is asking for $2.480 billion for the McKinney-Vento program in FY16. This level would fund all Continuum of Care renewal programs for permanent supportive housing and transitional housing, as well as 25,500 new permanent supportive housing units to get us on track to end chronic homelessness by the end of 2017.

Question: What will happen to federal efforts to end chronic homelessness if we don't continue to add new permanent supportive housing units each year?

Answer: If Congress does not appropriate the requested funds for new permanent supportive housing (PSH) units in fiscal year 2016, we will not meet the national goal of ending chronic homelessness in fiscal year 2017.

We are asking Congress to provide resources for 25,500 new permanent supportive housing beds in fiscal year 2016. This will enable us to meet the federal goal to end chronic homelessness in 2017. Nearly two decades of overwhelming data and research have demonstrated that permanent supportive housing using a housing first approach is the solution to chronic homelessness. Moreover, permanent supportive housing is a proven, cost-effective intervention. Research shows that just one person experiencing chronic homelessness costs communities between $30,000 to $50,000 per year in emergency services, but providing permanent supportive housing dramatically reduces those costs by reducing emergency room visits, medical bills, law enforcement and other crisis services used by people experiencing chronic homelessness. The savings to these crisis systems is typically the same or more than the actual cost of the permanent supportive housing. Furthermore, we know that targeted investments in homelessness can reduce homelessness as demonstrated by the impact of HUD-VASH investment on Veterans homelessness.

In order to end chronic homelessness, we need to bring this solution to scale across the country. HUD is working to take full advantage of existing permanent supportive housing, and to help communities use local and other federal resources to create new permanent supportive housing.

Should Congress not appropriate the request to fund 25,500 new permanent supportive housing beds in fiscal year 2016, we will not meet the national goal of ending chronic homelessness by 2017. As communities devote more resources for chronically homeless individuals and families the other *Opening Doors* goals are and will continue to be affected. Furthermore, the persistence of chronic homelessness will continue to cost taxpayers in avoidable emergency services from the health care and criminal justice systems.

At the same time, ending chronic homelessness will not require large new investments every year. Once chronic homelessness is ended, existing units of permanent supportive housing will have to continue to be supported, but newly chronically homeless individuals and families can largely be served through the natural turnover in these units.

Mr. Quigley #7

Housing Counseling

Mr. Secretary, HUD has requested an increase for Housing Counseling to $60 million in FY16, but this level is still far below the FY10 funding level of $87.5 million. As you know, housing counseling can be the bridge that connects qualified low- and moderate-income borrowers to affordable, sustainable mortgages in a market with tight credit availability.

As we transition from the foreclosure crisis into a recovery of the housing market, it is critical that housing counseling community have the resources to transition from a primary focus on foreclosure prevention counseling to expand its capacity to provide pre-purchase and rental counseling.

Question: What progress is HUD making to work with counseling agencies to successfully implement the Dodd-Frank requirements to test and certify individual housing counselors and provide counseling for high cost and negative amortization loans?

Answer: HUD is committed to successful implementation of statutory requirements to ensure that HUD-approved housing counseling agencies provide high quality, independent and professional assistance to consumers seeking to achieve their housing goals. We know that consumers are often confused by the mortgage process. HUD's housing counseling program provides unbiased information about budgeting, credit, affordability and the rights and responsibilities of homeownership to help consumers make good decisions.

Currently HUD is completing work on the final rule to implement housing counselor certification, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. The intent of the new certification and testing requirements is to establish a single national baseline certification for individual housing counselors that covers the broad spectrum of housing issues required under the statute.

We are addressing hundreds of comments received from our draft rule, and have also encouraged our training grantees to provide classes in the general topic areas that will be examined as part of the certification. We are committed to a smooth roll out of the examination process, and intend to provide a website with specific training and practice examinations shortly. HUD has developed online training and a study guide to help prepare housing counselors for the certification examination. The free training is anticipated to be available in advance of the publication of the final rule. We expect to publish a final rule this fiscal year and are committed to doing so as soon as possible, assuming availability of resources to implement a reliable and secure system.

The Consumer Financial Protection Bureau (CFPB) issued a final rule in January 2014 requiring counseling by HUD-approved agencies for certain borrowers of high cost or negative amortization loans. HUD worked with CFPB to populate a website with information on HUD-approved housing counseling agencies that lenders can provide borrowers. This would allow borrowers to independently choose the housing counseling agency that can provide information about the terms of the loan as a source independent of the lender.

Question: Could you tell us how these requirements will result in better prepared home purchasers?

Answer: Ultimately, counselors give borrowers an understanding of the rights and responsibilities of homeownership, an analysis of their finances and credit, comparison of products that facilitate their housing goals, and serve as unbiased advisors to help borrowers navigate the home buying process. Housing counselors connect first-time homebuyers to special programs and resources that may be available to them, and they teach consumers to recognize and avoid discrimination and scams. Several studies by HUD and others document that counseled consumers have lower debt, more savings, improved credit and significantly lower likelihood of foreclosure compared to similar consumers who do not work with a housing counselor.

Mr. Quigley #8

Community Development Block Grants

Mr. Secretary, nowhere are CDBG funds more important than in Chicago. This year's HUD budget request references potential reforms to the CDBG program but gives little in the way of details.

Question: Why does the Department think the CDBG program is inefficient? When can Congress expect the reform package and what will it contain?

Answer: The CDBG Program is an incredibly important tool available to communities to address the housing, economic development and public service needs of the nation's communities, with a particular focus on the needs of low- and moderate-income persons. Since its inception in 1974, CDBG has delivered almost $150 billion to communities across the nation and has proven to be flexible enough to help address both long-term disaster recovery needs and problems associated with abandoned and foreclosed housing during the recent economic down turn. However, during its 40-year history, the impact of the CDBG program has been strained by fluctuating appropriation levels and increasing numbers of qualifying entitlement grantees there are twice as many grantees today than there were when the program was created. The CDBG program has not been reauthorized since 1992 and adjustments need to be made to make the program more responsive to the needs of modern local governments and states. HUD has developed a legislative proposal that reflects the tenets outlined in the President's fiscal year 2016 Budget to strengthen the CDBG program, help grantees target funding resources to areas of greatest need, enhance program accountability, synchronize critical program cycles with the consolidated plan cycle, reduce the number of small grantees, and provide more options for regional coordination, administration, and planning. HUD is working with OMB and other agencies on these proposals, and looks forward to working with Congress on these important reforms after the interagency review process is completed. In general, the proposal will strengthen the program by improving the ability to work together on a regional basis and will address a range of other issues that will establish a strong future foundation for the CDBG program.

Question: Will the proposals address Disaster CDBG?

Answer: The legislative proposal focuses on provisions related to the annual CDBG program and does not address any future use of supplemental CDBG funds for long-term disaster recovery purposes.

Mr. Quigley #9

Project-Based Rental Assistance

HUD is proposing reinstituting 12 month contracts for project-based rental assistance and ending short funding contracts for property owners.

Question: Can you talk about HUD's reasoning behind this policy change and how this change will benefit property owners?

Answer: In recent years, HUD was forced to place less than 12 months of forward funding on many contracts at the time of their annual renewal, which created uncertainty among our partners with regard to the long-term future of the PBRA program.

The President's fiscal year 2016 Budget continues the process launched in fiscal year 2015 to provide at least 12 months of funding for all contracts on a calendar year funding cycle. Fiscal year 2015 was the transitional year for this shift, setting the stage for calendar year funding in fiscal year 2016 and beyond. HUD believes that 12-month calendar year funding will increase the predictability of funding under the program, allowing owners to continue leveraging private debt and equity on advantageous terms, and reduce the risk of funding lapses at the beginning of a fiscal year.

Mr. Quigley #10

Project-Based Rental Assistance

Resetting contracts to a calendar year provides a one-year adjustment period where the budget request will be lower than the cost for renewing contracts for 12 months. That means in FY16, the cost will increase substantially.

Question: Can you give us an estimate of how much higher you expect FY16 needs will be given this change?

Answer: The Department requests a total of $10.760 billion to meet Section 8 Project-Based Rental Assistance (PBRA) program needs for fiscal year 2016. This includes $9.965 billion for renewals and $580 million for amendments, as well as $215 million for Performance-Based Contract Administration. The total requested funding level for fiscal year 2016 is a $1.030 billion increase over the fiscal year 2015 enacted level of $9.730 billion.

The enacted funding level for fiscal year 2015 reflects one-time savings on contracts that require less than 12 months of funding as they transition to a calendar year funding cycle. The requested increase for fiscal year 2016 returns the PBRA account to the baseline level required for annual ongoing 12-month (calendar year) funding of contracts under the account, consistent with current practice in the Housing Choice Voucher and Public Housing programs.

Mr. Quigley #11

Rental Assistance Demonstration Program

As you know, the Rental Assistance Demonstration Program allows the Department to approve the conversion of up to 60,000 at-risk public housing units into project-based Section 8 rental assistance units. I understand that the President's FY16 budget request eliminated the cap on this program, as does yours.

Question: Could you speak to the successes of this program to date?

Answer: As the Department mentioned in its fiscal year 2016 Congressional Justification for the program, as of January 2015, approximately 13,000 public housing units have already converted to either Project Based Vouchers or Project Based Rental Assistance funding streams, and PHAs and their partners have raised over $485 million in capital. As of March 24, 2015, HUD has completed additional conversion, bringing the total to 13,840 units at 134 projects, with a total of $688 million in associated construction activity. HUD estimates that converting public housing up to the current cap of 185,000 units will result in over $6 billion in construction investment in the converted public housing properties.

Question: Could you elaborate how you will prioritize which projects will receive funding to participate in this program?

Answer: HUD requests $50 million for incremental subsidy costs for public housing units converting under the Rental Assistance Demonstration (RAD) program. Such funding will be targeted to public housing projects that: 1) cannot be converted at current funding levels, and 2) are integral to the success of the Administration's broader efforts in high-poverty areas, including designated Promise Zones. The Department estimates that the $50 million in incremental subsidies will support the conversion and redevelopment of approximately 25,000 public housing units that otherwise could not convert, thereby increasing private investment in targeted projects and surrounding neighborhoods.

THURSDAY, FEBRUARY 26, 2015.

DEPARTMENT OF TRANSPORTATION

WITNESS

HON. ANTHONY FOXX, SECRETARY, DEPARTMENT OF TRANSPORTATION

Mr. DIAZ-BALART. Let me just say, to the Members here and all of you, the Secretary is slightly detained and they just called a vote, so the Ranking Member and I now have agreed that what we should probably do is let us all go vote and let us come back and, hopefully, by that time, everybody will be here. All right?

All right. Thank you very much. Thanks for your patience.

[Recess.]

OPENING STATEMENTS

Mr. DIAZ-BALART. Let us call the committee to order. Today we welcome Secretary Anthony Foxx from the Department of Transportation to discuss a general fiscal year 2016 budget request. DOT is requesting a total of $77.2 billion in new budgetary resources in fiscal year 2016, which is an almost 40 percent increase over 2015.

Now, that is, to say the least, slightly or beyond ambitious. This budget, frankly, is borderline fantasy when you consider that every program and indeed—in the DOT—is in need of reauthorization. We all know that the trust funds are going broke, and we are all still bound by the Budget Control Act sequester order. So, needless to say, we have a few challenges here: funding, timing, and reauthorization.

Mr. Secretary, your budget makes some obviously optimistic assumptions in all three. Now, while we have not seen the GROW Act or any legislative reauthorization proposal to continue the Surface Program beyond May 31, 2015, I kind of had a déja vu experience reading about the budget.

Now, later, I was told by staff that I could not use that term because, I guess, the previous chairman used that last year, but I had to do it.

Again, apparently the 2016 budget and the reauthorization package is not all that different from the two previous attempts.

And I will tell you, Mr. Secretary, with all due respect, I am actually amazed at the amount of work that your staff has put into crafting these justifications for a budget that, frankly, there is no way that we can fulfill, that Congress can fulfill. So I believe that everyone in this subcommittee, and I know I can speak for everybody in this subcommittee, and I would venture to say that most people in Congress, most Members in Congress, believe that our country needs a robust, viable, and stable transportation infrastructure funding method. We need to make investments and improvements in the infrastructure that we have and to, obviously, build for what we need. And I clearly share that goal with you, Mr. Secretary.

But while your proposal does not need to adhere to the realities of funding, of timing, and reauthorization, ours does. So I am respectfully asking for you to work with me to sift through all of this to determine what actually needs to be done, but, also, just as importantly, Mr. Secretary, what can be done for this fiscal year 2016 appropriations. You know, that is what we are going to be marking up to and I really, frankly, want and need your help in putting together a realistic bill.

So, again, I am very grateful for your testimony today and hopeful that we can continue, that we can start a dialogue as, again, as I said, Mr. Secretary, I am not only willing, but I am anxious to work with you to make sure that we can get the work product, the best work product, that we can for again, his willingness to work with me, to help me along.

In particular, I want to help also recognize all of the members of the Subcommittee for helping me make sure that we stay on time. And so, with that, again, it is always a pleasure to recognize a ranking member, Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman, and thank you for scheduling these two initial days of hearings with the Secretaries that we are working with. It represents a strong beginning I believe. I am particularly glad to welcome a fellow North Carolinian today and a friend of mine, Secretary of Transportation Anthony FOXX.

As I am sure everyone knows, Secretary Foxx comes to us with a strong background as a Mayor of Charlotte and a Mayor of Charlotte who concentrated on transportation matters to very great effect. The Lynx light rail system, the expansion of the Charlotte Douglas International Airport, these projects demonstrate that Secretary Foxx knows how to execute critical transportation projects.

In your almost two years now as Secretary, you have seen firsthand our nation's great infrastructure needs and I am pleased to see that your 2016 budget proposal requests robust, ambitious and critically needed funding for our nation's transportation system.

Now, the Appropriations Committee is in the business of year-to-year funding for agency programs and activities. That lets us adjust funding levels for programs when priorities change or when unexpected issues arise. However, our focus on the annual funding levels means we are sometimes in danger of losing sight of longer term goals and challenges.

I mentioned this for a couple of reasons. For one, on the very day that the annual Fiscal 2016 budget was released, Secretary Foxx unveiled a DOT analysis that outlines the challenges that our transportation system will face over the next three decades.

The Beyond Traffic trends and choices study explores the impact on our transportation network that can be expected with a growing population, surging freight volumes and technological innovations. So I want to commend you, Mr. Secretary, for adding your powerful voice to the dialogue on how we will tackle the transportation and infrastructure challenges not just year-to-year but in the future, many years into the future.

In addition, Congress is facing the pressing need to address long term reauthorizations for various programs under the jurisdiction of this Subcommittee. The budget includes the funding framework for the administration's 6-year, 478 billion GROW America Act surface transportation authorization proposal. For the fourth year in a row, the budget proposes to shift nearly all of the surface transportation programs to the mandatory side of the budget.

I would note that while such a shift may provide long term funding predictability, and I understand some of the reasons for this proposed shift, it is one we are going to want to examine on this Committee because it takes—it exceeds matters outside of our jurisdiction and these are perennial matters for discussion and debate.

Now, let me get to the issue of the day. The Department of Transportation request for the upcoming year is nearly $95 billion. That is 22 billion or 31 percent above the Fiscal 2015 enacted level. The budget emphasizes freight networks that improve delivery of goods and commerce and provides some incentives to identify innovative solutions to congestion and safety problems. The budget proposal also includes major increases for our highway, transit and rail programs to lessen our significant infrastructure capital backlog and to meet increasing demands.

Here are a few highlights. The requests will provide 3-¼ billion for capital investment grants to help communities develop or expand light rail, subway, commuter rail and bus rapid transit projects and would invest nearly 5 billion for inner-city and passenger rail programs.

It would increase funding to 1.25 billion for the popular TIGER Program, grants that provide DOT a unique opportunity to invest in multimodal and multijurisdictional shovel-ready projects that promise to achieve critical, national objectives.

In addition, the request contains—continues the Department's support for new technologies such as the implementation of NextGen which will modernize air traffic control by shifting from a ground-based to a satellite-based system. I want to emphasize that with emerging transportation safety issues such as the movement of energy products, the integration of unmanned aerial vehicles, the need to track passenger air flights and detect downed planes and flight data.

Safety oversight and enforcement is a critical priority. I am pleased that the request includes additional safety positions in the areas of aviation, transit, rail, pipelines and highway safety.

We all know that our infrastructure is aging. We know the greater capacity and choices in our transportation network will improve the movement and safety of people and goods. And we know that investing in transportation and infrastructure creates jobs and improves our global economic competitiveness.

However, as I mentioned yesterday at the hearing with the Secretary of HUD, the existing budget environment embodied in the Budget Control Act puts us in an almost impossible bind. The Budget Control Act and its centerpiece, sequestration, represent self-inflicted damage prompted by the House leadership's refusal to address the real drivers of the deficit. Instead, nearly all deficit-reduction efforts have been focused again and again and again on discretionary programs. And this has severely limited our ability to invest in our nation's infrastructure as well as in many other things.

At the very least, we need a new budget agreement that eliminates the chokehold of sequestration. Even with that, we will be challenged to provide adequate funding for our nation's critical transportation needs. Mr. Secretary, I look forward to your testimony, to working with you on these important issues and programs and I thank you, Mr. Chairman, and I yield back.

Mr. DIAZ-BALART. Thank you, Mr. Price. And before I recognize the Secretary, I am pleased to recognize the ranking member of the Full Committee, Mrs. Lowey.

Mrs. LOWEY. Well, thank you, Mr. Chairman. And I would like to join my colleagues in welcoming our outstanding Secretary, Anthony FOXX. And thank you for assuming this responsibility and thank you for coming before our Committee.

The programs under the jurisdiction of this Subcommittee are some of the most important and are a prime illustration of how indiscriminate budget-cutting has had a massive impact across this entire nation. Our infrastructure needs simply cannot be ignored any longer.

The President has requested a robust increase for this bill in FY2016 calling on Congress to provide the critical investments necessary to accelerate and sustain economic growth, training, education and infrastructure. All vitally important and all are interconnected. The President has also called for the end of the mindless austerity of spending cuts, program integrity measures and the closure of some outdated tax loopholes.

I want to make that clear because Chairman Rogers and I have talked about the mindless austerity of sequestration. And we have had many Congress—many conversations about how we have to urge Congress to replace it with targeted spending cuts, program integrity measures and the closure of some outdated tax loopholes.

The effects of sequestration were immense and are still being felt. Critical training was postponed. Investments were put off. Research abruptly halted. It was a worst-case scenario that never should have happened and absolutely should never be repeated.

Many of my colleagues on the other side of the aisle have differences with the President on how we get there but the art of compromise must be achieved again. The Murray-Ryan plan was not perfect but it does provide a path forward for another budget deal. Without such an agreement, our appropriation process is deeply imperiled. Discretionary funding is falling to its lowest level since the Eisenhower administration. The Transportation HUD bill is a prime example of how badly needed these investments are right now.

Almost every day we see evidence of our crumbling infrastructure, falling bridges, train derailments, outdated aviation systems and congested roadways. I hear about problems in my district every weekend and I am sure all of my colleagues do, too.

The FY2016 budget request for the Department of Transportation is nearly $95 billion which is about 31 percent above last year's enacted level. The request includes major increases for our rail systems, highway and transportation programs. I sincerely hope we can provide much of these requested increases which will help our communities tackle some of the most pressing transportation needs. My region, in particular, desperately needs these investments.

As I know you are aware, Mr. Secretary, the Tappan Zee Bridge was featured very prominently on the budget cover. I was also pleased that the bridge was chosen as a backdrop to an earlier presidential visit highlighting a new infrastructure program.

This high visibility, I hope, confirms this administration's commitment to working with me in the New York region to securing funding for the new replacement bridge.

It still remains one of my top legislative priorities and I'm glad to see it is yours. We must also be mindful of the critical role that the Department of Transportation plays with regard to safety. For example, the tragic grade crossing crash in my district earlier this month underscores that we must enlist a multifaceted approach. Eliminating grade crossings where we can, developing new technologies that will identify obstructions, educating drivers and ensuring that the Federal Railroad Administration has a robust inspection staff to identify hazardous crossing, the tremendous growth in the transport of crude oil is another area of great concern.

The failure of the tank cars in West Virginia calls further attention to the fact that we must strengthen the integrity of the tank cars that carry these dangerously explosive materials. The Department must move aggressively to issue the final tank car design rule. Thank you very much, Mr. Chairman.

Mr. DIAZ-BALART. Thank you much, Mrs. Lowey. Mr. Secretary, again, thank you so much for being here. Your written testimony will be included in the record. So now you are recognized for five minutes.

Secretary FOXX. Mr. Chairman and Ranking Member Price and member of the Committee, I want to thank you for having me here today and I will just get right to the point. We, in this country, are underinvesting in infrastructure. It is very clear.

And whether or not the funding levels acknowledge that is in the hands of Congress. And my job is to help you get to the right answers as best we can and I look forward to working with you, Mr. Chairman, as well as Ranking Member and the entire Committee, to advance the game for transportation.

I am aware of projects all over the country that need to happen. Projects like 1.4 mile stretch of I–395 including a new bridge there that is estimated to cost $600 million to rebuild and we just don't have the resources to pay for it.

In Ranking Member Price's district, I was just there a few days ago where there is a significant light rail project that is being discussed now. And I also know that 90 percent of all freight in North Carolina is moved by highway. And that we have 29 billion more tons of freight to move as a country by 2030.

And without new investments in the transportation network, our studies predict that commercial warehouses will continue to move away and businesses will ultimately decide to locate elsewhere unless we have a robust investment in our infrastructure. These are just examples. I could go on into Fort Worth where there is a rail line that is planning to come in that is similarly situated in terms of funding.

And also, the fact that in Illinois, we are going to have 50 percent more people traveling on U.S. airlines in 30 years and so. There is also a need to increase access at O'Hare Airport. Everywhere around the country there is a to-do list. There is stuff that needs to get done that is not getting done. And unfortunately for us, as the country grows by 70 million people over the next 30 years, those challenges are going to get worse.

And so, if I could make one point at the outset, it is that the decisions that are being made in this fiscal year are very consequential when it comes to the overall needs for infrastructure in our country. The members of the Transportation Subcommittee aren't the only ones who need a little more investment in transportation.

I have traveled to 42 states in the last year and the state of disrepair has almost never been worse. And the need for more capacity has almost never been greater. These are our twin challenges as a country. It is a national crisis and we can't solve it just by focusing on a single project or a single program or a single line item. It requires us to do something transformative and it requires us to do something big.

The place to start is, of course, with the resources and lots of it because a big part of the reason that our infrastructure is antiquated is that our idea of how to fund it is also antiquated. The Highway Trust Fund isn't the only way we pay for transportation, of course, but it is one of the biggest. It was established in 1956 and the formula hasn't changed much nor has our approach to how those funds are used.

As I said before, we are growing by 70 million more people over the next three decades and we have spent the last several years spending less and less of our GDP on surface transportation infrastructure.

Rather than investing for the future, we have simply looked to what we have invested in the past and, in fact, we are budgeting to numbers but not to results. On top of that, the Highway Trust Fund has generated less revenue. Funding has become less stable. We have patched the transportation funding 32 times in 6 years, including one 10-month patch last summer that will expire in May right at the start of the construction season.

This uncertainty has led states like Delaware and Tennessee and Arkansas to cancel more than $1 billion worth of projects and more states are likely to follow suit. We must build for the future in our own way and that is why we have sent to Congress the GROW America Act last year. We will submit shortly a new and revised version of that Act. It is also why this year we sent you a budget request that details investments within a new and improved framework, a 6-year, $478 billion bill, 95 billion of which accounts for our FY16 budget.

It would grow investment by about 50 percent and provide stable funding for six years so states could start building for the long term. We will also forward a specific plan to pay for this through one of the most specific business tax reform proposals that is currently on the table.

Now, there may be differences of opinion about our particular plan but we stand ready to work with you, Mr. Chairman, Ranking Member and the entire Committee on any concerns you have.

One final point since it was raised at the beginning, Mr. Chairman, regarding sequestration. At the end of 2013, policymakers came together on a bipartisan basis to partially reverse sequestration and to pay for higher discretionary funding levels with long term reforms. We have seen the positive consequences of that bipartisan agreement from our ability to invest in areas from research and manufacturings to strengthening our military.

We have also seen positive consequences for the economy. The President's budget builds on this progress by reversing sequestration paid for with a balanced mix of common sense spending cuts and tax loophole closures while also proposing additional deficit reduction that would put that on a downward path as a share of our economy. And so, with that, Mr. Chairman, thank you.

[The information follows:]

STATEMENT OF
ANTHONY R. FOXX
SECRETARY
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE

APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION, HOUSING, AND URBAN DEVELOPMENT
U.S. HOUSE OF REPRESENTATIVES

HEARING ON

Fiscal Year 2016 Budget Request

February 26, 2015

Chairman Diaz –Balart, Ranking Member Price, and Members of the Subcommittee, thank you for the opportunity to appear before you to talk about the President's $94.7 billion Fiscal Year (FY) 2016 Budget Request for our transportation programs and the importance of these programs to our economy and job creation. This is a critical area for our Nation, and it is critically important that we work together to enact a robust budget that makes much-needed investments in our nation's infrastructure.

Over the last year, I traveled across the country – to engage with local officials, business leaders, and everyday people about the state of our transportation system. In the Spring last year, I spent a week traveling by bus from Ohio to Texas stopping in cities and one-stoplight towns along the way. Just this last week I took a similar trip, starting in Florida and stopping in cities on our way back to Washington D.C. What we saw on all of these trips – and what we heard from people around the country and in State Departments of Transportation – demonstrated to me that people outside the Beltway desperately want us to find a way to work together in Washington and fix the serious transportation problems we have in America.

Transportation is a critical engine of the Nation's economy. Investments in our transportation network over the country's history have been instrumental in developing our Nation into the world's largest economy and most mobile society. Over time, however, our level of investment as a percentage of the gross domestic product has dropped significantly, as it fails to keep pace with our growing economy and population. The costs of inadequate infrastructure investment are exhibited all around us. Americans spend 5.5 billion hours in traffic each year, costing families more than $120 billion in extra fuel and lost time. American businesses pay $27 billion a year in extra freight transportation costs, increasing shipping delays and raising prices on everyday products. Also, 65 percent of our Nation's roads are in less than good condition; one in four bridges require significant repair or can't handle current traffic demands and 45 percent of Americans lack access to basic transit services.

Underinvestment impacts safety, too. There were over 32,000 highway traffic fatalities in 2013. Such fatalities occur disproportionately in rural America, in part because of inadequate road conditions. For a Nation that is expected to have 70 million more citizens by 2050 and an increase in the volume of freight traveling on our highways, railroads, waterways and aviation systems, the current investments we put into our transportation system will not be sufficient to address these competing but urgent needs.

Worse still, in recent years, the transportation enterprise – and the millions of jobs that come with it – has been thrown into a continuing period of uncertainty due to the numerous short-term spending "patches" that we use to fund our Federal transportation programs. The inability to pass long- term surface transportation funding bill creates uncertainty for local project sponsors and inhibits their ability to plan effectively. Since 2009, our surface transportation programs have been operating under short term extensions 11 times, including a two day lapse in March 2010. In addition there have been 21 continuing resolutions, forcing all our transportation programs to operate under a CR for 39 of the last 77 months, not to mention a 2 ½ week stretch where the government was shutdown. Governors, mayors, city and county councils, and tribal leaders can't plan because they don't know whether the Federal program and payments will be suspended – again – in just a few months' time.

Increasingly, we are seeing State and local officials abandon planning on the more ambitious and expensive projects that will move our economy forward. Instead, these officials are targeting available dollars on smaller preventative maintenance and repaving projects that while important for maintaining infrastructure availability in the near term, cannot address the longer term needs for additional investment in transportation infrastructure capacity and quality. State and local officials are rightly concerned about whether Congress will allow spending authority from the Highway Trust Fund to expire at the end of May – precisely when the construction season should be heading into full swing. Just recently, the Commissioner of Tennessee's DOT announced he was delaying $400 million in highway projects because of the funding uncertainty in Washington, saying "this piecemeal funding of projects and programs is having a significant impact on how and when State DOTs and municipal planning organizations deliver much needed investment in our transportation networks." Similarly, the Director of the Arkansas State Highway and Transportation Department decided to delay $100 million in highway construction projects and Delaware recently put $600 million in projects on hold because of uncertainty over the Highway Trust Fund. We may not see it directly, but failure to act on a long-term bill is actually making investments in critical infrastructure more expensive – and more difficult, for all of our State DOTs.

Inadequate and inconsistent funding is not our only problem. The Federal programs that govern how we deliver projects must be modernized. Too often, projects undergo unnecessarily lengthy reviews, and we need to be able to make the types of reforms that will expedite high priority projects and identify best practices to guide future efforts without undermining bedrock environmental and labor laws or public engagement. We also need to reward States and local communities that coordinate their decision making with their neighbors and prioritize funding for freight projects that will benefit the Nation's economy.

For these reasons, I hope that the Administration, this Committee, and the many other Committees in Congress who must be heard from, will agree that we must bring this era of short-term patches to a close.

Last year as part of the Budget, the Administration submitted to Congress the Generating Renewal, Opportunity, and Work with Accelerated Mobility, Efficiency, and Rebuilding of Infrastructure and Communities throughout America – or GROW AMERICA – Act. This proposal was a comprehensive four-year, $302 billion reauthorization proposal which called for substantial funding increases as well as dozens of critical policy reforms. What America received instead was yet another short-term extension, with status-quo policies and flat funding. The President's 2016 Budget adds additional certainty by requesting a 6-year, $478 billion multimodal proposal that includes essential program improvements so we can improve safety, support critical infrastructure projects, and create jobs while improving America's roads, bridges, transit systems and railways in our cities, fast-growing metropolitan areas, small towns and rural communities across the country.

Our proposal is fully paid for through an important element of the President's plan for a reformed business tax system that will encourage firms to create U.S. jobs instead of shifting jobs and profits overseas. Specifically, the Administration's proposal would impose a one-time 14 percent transition tax on the untaxed foreign earnings that U.S. companies have accumulated overseas. Unlike a voluntary repatriation holiday, which the President opposes and which would lose revenue, this transition tax would mean that companies have to pay U.S. tax right now on the $2 trillion they already have overseas, rather than being able to delay paying any U.S. tax indefinitely. And it would be coupled with reforms to eliminate the incentive to shift profits and jobs to tax havens in the future. Revenue from the transition tax – along with projected highway excise tax receipts – will fully pay for the GROW AMERICA Act.

Our six-year proposal will provide the funding growth and long-term certainty so desperately needed by our States and local communities so they can make real progress on addressing our infrastructure deficit. The GROW AMERICA Act will also build ladders of opportunity to help Americans get to the middle class by providing transportation options that are more affordable and reliable and by improving their quality of life through greater access to education and new job opportunities. Most importantly, the GROW AMERICA Act will put into place a program structure and funding stream focused on the transportation needs of the future.

Reauthorization of the Federal Aviation Administration is also approaching in 2016. The Administration is developing its goals and objectives to improve the safety and efficiency of the national airspace system. The FAA is currently in the middle of a multi-year, multi-billion dollar modernization known as NextGen. This overhaul will take advantage of satellite based navigation technology to create a safer, more efficient system.

As part of our effort to focus on the future of transportation, on February 2nd, I released the Department's 30-year vision for the future of transportation in America – entitled "Beyond Traffic." It is intended to start a meaningful national dialogue on the choices we must make as a nation if we are to avoid a painfully congested future where our transportation system serves as a crippling drag on our economy rather than a catalyst for growth. I would encourage all Committee members to review the document and participate in this dialogue. One thing our report makes clear is that technology will have to play an essential role in helping us get maximum capacity out our existing infrastructure as well as all the new roadways and railways we are going to need to build to accommodate the 70 million additional citizens that will join our nation by 2050.

The Fiscal Year 2016 Budget Request and the GROW AMERICA Act aim to tackle this challenge head on by modernizing the U.S. Transportation system through technology and process innovation. The bill also advances my key priorities of protecting the safety of the traveling public while closing the nation's infrastructure deficit.

Protecting the safety of the traveling public: In 2013, vehicle crashes killed approximately 32,000 Americans and injured more than 2.3 million, making motor vehicle crashes one of the leading causes of death in the U.S. Every life is precious, and one life lost on our roads is one too many. Federally inspired safety reforms, such as seat belt and drunk-driving laws, have saved thousands of American lives and avoided billions in property losses. The GROW AMERICA Act addresses safety vulnerabilities across our transportation network, both through increased investment in safety programs, and through policy changes that strengthen oversight and increase accountability. It includes:

- *Focusing $29 billion over six years, including $7.5 billion in FY 2016, on the reconstruction, restoration, rehabilitation, preservation, or safety improvement of existing highway assets.* The Critical Immediate Safety Investments Program (CISIP) will reduce the number of structurally deficient Interstate Highway System bridges, target safety investments, and support a state of good repair on the National Highway System.

- *Improving safety on railroads.* The proposal will assist commuter railroads implement positive train control (PTC) by providing $3 billion over six years, including $825 million in FY 2016. The proposal will also help reduce the impact and improve the safety of rail transportation in communities using $250 million in FY 2016 for rail line relocation projects, highway-rail grade crossing enhancement, and investments in short line railroad infrastructure.

- *Increasing the National Highway Traffic Safety Administration's capabilities by providing $6 billion over six years, including $908 million in FY 2016.* This will ensure that vehicles on the road meet the highest safety standards and that the agency has the personnel and tools to identify vehicle defects early and respond quickly. This includes a request in FY 2016 to hire 57 new people within the Office of Defects Investigation to meet the challenge of rapidly evolving technology within the average car.

- *Continuing focus on the Safe Transport of Energy Products.* The FY 2016 Budget makes approximately $34 million in targeted investments across the Department to continue and further our focus on the safe movement of energy products throughout our transportation system by supporting enhanced inspection levels, investigative efforts, research and data analysis, and testing in the highest risk areas.

Closing the nation's infrastructure deficit: The FY 2016 Budget Request and the GROW AMERICA Act propose important policy improvements and make critical investments to close this nation's infrastructure deficit, including:

- *Strengthening policies and providing $317 billion over six years, including $51.3 billion in FY 2016, to invest in our Nation's highway system:* The proposal will increase the amount of highway funds by an average of nearly 29 percent above FY2015, emphasizing "Fix-it-First" policies and reforms that prioritize investments for much needed repairs and improvements to the safety of our roads and transit services, with particular attention to investments in rural and tribal areas.

- *A dedicated grant program for projects that benefit the Nation's commerce:* The U.S. transportation system moves more than 52 million tons of freight worth nearly $46 billion each day, or almost 40 tons of freight per person per year, and freight tonnage is expected to increase 62 percent by 2040. The Budget proposes $18 billion over six years, including $1 billion in FY 2016, for a new multi-modal freight program that will relieve specific bottlenecks in the system, strengthen America's exports and trade, and give freight stakeholders a meaningful seat at the table in selecting funded projects. The new initiative encourages better coordination of planning among the Federal government, States, ports, and local communities to improve decision-making.

- *Strengthening policies and providing nearly $115 billion over six years, including $18.4 billion in FY 2016, for transit systems to expand transportation options:* The proposal increases average transit spending by nearly 76 percent above FY 2015 enacted levels, which will enable the expansion of new projects that improve connectivity, such as light rail, street cars, and bus rapid transit, in suburbs, fast-growing cities, small towns, and rural communities, while still maintaining existing transit systems. These transit investments will play a critical role in supporting communities around the country – for example, providing transportation options in rural communities that have growing numbers of seniors.

- *Strengthening policies and providing nearly $29 billion over six years, including $5 billion in FY 2016, for the Nation's intercity passenger and freight rail network*: Highways, transit, aviation, inland waterways, ports and harbors all have dedicated trust funds. Rail does not have a dedicated source of federal revenue. The GROW AMERICA Act will provide predictable, dedicated funding for rail, which will provide States, localities, and railroads with the certainty they need to effectively plan and implement their projects – primarily to improve and expand passenger rail service. This funding will allow our Nation to better address the growing backlog of state of good repair needs on our rail system and deliver the improvements required to accommodate growing passenger and freight rail demand.

- *Expanding and strengthening of DOT credit programs to spur innovative financing and increase overall infrastructure investment:* The GROW AMERICA Act expands financing options under the Transportation Infrastructure Finance and Innovation Act (TIFIA), which leverages federal dollars by facilitating private participation in transportation projects and encouraging innovative financing mechanisms that help advance projects more quickly. The Act will provide $6 billion over six years, which could result in $60 billion of direct loans. In addition, the Act increases the accessibility of the Railroad Rehabilitation and Improvement Financing Program by reducing the cost of obtaining a loan for short line railroads and increases the availability of Private Activity Bonds by raising the existing $15 billion cap to $19 billion.

- *Strengthening domestic manufacturing*: The GROW AMERICA Act will strengthen existing "Buy America" requirements to ensure that taxpayer investments for public transportation translate into American jobs and opportunities for innovation. The Act allows for an orderly phase in by transit suppliers by raising the current 60 percent threshold to 100 percent over multiple years to bring the "Buy America" requirements for transit in line with the requirements in other modes.

- *Expanding access to markets and strengthening rural communities*: America's rural communities are the critical linkage in the nation's multimodal transportation network. From manufacturing to farming, freight logistics to energy production and more, rural America is home to many of the nation's most critical infrastructure assets including 444,000 bridges, 2.98 million miles of roadways, 30,500 miles of interstate highways. Specifically, the GROW AMERICA Act will encourage safety on high-risk rural corridors, provide workforce development in rural areas, make badly needed freight investments, increase deployment of broadband use in rural areas, and improve the Federal Lands Transportation Program to achieve a strategic, high-use transportation system on roads that directly access federal lands.

Modernizing the U.S. Transportation System through technology and process innovation: Technological changes and innovation have the potential to transform vehicles and infrastructure, logistics, and delivery of transportation services to promote efficiency and safety. Likewise, process innovation has the potential to improve the way that the government operates in the service of the American people. To that end, the FY 2016 Budget Request and the GROW AMERICA Act are focused on:

- *Encouraging innovative solutions through competition:* The Act more than doubles the size of the highly successful Transportation Investment Generating Economic Recovery (TIGER) competitive grant program and cements it in authorizing statute, which will encourage States and localities to bring more innovative, cross-modal proposals to the table and give the Department more resources to see that the most meritorious projects ultimately are constructed. In addition, the Act would dedicate $6 billion over six years, including $1 billion in FY 2016, to establishing the Fixing and Accelerating Surface Transportation (FAST) program, designed to create incentives for State and local partners to adopt critical reforms in a variety of areas, including safety and peak traffic demand management.

- *Improving project delivery and the Federal permitting process:* The GROW AMERICA Act will help projects break ground faster by expanding on successful Administration efforts to modernize the permitting process while protecting communities and the environment. The Budget requests $4 million in FY 2016 to create an Interagency Infrastructure Permitting Improvement Center that will institutionalize capacity within DOT to improve interagency coordination and implement best practices, such as advancing concurrent, rather than sequential, project review, and using the online permitting dashboard to improve transparency and coordination and track project schedules. The Act will also increase flexibility for recipients to use Federal transportation funds to support environmental reviews, and help to integrate overlapping requirements and eliminate unnecessary duplication.

- *Accelerating NextGen:* The FY 2016 Budget Request includes $956 million to advance the modernization of our air traffic control system which will make aviation safer and more efficient. Although NextGen is a long-term and complex undertaking, we are already witnessing benefits from it—giving pilots and controllers more flexibility at certain airports, reducing wake-based separation standards at others, and reducing congestion in some busy metro areas. This budget will support stakeholder identified priorities as well as invest in core FAA information technology infrastructure necessary to deliver additional benefits.

At the end of 2013, policymakers came together on a bipartisan basis to partially reverse sequestration and to pay for higher discretionary funding levels with long-term reforms. We have seen the positive consequences of that bipartisan agreement for our ability to invest in areas ranging from research and manufacturing to strengthening our military. We have also seen the positive consequences for the economy, with an end to mindless austerity and manufactured crises contributing to the fastest job growth since the late 1990s. The President's Budget builds on this progress by reversing sequestration, paid for with a balanced mix of commonsense spending cuts and tax loophole closers, while also proposing additional deficit reduction that would put debt on a downward path as a share of the economy.

Meanwhile, the President has made clear that he will not accept a budget that reverses our progress by locking in sequestration going forward. Locking in sequestration would bring real defense and non-defense funding to the lowest levels in a decade. As the Joint Chiefs and others have outlined, that would damage our national security, ultimately resulting in a military that is too small and equipment that is too old to fully implement the defense strategy. It would also damage our economy, preventing us from making pro-growth investments in areas ranging from basic research to early childhood education to air traffic controller furloughs at the Department of Transportation. As the President has stated, he will not accept a budget that severs the vital link between our national and economic security, both of which are important to the Nation's safety, international standing, and long-term prosperity.

Thank you and I look forward to your questions.

Meet the Secretary
Anthony Foxx - Secretary of Transportation

Anthony Foxx became the 17th United States Secretary of Transportation on July 2, 2013.

In nominating him, President Obama said, "I know Anthony's experience will make him an outstanding Transportation Secretary. He's got the respect of his peers, mayors, and governors all across the country. And as a consequence, I think that he's going to be extraordinarily effective."

As U.S. Secretary of Transportation, Foxx leads an agency with more than 55,000 employees and a $70 billion budget that oversees air, maritime, and surface transportation. His primary goal is to ensure that America maintains the safest, most efficient transportation system in the world.

Foxx joined the U.S. Department of Transportation after serving as the mayor of Charlotte, North Carolina, from 2009 to 2013. During that time, he made efficient and innovative transportation investments the centerpiece of Charlotte's job creation and economic recovery efforts. These investments included extending the LYNX light rail system, the largest capital project ever undertaken by the city, which will build new roads, bridges, transit as well as bicycle and pedestrian facilities; expanding Charlotte-Douglas International Airport, the sixth busiest in the world; working with North Carolina Governor Beverly Perdue to accelerate the I-485 outer belt loop using a creative design-build-finance approach, the first major project of its kind in North Carolina; and starting the Charlotte Streetcar project.

Prior to being elected mayor, Foxx served two terms on the Charlotte City Council as an At-Large Representative. As a Council Member, Foxx chaired the Transportation Committee, where he helped shepherd the largest transportation bond package in the city's history, enabling Charlotte to take advantage of record low interest rates and favorable construction pricing to stretch city dollars beyond initial projections. Foxx also chaired the Mecklenburg-Union Metropolitan Planning Organization.

Foxx is an attorney and has spent much of his career in private practice. He also worked as a law clerk for the U.S. Sixth Circuit Court of Appeals, a trial attorney for the Civil Rights Division of the U.S. Department of Justice, and staff counsel to the U.S. House of Representatives Committee on the Judiciary.

Foxx received a law degree from New York University's School of Law as a Root-Tilden Scholar, the University's prestigious public service scholarship. He earned a bachelor's degree in History from Davidson College.

Foxx and his wife, Samara, have two children, Hillary and Zachary.

Updated: Friday, November 21, 2014

INTRODUCTION

Mr. DIAZ-BALART. Thank you very much, Mr. Secretary. Members, just like yesterday, we will proceed in the standard five-minute rounds, alternating sides, recognizing members in order of seniority, but as they were seated at the beginning of the hearing. So again, I will ask you once again to please be mindful of your time and allow the Secretary time to answer within the five-minute time. Again, I am going to try to keep us all on time. We should be able to hopefully get through at least a first round before the next votes.

So remember that the Subcommittee has three additional DOT hearings planned for the spring, FAA and two different modal panels. So there is going to be a chance to ask mode-specific questions again in the near future.

HIGHWAY TRUST FUND SOLVENCY

Mr. Secretary, your budget proposal increases surface transportation spending again for the Highway Trust Fund by millions of dollars per year. In addition, as Mr. Price mentioned in his opening remarks, you brought in what is paid for by the trust fund by converting billions of dollars in discretionary spending into, in essence, a Highway Trust Fund.

Now, this, of course, is all for not—if the trust fund cannot actually pay for all of the new spending, and can you briefly describe how it is possible that the Highway Trust Fund can support these new burdens?

Secretary FOXX. Yes, Mr. Chairman. Current, gas tax revenues over the next six years will generate about $239 billion. Our bill is a $478 billion, 6-year bill. And so, the balance of the $238 billion would be paid for in pro-growth business tax reform.

In a nutshell, there is a comprehensive approach the administration has put forward. One part of which is a 14 percent toll charge on up to $2 trillion in untaxed fine earnings. That would be sufficient to fund that $238 billion portion and take care of that Highway Trust Fund component.

Mr. DIAZ-BALART. Mr. Secretary, I get that, but in essence, it is really, a one-time almost patch. In other words, it doesn't solve the structural deficit problem. Before then we assume that we can spend more money so again, once the one-time repatriation deal is done and the trust fund again will be insolvent in seven years, now, I get that. It is a patch. It is a seven-year patch but and I am looking forward to working with you on any potential solution.

So I am not being critical. I am just putting the fact out that there is a seven-year temporary fix and so, shouldn't we look for ways to identify a more sustainable long term fix to the Highway Trust Fund before we start spending, again, more money?

Secretary FOXX. Well, look, I don't know that it is an either/or proposition. I think that what the administration has put forward, if one calls it a patch, it certainly is a much bigger, more substantial and longer term patch than we have had in the last six years. We have had 32 short-term patches and as I have said before, it is impacting the ability of state and local governments to actually plan projects, get projects in the pipeline and complete them.

Six years would be a substantial improvement over the status quo. And not only would we avert future crises over the next six years of Highway Trust Fund Cliffs, but we would inject a sufficient amount of capital into the system to get communities planning again, and to get projects off the ground. So, I do not know that that forecloses our broader conversation about what to do beyond that, but certainly over the next six years this is the way to improve transportation infrastructure without increasing rates and without increases deficits.

Mr. DIAZ-BALART. And I understand that that is what you are doing but, again, if we assume that spending remains flat after the last year of your proposal, of your reauthorizing proposal, how much more funding would we have to increase? How much more, not funding, how much more revenues would we have to increase, tax increases, whatever, to keep paying for that higher spending level after the reauthorization?

Secretary FOXX. Well, you know, it is $238 billion over six years, so if the goal would be to sustain that level of increase over an additional six-year period, it would be roughly the same amount of money that would have to be raised, but, first of all, we have been under-investing for so long, that injecting a substantial amount of money at this time, will have an outsized positive impact on construction, but also on job creation in the economy.

Mr. DIAZ-BALART. And Mr. Secretary, I am going to keep myself, because I promised everybody I was going to do that, to Mrs. Granger's surprise, I am going to keep myself limited to the time, but we will continue to talk about that. With that, let me recognize Mr. Price.

BEYOND TRAFFIC

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, I want to give you a chance, initially, to comment on the big picture, particularly since you have initiated this very impressive study called, Beyond Traffic, and that was released, as I said, in my statement, the same day we saw your 2016 budget.

I want to commend you for taking a leadership role in spurring this national discussion regarding our transportation needs, and focusing the conversation on how we can pay for our future needs. Apropos of your exchange just now with the Chairman, I am sure this proposal, dealing with corporate taxes and tying it to corporate reform, I am sure that was not your first choice, or second choice, or third choice. You know, this, we need to realize, I think, comes after years, years of stalemate on this issue.

And so, I give you credit for an innovative proposal, and I do think if the Congress is not ready to pick up on that, then the question has to be, well; what is the alternative, how are we going to do this? Anyway, I would like to ask you to comment on this big picture, the process the DOT undertook in putting the study together, the key findings; anything in particular that surprised you? I know you recently did a tour in North Carolina; do you have a sense of reaction amongst stakeholders, public reaction?

And then, what kind of assumptions are you making about revenues, apropos of this proposal you have put in and other things that you have thought about? Could you just give us an overview of why and how you undertook this, and what you take the main conclusions to be?

Secretary FOXX. Thank you, Mr. Ranking Member. We did undertake this work in Beyond Traffic, which is currently out as a draft, and open for public comment. The Department has been talking about how we are going to pay for transportation over the last several years. But there has been very little relative conversation about what it actually is that we are trying to accomplish. What is the goal? What are the problems we are trying to solve?

And Beyond Traffic begins to help us understand where the country is going. A couple of data points; the country is going to grow by 70 million more people over the next 30 years. So, whatever congestion we have today is likely to increase. In addition to that, our movement of commodities is also going to increase pretty substantially; 60 percent more trucks on the road. The bottlenecks we have in our highways today, are going to increase unless we do something drastically different going forward.

One word about growth, a lot of the growth that we are going to see in this country, according to our research, is going to be in South and in the West. Places that, historically, have been largely auto-dependent. I think that will endear some very important changes or philosophy in those areas, about how they are going to integrate different transportation choices to give that traffic a release valve.

The study was not just confined to surface transportation; we also looked aviation. We are going to experience even more significant congestion. which also makes clear that the need for innovation, things like NextGen and the airspace are very important.

I think the upshot of the study is that when you look at what we have been doing over the last 10 or 15 years, and you compare budget numbers year to year, what we are asking for here is pretty significant. But if you look at where the country is headed and the types of challenges we have in the future, what we are asking for is actually pretty small in comparison to the challenges we face.

I think part of what Beyond Traffic tells us, is that if we do not get on the stick real fast, this country is going to be overwhelmed by its own growth. We are going to choke on our own growth.

Mr. DIAZ-BALART. Thank you. Mr. Culberson.

PERMITTING

Mr. CULBERSON. Thank you, Mr. Chairman. Secretary Foxx, good to see you again, sir. Thank you for your service to the country.

Secretary FOXX. Thank you.

Mr. CULBERSON. I just want to focus on one question. I have only got a few minutes, because I have a hearing at 2:00 o'clock. I hope we will always continue, and I hope the administration will continue to focus on building transportation to meet the needs of people where they choose to live, rather than trying to build a, basically, forced transportation solutions on people, that the government chooses for them.

And with that in mind, I want to reiterate I may the only guy here that does not want light rail built in my district. Our constituents do not want it, and I want to express my strong support for Congressman's Al Green's application for a commuter rail line in his district. There is a strong support for that US–90A Line out there. And also in taxes, we have had good success with parallel permitting, making sure that when a transportation project is proposed, the permits with all the various agencies, proceed on a parallel path. To what extent is the Department of Transportation helping expedite approval of permits for major transportation projects?

Secretary FOXX. Thank you for the question. It is an area of great focus for me, to get our Department doing these concurrent permit reviews to help projects move faster. All of the equities about the different agencies are still part of the conversation, but if you do a concurrent review you are able to get everything done a lot faster. We have been able to do projects on an expedited basis through this process.

We have a subset of our projects that have been put on a permitting dashboard. Full Committee Ranking Member, Lowey, mentioned the Tappan Zee Project, which was one of those projects. We were able to do a parallel review in that case that shrank the permit time from what would have three to five years down to 18 months, then—

Mr. CULBERSON. So it is within your discretion you apply it as——

Secretary FOXX. Well——

Mr. CULBERSON. It is mandatory but something, perhaps, we ought to encourage. It has made a huge difference in taxes, so I would encourage you to use it. I know in her capacity as Mayor, Kay Granger certainly saw that, we all see it made a big difference. Hope you will do it more often.

Secretary FOXX. We want to do more, but it is also very resource-intensive, and so there are places in budget request that are requested resources to help us do more of that.

Mr. CULBERSON. Speaking of permitting, the EPA, as you may know, is undergoing a rulemaking proposing changes to both the Clean Water Act, and the Clean Air Act.

I am in contact with the Texas Department of Transportation, and they point out to me that the rulemaking changes, for example, in the Clean Water Act, would require the Department of Transportation to get a permit to dig drainage ditches along roads, because the definition of navigable water the administration would so broadly expand the definition of navigable water. Has the Department of Transportation been in communication with EPA about the impact of these proposed changes on transportation projects?

Secretary FOXX. I am not aware of the current state of that discussion. Any time a rule is proposed there will be inter-Agency discussion about it, and we would have an opportunity to comment. I would like to get our staff to reach back to you on——

Mr. CULBERSON. Okay.

Secretary FOXX [continuing]. On details associated with that.

Mr. CULBERSON. Thanks very much.

Secretary FOXX. Yes, sir.

Mr. CULBERSON. Thank you very much, Mr. FOXX.

Mr. DIAZ-BALART. Thank you very much.

Ms. Lowey.

TAPPAN ZEE BRIDGE

Ms. LOWEY. Thank you very much. And, again, welcome, Mr. Secretary. As I said in my opening statement, I was very pleased to see the Tappan Zee Bridge figured so prominently on the 2016 Budget documents. And is it an example of the President's Infrastructure Program last year?

As you know, despite some fits and starts construction has finally begun on a replacement bridge to ensure the safety and continued economic progress of the New York region. I also know you are keenly aware of how expensive it is to replace aging bridges, such as this one, which carries millions of people and products each year.

So we are going to have to be creative, it will need a solid, committed Federal partner to complete this major project. As you know, in the short term, the new, New York Bridge taskforce recommended that bus rapid transit be operational at the time the bridge opens. Public transportation options are critical for commuters of all means of income. So we need your help, and your Agency's help to make sure that Tappan Zee replacement goes smoothly, and is done with careful consideration about the cost to commuters of any region.

So, I hope I will have your commitment today, and your staff, to work with me——

Secretary FOXX. Yes.

Ms. LOWEY. [continuing]. To explore all available options to help the New York region get this done.

Secretary FOXX. Yes. Absolutely.

GRADE CROSSING SAFETY

Ms. LOWEY. I thank you so very much. Now, I want to mention one other issue again, and that is grade crossing safety. As you well know, earlier this month, there was a tragic crash between a vehicle and a Metro-North commuter train at a highway railroad grade crossing in my district. The devastating incident took the lives of the car driver, five passengers on the train. I have never seen anything like it.

There was another crash with a commuter rail provider in Southern California, just two days ago, so we really have to do more to improve the safety of grade crossings, and I would think there needs to be a multi-faceted approach, eliminating hazardous grade crossings when we can, developing technologies that can identify obstructions on the rail line, and educating drivers about the dangers of entering crossing when the lights are flashing.

Your budget requests funding for 24 additional safety steps to work with state and local officials to help reduce the number of grade crossing and trespassing facilities. This is a start, with the double-digit increase in the percentage of fatalities, from FY '13 to FY '14. I am hoping that we can be more aggressive about removing hazardous crossings; implementing obstruction detection technologies and educating the public. This is so very important and I am hoping that we could focus on this together.

Secretary FOXX. Yes. Well, a couple of responses. First of all, thank you very much, and our hearts and minds continue to go out to the community in your district, surrounding that accident. We are still getting to the bottom of exactly what happened there, but clearly grade crossings can be dangerous if there is not appropriate protocols followed both by the rail industry as well by the members of the travelling public.

We continue to advance the ball there. It would not hurt our feelings at all to see more resources put into this issue, and to have a comprehensive approach to this as we have prescribed.

I would also add that add that including the passenger rail component into the Trust Fund, also gives us the ability to have a predictable source to be able to deal, in part, with some of these grade crossing issues. There are places we do need to separate traffic, but the resources, frankly, are just not here to do it. So, I would join you in trying to work on getting that in a better place.

Ms. LOWEY. Well, I thank you very much. I appreciate it. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, Ms. Lowey. Mr. Jolly.

2016 BUDGET REQUEST

Mr. JOLLY. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here. Thank you, to your leadership team last year. You were helpful and helpful and at least thoughtful consideration of personal meetings regarding a TIGER Grant Application, important, in Pinellas County for this. So I thank you for that. My question, I understand you worked up on The Hill for some time.

Secretary FOXX. It was a while ago.

Mr. JOLLY. And I mean this respectfully, but as the Chairman alluded to, the budget assumes passage of the Grow Act. Let us assume for a moment that it is not implemented, let us assume there is not the 14 percent tax on overseas profits, because I think that is the reality in which we, as a Subcommittee, are going to be dealing with the budget this year. Do you have budget documents? Do you have justifications, budget plans for an assumption that we do not enact the 14 percent tax?

Secretary FOXX. Our budget is—our request is our request in that——

Mr. JOLLY. And I understand, and I do mean this respectfully but, you know, one of the jobs of this Panel is oversight, and I think it is an appropriate management question about whether or not, yourself as Secretary, and the team, is prepared for a budget that does not recognize additional revenue from the 14 percent tax.

I mean, I do not want to speak for my colleagues, but I would seriously doubt that that gets enacted during consideration of this year's budget request. The question is, are there planning documents that assume that is not enacted.

Secretary FOXX. Our budget request is our budget request. It is built off of our sense of what the country needs, and as I said before, the resource that we would use to pay for it, does not require adding to the deficit or raising rates. The overall philosophy of the President's Budget, is reversing sequester.

Mr. JOLLY. Okay. I apologize. I have to go to Mr. Culberson's, Subcommittee Hearing. Thank you, Mr. Secretary.

Secretary FOXX. Thank you.

Mr. DIAZ-BALART. Mr. Quigley.

NORWEGIAN AIRLINES

Mr. QUIGLEY. Thank you. I appreciate that. Thank you, Mr. Chairman. Mr. Secretary, thanks for being here. I am sure you have seen this sort of tactic before, but I am holding the letter from about 260 members in opposition to granting Norwegian Airlines here for an Air Carrier Permit. This is, as you know, bicameral, bipartisan, it is extremely important to us, so at the very least I wanted to make you doubly aware of our concern on that issue. But obviously you are aware of those issues, right?

Secretary FOXX. I am. It is under review by the Department, but I am not at liberty to discuss that matter at this point.

POSITIVE TRAIN CONTROL

Mr. QUIGLEY. Very good. Let us talk about something else that you are aware of. I recently rode the locomotive, not driving it mind you, from Amtrak, from Chicago into Michigan; I got to see positive train control work. It is a great technology, but as you know it is not complete, and as you well know, it is far from being implemented on passenger rail, like metro in my districts in Chicago, and most passenger rail across the country, as well as obviously, the extraordinary cost to freight.

We see these horrible accidents; we know they are not all related to positive train control. I think it makes us think someone inconsistently. If I may, we know in the rationale sense that they are never going to meet this deadline. Right? What are we, nine months out, sir?

Secretary FOXX. That is right. Yes.

Mr. QUIGLEY. It is just not going to happen. And I hear from your office that there is not going to be any extensions. So we know it cannot get done, but we are still not going to extend this. And none of us want to be put this situation where there is a tragedy that could have been averted.

Secretary FOXX. Right.

Mr. QUIGLEY. But somewhere there has to be a middle ground that says, we know you cannot make this, we do not want to give you all the time in the world. You know, how do we handle this appropriately?

Secretary FOXX. So, the approach taken in the GROW America Act is, one could issue a blanket extension, but we think that that would result in inordinate delays across the system in implementing positive train control. Rather than do that, we are suggesting you empower the Department of Transportation to develop an individualized plan to get into compliance with each of the rail companies, and to get there as quickly as possible.

In addition to that, in the GROW America Proposal, and the President's Budget, we have requested $825 million in the fiscal year 2016, and $3 billion over six years for positive train control implementation for commuter rail systems, which badly need additional resources.

Mr. QUIGLEY. So, Mr. Secretary, at some point this year we are going to have to start telling people. Right? I mean, I am not sure as to the Chairman's comments as we began, that all that money is going to be available, but it is as you suggested over time. So in the meantime, when do we start telling metro, and freights and others across the country? Everybody here represents a passenger rail; when do we start telling them we may have to individualize this, but we are going to, and let them know how to move forward?

Secretary FOXX. We would like for Congress to give the Department the ability to do that and to have those conversations. I know that there is a pending rail bill in Congress, and our GROW America Act contains a rail title where that also could be done.

TIGER

Mr. QUIGLEY. Okay, further discussion. Final point, as you know TIGER is very important. Unfortunately, it is a little more kitten-like in its robust qualities than it is tiger-like, but we need to change that. I just want to put in a plug that we focus on projects with a larger regional impact, an economic development aspect. I would not be worth my weight if I did not mention Elgin-O'Hare project, which will have a regional impact in my district as well. And it is important as we talk about transportation, we always talk about region. Now, you know, in my city I talk about region all the time and my mayor reminds me when I say region I mean Chicago. But I really do mean region, but I hope you give that consideration when we start focusing on projects with a larger impact.

Secretary FOXX. Great, thank you.

Mr. QUIGLEY. Thank you.

Mr. DIAZ-BALART. Thank you. Mr. Joyce.

OPEN SKIES POLICY

Mr. JOYCE. Thank you, Mr. Chairman. It is an honor to be here on your committee and it is nice to see you again, Mr. Secretary.

First I would like to follow up on my friend from Illinois, regarding his statement on the letters that we have addressed to you on the NAI issue. I would like to echo some of the statements among, as he said, 269 of our colleagues, to stand strong for U.S. aviation jobs which I think is very important for all of us.

Secondly, I am concerned about Qatar and the UAE and their subsidizing of their airlines. It seems they are subverting the bilateral agreements with the United States and distorting market competition through unfair government subsidies to their state-owned airlines. The media has reported over the past decade that these two governments have granted over $40 billion in subsidies and other unfair benefits to their state-owned air carriers. These subsidies are more than twice as large as the EU subsidies to Airbus, which the U.S. challenged in the WTO. We need to act against these subsidies. They are injuring U.S. airlines and shifting U.S. aviation jobs to the Gulf.

The administration has made unfair competition from state-owned enterprises a top priority in trade negotiations with Asia and Europe. Why hasn't the administration put the same effort into challenging subsidies of the state-owned airlines in Qatar and the UAE?

Secretary FOXX. Well, we are currently reviewing information that we have obtained from some of the stakeholders, domestic stakeholders, on this question. I would be getting out in front of myself if I were to speculate as to how that will pan out. But what I can tell you is that we are taking a serious look at this issue.

Mr. JOYCE. I believe we had the same discussion maybe a year ago. Is anything new coming to light about this?

Secretary FOXX. Well, I would say that there has been information provided to us that has triggered a deeper look at this, but beyond that I do not have any further comment.

Mr. JOYCE. Well, would you agree that U.S. aviation workers are getting a raw deal under their current aviation agreements with Qatar and the UAE? In my view the administration should protect U.S. jobs by modifying those agreements to address the flow at subsidized capacity that these airlines are targeting in the United States. Do you not agree?

Secretary FOXX. I am aware that there are parties that allege that. I am not going to speculate as to what we will ultimately determine.

Mr. JOYCE. Thank you.

Mr. DIAZ-BALART. Thank you, sir. Mr. Cuellar.

NATIONAL FREIGHT STRATEGIC PLAN

Mr. CUELLAR. Thank you, Mr. Chairman, and Mr. Ranking Member. First of all, Mr. Secretary, talking about people who have worked here in Congress, I want to congratulate you. I think tonight you get the Congressional Black Associates' William Smith Trailblazers Award. So congratulations.

I want to talk to you about your vision, your plan, for the National Freight Strategic Plan, which I support. But I would ask you if you would work with me because I think there are some deficiencies and I would ask of your staff.

Looking at the map here, it looks like everything that the emphasis is talking about Texas from San Antonio up, but I would like to remind you about the border itself in the sense that, for example, you take Laredo, Texas, which is the largest inland port in the country. And if you look at total trade, it is L.A., New York, and Laredo. If you look at every year there is about 1.8 million trucks, commercial trucks, a year. If you look at the second highest border crossing, it is Otay Mesa-San Diego, which is less than 1.1 million. Laredo has—if you compare the second to the first, Laredo has over 1.1 million trucks. If you look at all the trucks across Texas, El Paso down to Brownsville excluding Laredo, they are about half of what Laredo has. But looking at what your staff or your folks have put together, it concerns me because if you look at the Eagle Ford also—and I had Chairman Shuster down there and he also had the impression that the highest port was somewhere else—Crossings—but if you look at the Eagle Ford, the oil and gas—and I brought Chairman Shuster, brought him from San Antonio down to Laredo—you add the big oil rigs and then you add the trucks that come in, and it is something that he had never seen before. And as you know, Chairman Shuster travels all over the country.

So I would ask you if I could get your commitment to have your staff work with my staff because I think there is a deficiency, with all due respect, Mr. Secretary, especially when you look at the first 27,000 miles. It does not even include where it starts off. Somehow it starts off 150 miles away from the original port. So I would ask if you would ask your staff to work with our staff because surely this is an issue that is very, very important to the folks in South Texas.

Secretary FOXX. We will certainly look at that. Yes, sir.

Mr. CUELLAR. Okay. I am going to ask some questions. Mr. Chairman, right before when it is 10 seconds before I will stop. But I will ask you just one quick question also. I will get into rail in a few minutes on the second round. But I would ask you to look also at airports. There is a pre-clearance, the first Mexican customs pre-clearance in the United States, and Mexico just took a step yesterday. It is also in Laredo, which means that now cargo will be pre-clearing. First time ever, cargo will be pre-clearing by Mexican customs in the U.S. in Laredo. So I would ask your staff to also take a look at that because that would increase the amount also.

Secretary FOXX. Okay.

Mr. CUELLAR. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thanks. Mr. Valadao.

UNMANNED AIRCRAFT SYSTEMS

Mr. VALADAO. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for spending some time with us today.

Secretary FOXX. Yes, sir.

Mr. VALADAO. I wanted to start off with something that I noticed during a tour of the border not too long ago and a little bit different than what Mr. Cuellar brought up. But it was specifically with the drones that some of our cartels are using. I know it is a recreational deal and a lot of folks do like these for hobbies and for other uses. But is there any talk about the safety of drones, especially near airports? Is there any monitoring along the border with regard to UAS crossing? We hear stories of cartels transporting meth and other illegal substances. Is there a way to monitor that or pay attention to that?

Secretary FOXX. I want to give you a better answer specifically related to the border, so I would like our FAA team to provide you with additional information.

[The information follows:]

MONITORING UAS ACTIVITY ON THE BORDER

Customs and Border Protection (CBP), a unit of the Department of Homeland Security, is in charge of border security and surveillance, including monitoring of unauthorized aircraft operations and border crossings. The FAA is responsible for authorizing CBP flights in the National Airspace System and for providing air traffic control as required. Current FAA RADAR will not detect most small UAS based on their size and altitude.

Mr. VALADAO. And Michael Huerta will be here on March 17. I just thought I would——

Secretary FOXX. But let me reiterate that safety is the first and foremost issue that we are focused on when it comes to unmanned aircraft systems. We do have a comprehensive approach to allowing the use of unmanned aircraft systems. We have started to do some exemptions in the commercial space for users. We also released just a week and a half ago the small UAS rule, which will enable some commercial users below a certain size to use these unmanned aircraft systems.

But we are focused on this issue of proximity to airports and the NPRM is giving us a chance to get comments in from industry about new technologies and other things that may be useful as we get to a final rule.

Mr. VALADAO. Okay. And I know that answer—I will probably ask that question again when Huerta comes along.

Secretary FOXX. Sure.

HIGH RISK RURAL ROADS

Mr. VALADAO. I also wanted to ask about the High Risk Rural Roads program, which originally established the goal of reducing the rate of serious injuries and fatalities on two-lane roads. A dedicated funding source geared towards safety improvement projects was in place in order to reach this goal; however, MAP–21 significantly altered the program and DOT's interpretation of the change has prevented much needed investment in safety improvement of projects along rural roads.

What can be done to improve the safety and would you favor reinstating the High Risk Rural Roads program in its previous form?

Secretary FOXX. What we would suggest doing is really contained in the budget request, and it is putting in place dollars for high risk rural roads through the $29.4 billion critical infrastructure investment program. It is not all for rural roads, but there is a big chunk of it there that is there to help improve the state for rural roads.

Mr. VALADAO. All right. In addition to MAP–21 altering the HR program, it also eliminated the Highway Bridge program, which resulted in a larger scale of bridges being placed under the responsibility of local governments. This has caused significant problems for our local governments in California because on-system bridges are now required to compete for funding against other Transportation projects in regional state decision making.

Would you be supportive of a required set aside for bridge maintenance in the next Highway Reauthorization bill?

Secretary FOXX. Yes. In fact, the very program I was just talking about, the Critical Infrastructure Safety Improvement Program has one component specifically for structurally deficient bridges. And the number I got a little bit wrong. It is $29.4 billion over six years, $7.5 billion for fiscal year 2016.

Mr. VALADAO. All right, thank you.

Mr. DIAZ-BALART. Thank you. Again, I recognize Mr. Ryan.

TIGER

Mr. RYAN. Thank you, Mr. Chairman. I am like in the no-man's land here. We are between microphones. I was going to request an earmark to somehow fix this gap in our infrastructure.

Thank you, Mr. Secretary. You cannot have a hearing without talking about earmarks at some point, right, I guess.

Two things, one thank you very much. And I am comforted by your background because I think you understand these issues better than most. I have a suggestion for the administration that I hope you would take back. We are having a lot of discussions today about TPP and this trade agreement. Within that discussion is a separate discussion about trade adjustment assistance because we know we are going to lose jobs from the trade agreements. We want to make sure our folks are ready. I think that the President is in a unique position now to ask the same folks who want this trade agreement to ask them to help us push a Transportation bill, a robust, fully funded, Transportation bill; that he would be a lot more interested in talking about a trade agreement after a robust, fully funded, Transportation bill was brought to his desk for him to sign. And I think this makes investments that we need to make. I think he is in a unique political position right now to be able to ask for this. And as you know, the United States Chamber of Commerce as well as many of the labor unions are supportive of a robust, fully funded, Transportation bill. So those folks, especially on the corporate side, I think could help push some of our friends in Congress to get this done and then we can move on to a separate discussion about trade.

My issue from our discussion here today is the TIGER program. We have seen the benefits of this in my Congressional district in the city of Kent, Ohio, where a $20 million TIGER grant has been parlayed into I think $120 million to $140 million in other investment. It completely transformed downtown Kent. It has benefitted Kent State University a great deal. There is phase 2 coming now within the project because of this $20 million investment.

And so I think as a committee, this kind of program is something that I think if we are going to move money around, this is a program that can transform communities. And all of the programs in Transportation and Housing are very, very important and essential in so many different ways. But it is hard to see programs like TIGER that are transformative for communities.

So if you could speak to that and how we could work with you to make the TIGER program move from a kitten back into a tiger.

Secretary FOXX. Yeah, well, they both purr. Look, I think you see the evidence reflected in what we are asking for here, about $1.25 billion on an annual basis for TIGER, because we have seen the catalytic impact of TIGER in communities. It is not, by the way, just the projects that get funded. It is also the fact that 95 percent of the other projects that do not get funded end up getting projects off the shelf into the planning phase and many communities find themselves more ready to move forward with other projects even if they do not receive TIGER funding. And it has been one of the few areas where we have actually been able to catalyze more activity at the state and local levels to get transformative projects done. So TIGER packs a big punch. It always punches above its weight. It is always undersized relative to the demand, but it is certainly a program that we think deserves to be part of the ongoing work of the Department of Transportation.

NATURAL GAS

Mr. RYAN. No doubt. Last question, in eastern Ohio, northeastern Ohio, we have seen a huge increase in the natural gas production from the hydraulic fracturing that is going on. One of the aspects I think we can play a part in is trying to grow the demand for natural gas. And so what is DOT doing to create these new programs or to facilitate some of the existing programs that are happening right now to incentivize natural gas fueling stations for fleets, personal use, bussing in our major cities? What is happening now and what can we do to work with you to increase demand for natural gas here?

Secretary FOXX. I would have to get a more elaborate answer to the question, but I know that we have made substantial investments in alternative fuels for transit systems across the country. There are entire communities that are now using fleets that use natural gas, for example. There are other alternatives that are also part of that program, but the idea is to really use the innovations that are available in fuels to clean up our transit systems across the country and we found them to be very successful.

So that is work that the Recovery Act helped us start. We are continuing to do it where we can, but we obviously would love to do more.

[The information follows:]

SUPPORTING THE USE OF NATURAL GAS IN TRANSPORTATION

The Department supports the use of natural gas powered vehicles where it is environmentally and economically attractive across all transportation modes. At present:

- The Maritime Administration announced it will consider the use of alternative energies in its review of Title XI loan applications in April 2014. Since that time MARAD has received applications for Title XI loan guarantees for a range of liquefied natural gas fueled and natural gas ready merchant ships. Last September, MARAD approved a $324 million loan guarantee for two LNG-fueled container ships built by NASSCO San Diego, and operated by Tote Shipholding on the Jacksonville-Puerto Rico run.
- Compressed natural powered buses have proven reliable, popular and economically attractive. As of 2013, some 20-percent of all U.S. transit buses currently in operation are CNG-fueled, largely funded through Federal Transit Administration TIGGER, clean fuels bus grants and formula programs.
- Many U.S. ferry boat operators are considering natural gas power ferries for new construction or conversion. FHWA grants and formula funds are being used to support the conversion of an LNG-powered ferry for Staten Island. The City of New York issued an RFP for conversion and provision of fueling equipment in October 2014. The State of Washington is preparing to procure LNG ferries, using, in part, FHWA formula funds.
- U.S. railways are considering operating LNG-powered locomotives, and BNSF is conducting experimental operation of an LNG locomotive and tender, and, consistent with its legal mandate, the Federal Railroad Administration is studying the safety implications of large scale use of LNG locomotives.
- Under the National Highway Traffic Safety Administration's Corporate Average Fuel Economy (CAFE) program, natural gas fueled light duty vehicles can be used to comply with fuel economy standards, which provide auto manufacturers with an incentive to sell such vehicles.

- The Pipeline and Hazardous Materials Safety Administration (PHMSA) is engaging state authorities and operators on the siting of small scale liquefaction facilities to serve new transportation applications. PHMSA is in the early stages of developing new policies for siting small scale LNG facilities connected to the US interstate pipeline network.

Mr. RYAN. Well, I think we need to. Thank you, Mr. Chairman.
Mr. DIAZ-BALART. Thank you, Mr. Ryan. Mr. Yoder.

SHORT-LINE RAILROAD FREIGHT

Mr. YODER. Thank you, Mr. Chairman. Secretary Foxx, welcome to the committee.

Secretary FOXX. Thank you.

Mr. YODER. I appreciate you being here today. In 2014 your department, with the encouragement of other members on this committee like Rep. Quigley and myself, helped create a pilot program to improve the safety culture and safely training on the smaller short-line railroad freight lines. This committee provided $2 million in funding for this effort in fiscal year 2015. These efforts will develop safety in culture assessment tools, will help foster development of safety cultures on individual railroads. Are you familiar with this and can you talk about the efforts to date on this program and highlight some of the public and railroad safety benefits you foresee coming from this program?

Secretary FOXX. Sure. We have worked very hard to increase the focus on safety culture in the rail industry overall. It is a very important issue to the country. I would like to sort of look closer here. We have increased the number of inspectors, that we have available to focus in on safety culture issues within agencies and we are still extracting the learnings from that. As we look to spread the learnings we have obtained through other agencies that we regulate; I would offer to you that FRA can produce for you kind of a letter that would respond and give you a more——

Mr. YODER. If I might, Mr. Secretary, it is a $2 million pilot program that is created to deal specifically with short-line railroads. And so if you might just update us on how the implementation of that specific program that we created in last year's budget process is going and any comments you might have on the productivity of it.

Secretary FOXX. Will do.

[The information follows:]

SHORT LINE SAFETY INSTITUTE

In FY 2014, the Federal Railroad Administration and the American Short Line & Regional Railroad Administration (ASLRRA), in partnership with the Volpe Center, and the University of Connecticut, began the pilot phase of assessments focused on the safety of crude oil transportation by rail.

To support the development and pilot testing of the Short Line Safety Institute (Institute), the primary goal of which is to develop a culture of commitment to safety in the short line and regional rail industry, FRA's Office of Research & Development obligated $500,000, including two grants totaling $350,000 and an additional $150,000 to Volpe. The ASLRRA received one of the grants ($250,000), and the University of Connecticut (UCONN) received the other ($100,000).[1] FRA also provided two staff members to support early phase development of the Institute. The primary goal of the Institute is to improve safety and develop a culture of commitment to safety in the short line and regional rail industry. Institute assessors will visit member railroads, evaluate safety culture, and document findings. The Institute will provide education, training and employee development.

UCONN's grant funds are being used to develop a suite of reliable and valid safety culture assessment tools that are grounded in current research literature. Volpe's funding is being used to evaluate the implementation of the pilot project to help improve the assessment process as pilots are being conducted. Following the pilot projects, Volpe will also assess the overall impact of the safety culture assessments being conducted by the Institute, including assessments on organizational culture and safety outcomes.

UCONN's work provides a strong theoretical basis in support of the Institute's goals. Volpe's work provides a mechanism for supporting and improving the pilot implementation as it is occurring, and measuring the success of the overall initiative. FRA's expertise in safety culture provides strategic direction.

In addition to the $2 million appropriated by Congress, FRA plans to provide an additional $300,000 from the Human Factors program to strengthen the impact of the Institute's implementation and support the development of long-term training and education needs. The FY 2015 proposed level of funding is $2.3

[1] Additionally, ASLRRA provided a $250,000 in-kind match to this grant.

million:

1) Of the $2 million appropriated by Congress for the Institute, FRA will allocate $1.8 million to ASLRRA for safety assessments and training on short lines that transport crude oil.

2) A $400,000 extension of the Volpe funding will provide a short line safety needs assessment, provide support for an organizational development plan, develop and revise assessor training and education materials, provide on-going project management support, and evaluate the implementation and impact of the pilots as they occur.

3) A $100,000 directed grant to UCONN will test and validate safety culture tools developed with FY 2014 funding and support emerging needs as the pilot phase progresses.

NORWEGIAN AIR

Mr. YODER. I wanted to also associate myself with the comments from my colleague from Illinois, Rep. QUIGLEY. We have also expressed concern about the Norwegian Air application and maybe you could just give us an update on the timeline. I know you cannot tell us in terms of the internal discussions related to approval, but what sort of timeline are we looking at? Where are we in the process?

Secretary FOXX. I do not have any information for you on the timeline. There is an extensive amount of interagency review of an application like this that presents novel and complex issues. That work is ongoing and it will continue to be until we reach a resolution.

SMALL AIRCRAFT REVITALIZATION ACT

Mr. YODER. Okay. I also wanted to see if you could give me a quick update on the implementation of the Small Aircraft Revitalization Act? This is a bill that was signed into law by President Obama in 2013. It was authored by my colleague from Kansas, Rep. Mike Pompeo. This bill started the clock ticking on the adoption of new certification regulations that are intended to increase safety and reduce the certification costs of new Part 23 general aviation airplanes. Specifically, I was hoping to see if you could assure this committee that the rules for the Small Aircraft Revitalization Act will be published by this summer and tell us what steps have been taken to move this forward? Has it been sent to OMB, for example?

Secretary FOXX. We are still working internally on the Part 23 process review and it is a high priority for us at DOT to advance those because we do see the opportunity to increase safety but also make the system work more efficiently.

I do not know that I can promise you in blood that we will have it done by the summer, but that is certainly our goal.

Mr. YODER. Has it been referred to the OMB yet?

Secretary FOXX. I do not believe so. No, it has not.

Mr. YODER. Rules are targeted to be out by this summer? You think that is the time line we are on?

Secretary FOXX. Our goal is to get it to OMB by the summer. That is what we are trying to accomplish.

Mr. YODER. Okay. I noted in an article that was in WIRED Magazine this week related to an incident in September of 2014 at the Chicago Traffic Center, in which an individual in an effort to commit suicide also took down air traffic control there and cancelled 6,600 flights. Air traffic was interrupted for 17 days.

The article just notes that our—it is titled "Why 40 Year Old Tech is Still Running America's Air Traffic Control."

I wondered what we have learned from that incident and maybe what improvements or plans we had to ensure that we have backup systems and new technology that would allow us to not be so vulnerable in a situation in which one traffic tower—I think he like cut wires and set some stuff on fire, and it had a major impact.

Mr. DIAZ-BALART. And you can answer in seven seconds.

Secretary FOXX. Wow, now in seven seconds. The bottom line is we have to have a stronger contingency plan across the country. That has given us a reason to do that. We also believe NextGen could become our primary system with the conventional system as our back-up, and that is another aspect of this going forward.

Mr. YODER. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Ms. Granger.

Ms. GRANGER. First of all, good to see you.

Secretary FOXX. Good to see you.

Ms. GRANGER. Thank you. I would like to associate myself with Mr. Valadao's concern about the UAVs, primarily having to do with airports. As you work your way through, I would like for you to keep us involved.

Secretary FOXX. Yes.

Ms. GRANGER. Also, your invitation to come to Fort Worth is still open.

Secretary FOXX. I am coming.

ESSENTIAL SERVICE

Ms. GRANGER. Following the chair's instruction, I am going to ask you a question that requires only one word, and the question has to do with the FAA's contract tower program. Texas has 23 towers that concerns.

There have been repeated studies by the Department of Transportation's Inspector General about increasing the safety and reducing the cost.

I am asking is your budget request funding in fiscal year 2016 at the levels provided in fiscal year 2015?

Secretary FOXX. Yes.

Ms. GRANGER. That is it. Thank you. Was that good?

Mr. DIAZ-BALART. Since you have a lot of time, I am actually very resentful that you did it so quickly because now that means I have to do it in your subcommittee this quickly.

Ms. GRANGER. Which will never happen.

Mr. DIAZ-BALART. Which will never happen.

Exactly right. I am actually very resentful. Again, members, thank you, and thank you, Mr. Secretary, for your questions. We have a little more time before votes. The Ranking Member and I were talking to see if we could do another round, and if we can limit it to three minutes, if that is all right with you all, I think we can try to be as efficient as possible.

Let me turn very quickly to the Essential Air Service Program, which is $175 million in discretionary funding, which is a 13 percent increase over 2015. Yet, the number of communities served remains at 160, so it is the same number.

What are the primary reasons for the escalating costs, which are rather dramatic, of this program, which continues to serve the same number of communities year after year?

Secretary FOXX. I will ask for phone a friend here.

There are two main drivers. Number one, regulatory changes, and number two, aircraft manufacturing trends that are impacting those numbers. There are more restrictive flights and duty time regulations and increased training requirements for first officers that went into effect in January of 2014. Those changes have led to a significant shortage of pilots while simultaneously requiring more pilots to maintain the same service levels. That is part of it.

In addition, the availability of 19 seat and 30 to 34 seat aircraft is continuing to decrease, resulting in the use of higher cost 50 seat and 9 seat aircraft for many communities.

The equipment that is being used is different, and that is also part of the challenge.

Mr. DIAZ-BALART. There is a waiver option, of the 12 communities that asked for waivers, 12 got them, 100 percent, which when you look at 100 percent, it always kind of hits you, right? What is the rationale for granting waivers to all of the 12 communities that requested one? Some of the issues you just mentioned.

It is rather dramatic when there is not one exception to that waiver, in other words, they all got it.

Secretary FOXX. We look at issuing the waivers individually and very carefully. We also frankly take a look at the impact of the loss of connectivity to those communities. What we are trying to do through these waivers is to assure ourselves that if a community is actually taken out of the program, that they are not going to come back into it. We want to make sure we have as good of an understanding of what is happening in that community as we can. That is the idea.

Mr. DIAZ-BALART. We will continue to talk about that, Mr. Secretary, because there are a lot of other questions. I will recognize Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, there has been a great deal of talk today about the authorizations that we work with on this committee, major authorizations have either expired or will expire this year. We are going to have a lot of work to do in figuring out the way the authorizations intertwine with the work of this committee.

Let me focus on the aviation authorization that expires on September 30. Your budget proposal includes an increase in the passenger facility charge for airports but does not appear to include any other substantive reforms.

Can I just ask you, does the Administration plan to send up an aviation authorization proposal, and if so, when we might expect it?

Some in the industry have suggested that Congress should privatize or reform the air traffic control functions of the FAA. What are your thoughts on those types of proposals? Do you consider air traffic control to be an inherently governmental function?

More broadly, what kind of aviation reforms do you think in authorization season we should be focusing on?

Secretary FOXX. To your first question, I think it is fair to say that we intend to be relevant to the discussion on FAA reauthorization. We are having internal discussions about how we express that, whether it is through a full blown proposal, whether it is through both bill language or a set of principles, and that is continuing to be discussed internally.

On the question of the air traffic control system and the conversations about privatization, I would make two points. First is that we have the most complicated air space in the entire world. This is a sector that we created, and we need to be careful not to fix something that is not broken.

At the same time, bringing me to my second point, if there is a better way to run the railroad, so to speak, we should also be open to that. We are still working through our own views on these questions and looking forward to seeing other ideas emerge as we go along, but we know we have the best run system. If it can be run better, we want to take a look at options.

Mr. PRICE. All right. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Ms. Granger.

ASSISTANT SECRETARY FOR INNOVATIVE FINANCE

Ms. GRANGER. Mr. Secretary, your Department's budget fact sheet requests $2 million for the new office of the Assistant Secretary for Innovative Finance.

Secretary FOXX. Yes.

Ms. GRANGER. I understand that will assume responsibility for managing the Department's credit programs. Can you explain the reasons for this and how it would improve the management of current DOT credit programs, specifically TIFIA programs?

Secretary FOXX. Our credit programs right now are housed in different places. We have the TIFIA Program, which largely is run through our Budget Office and our Highway Division. We have the PAPS Program, which is run through the Under Secretary of Policy. We have the RRIF Program which is run through FRA.

If we are going to get serious about public/private partnerships as a country, we think that we need to have a dedicated place for that activity to be housed and to leverage the resources that exist within the Department so that we can have our Department rowing in the same direction.

That is the idea. We are not completely reinventing the wheel, we are just housing a place for this issue to be led within the Department using components that already exist.

Ms. GRANGER. On the TIFIA Programs, and they have been extremely useful, but the TIFIA Loan Program that used to take about six to nine months now takes more like 18 months, which makes it less attractive. Are you trying to do something to streamline that or are you aware of how much longer it takes now?

Secretary FOXX. You know, I think maybe part of the time difference that you are seeing is the different way that we are managing the program now. We are actually trying to make it more efficient, and the way we are trying to do that is by stress testing proposals earlier in the process so that at the time at which communities actually submit an application to TIFIA, we have a high of confidence they are actually going to get a loan.

At the very beginning when we get a letter of interest, we are asking for a lot more information, and sometimes it is actually the project sponsor that is slowing down the process because they are compiling responses to it. That may make it feel like it is longer to some, but at the end of the day when an application comes in, we are actually processing those applications faster because we have done the due diligence earlier.

Ms. GRANGER. Okay. Thank you.

Mr. DIAZ-BALART. You sure you do not have something else you want to ask?

Ms. GRANGER. That is it.

Mr. DIAZ-BALART. Mr. Secretary, you do not want to add a little bit to that?

Secretary FOXX. Happy to.

Mr. DIAZ-BALART. We just have a personal thing going on, Ms. Granger and I. Mr. Ryan.

MEXICO CROSS BORDER TRUCKING

Mr. RYAN. Thank you, Mr. Chairman. I just want to bring to your attention this Mexico cross border trucking issue, some concerns that I have with regard to the Department of Transportation IG report.

The IG was wanting 46 carriers that they thought would be required to participate to make it statistically valid. It turns out that only 15 Mexico domiciled carriers were able to participate in the program, two carriers dominated really the whole population in the program, accounted for about 91 percent.

When they looked at the crossing and miles traveled, 95 percent of the crossing's have been into the commercial zones that have already been designated, and only five percent went beyond where Mexican trucks currently go.

I think when you look at this, there are some safety issues that I know I am concerned about and we all should be concerned about. If you could just comment briefly on your feelings about the IG report that again concluded that there was not an adequate number of participants in this sampling, and therefore, they could not project out safety performances for these Mexican trucks. I think that is a big issue for us to have to regulate that in primarily the southern part of the state, but as we know, it affects the entire country.

Secretary FOXX. A couple of points there. The IG noted the pilot participants, acknowledged but did not actually include as part of its analysis the enterprise carriers that were also used by FMCSA to evaluate the performance of Mexican carriers.

We found that the combination of those two were sufficient to give us sufficient data and sufficient confidence to take the program to the next phase.

Mr. RYAN. Who was evaluating it other than the IG?

Secretary FOXX. The Federal Motor Carrier Safety Administration.

Mr. RYAN. They were evaluating trucks that went outside of the current area as well, and there were more than just the 15?

Secretary FOXX. There were more than just the 15. There were actually—I can get you more information on it, but there were actually some additional carriers. I use the phrase "legacy carriers," but my team wants me to use the phrase "enterprise carriers," that have been operating in the U.S. before the pilot study was undertaken, and we were able to use data from those carriers in addition to the pilot carriers to aggregate and get a sample size that we thought was sufficient.

[The information follows:]

MEXICAN CROSS-BORDER TRUCKING PILOT STUDY

By statute, the OIG's analysis was restricted to data compiled on the pilot program carriers. Similarly, the Motor Carrier Safety Advisory Committee (MCSAC) focused strictly on pilot participant data. However, FMCSA recognized the challenges of recruiting pilot participants based on the early termination of the 2007-2009 demonstration project and the cost to carriers, so the agency announced in a 2011 Federal Register Notice that it would also analyze safety and inspection data for other Mexican-owned motor carriers conducting long-haul operations in the United States. Data on these groups was collected during the same period of time as the pilot program. This included almost 1,000 additional Mexican-owned trucking companies with authority to operate in the United States – 351 of which received authority during the same three-year period. As a result, the Department had a robust set of data to analyze.

FMCSA estimated that it needed a maximum of 4,100 inspections of the Pilot Program carriers to fully evaluate the differences between Mexican and U.S./Canadian carriers. While a conservative 2011 evaluation plan projected that it could take as many as 31-46 carriers to reach the 4,100 inspections, during the 36-month pilot, the 15 Mexican pilot carriers crossed the U.S.-Mexico border more than 28,000 times, traveled more than 1.5 million miles, and underwent more than 5,500 inspections. As compared to all U.S. and Canadian carriers, the Department found that the pilot program carriers had:

- lower driver out-of-service rates;
- lower vehicle out-of-service rates; and
- lower violation rates for driver fitness, hours of service, and brake violations (per 100 inspections).

The nearly 1,000 other Mexican carriers with authority to operate long-haul in the U.S. also exhibited significantly lower driver and vehicle out-of-service rates, and overall lower violation rates than U.S. and Canadian carriers.

Given this robust set of data, the Department concluded there was sufficient information to conclude Mexican carriers can operate as safe as U.S. carriers.

Mr. RYAN. Okay. I would like to see that. Mr. Chairman, I know time is short, but I would like to see that information. Thank you.

Mr. DIAZ-BALART. Thank you, Mr. Ryan. Mr. Yoder.

GAS TAX

Mr. YODER. Thank you, Mr. Chairman. Mr. Secretary, the Federal gas tax, 18.4 cents, raises according to your testimony, I think, about $34 billion a year, plus the diesel tax as well. Our total outlays are expected to be $50 billion a year.

One debate that constantly happens in the Capitol is whether we should increase gas taxes to make up that difference. One of the arguments given behind that proposal is that the gas tax, some would argue, is an user fee, and that it is raised from the folks who pay to use the services that are rendered.

Yet, I note that the Federal budget for your Department goes to services way beyond highway transportation. By some accounts, a fourth of the gas taxes are being diverted to mass transit in six metro areas, street cars, ferries, sidewalks, bike lanes, hiking trails, urban planning, landscaping, yet the folks that use those services do not contribute into the Highway Trust Fund.

I guess my question would be is that accurate, how much of the Federal budget that you are proposing under the highway transportation plan would go towards highways specifically or surface transportation and would the gas tax cover all of those needs?

I think it does affect the debate going forward about whether we should charge a gas tax in order to provide services that are beyond the scope of gas tax users.

Secretary FOXX. A couple of things. I think we need to be really careful about assuming that whoever is using the most transit dollars today is going to be who is using the most tomorrow. The reason I say that is because when you look at where the country is growing, the south is densifying and the west is densifying. I think that balance is likely to change a little bit over time.

Further to that point, the users of our transit systems are contributing to our highways because they are using something other than our highways. You take these transit systems that are in highly congested areas across the country and you eliminate them, you will quickly find that whatever congestion we have today gets worse overnight.

I think the philosophy has been that integrating transit into the Highway Trust Fund has been a way of basically providing a release valve for traffic that otherwise would find itself on the roadways.

Mr. YODER. In terms of the specific question, the gas tax itself, as we debate about whether that should be raised, and there have been many in the Capitol that have argued it should be raised, if the gas tax itself went to highway surface transportation, would it cover those basic needs of the Government?

Secretary FOXX. No.

Mr. YODER. How much do we spend on surface transportation?

Secretary FOXX. You know, plus or minus $50 billion a year.

Mr. YODER. I apologize, Mr. Chairman, but just to finish this point, the $50 billion is just highways, it does not include street cars, ferries, sidewalks, bike lanes, hike trails, urban planning, landscaping, any of those things?

Secretary FOXX. No, no. Maybe I misunderstood the question. I thought the question was how much are we spending on surface transportation. I think it is plus or minus $50 billion. It includes all the things you talked about in addition to highways.

Mr. YODER. I am sorry, you would include all those things in surface transportation?

Secretary FOXX. We believe that you have to include not only all those things but commuter rail, too. I think to answer your point, if I may, Mr. Chairman.

Mr. DIAZ-BALART. Yes, but please wrap it up.

Secretary FOXX. Okay. If I may, the point I am making is that if you just took what the gas tax is spitting out right now, to use a technical term, and you took out the transit piece of it, you would still be under investing in highways.

Mr. DIAZ-BALART. Thank you, Mr. Secretary. Mr. Cuellar.

PERFORMANCE

Mr. CUELLAR. Thank you, Mr. Chairman. Mr. Secretary, first I want to congratulate you and your staff for putting together the performance plan, the indicators to show what work you are doing following the GPRA law we passed in 2010, so thank you very much for doing that.

We are hoping in talking to the chairman and hopefully the ranking member also to be the first subcommittee that will have key priority measures as part of the appropriations dealing with this agency. We might be talking to you about that.

INTERNATIONAL TRAIN

The other point that I want to make is you remember about a year ago we brought some of our Mexican friends over and Texas friends to talk about a train, the first international train going south, passenger and cargo also.

In talking to the Texas Department of Transportation, they are running into some issues in trying to align the standards between the U.S. and Mexico, because this is a first of its kind.

We would ask if the Federal Railroad Administration could step in. This is what the Texas Department of Transportation is asking. We have to have somebody to work with the Mexican government to align the standards when we talk about rail.

That is my request to you.

Secretary FOXX. Okay. I will ask our team to do so.

Mr. CUELLAR. A minute and a half. I yield back the balance of my time, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, Mr. Cuellar. I thank all of you. I know all of us have questions that we did not get to and potentially answers we did not get to, but we will have an opportunity to submit them in writing. I thank all of you for sticking to a relatively tight timeline here.

I do want to thank you, Mr. Secretary, and your staff for your participation and for your answers. The committee staff will be in contact with your Budget Office, Mr. Secretary, regarding questions for the record. As I mentioned, I have and others will have additional questions to submit.

If you would please work with OMB to return the information for the record to the committee within 30 days from Friday, we will then be able to publish the transcript of today's hearing and make informed decisions obviously when crafting the fiscal year 2016 bill.

We are also going to see your administrators over the course of the next few months, and I very much look forward to working with them, but in particular, Mr. Secretary, I look forward to working with you.

Secretary FOXX. Yes, as I do.

Mr. DIAZ-BALART. We are going to be in touch. We have a lot of work to do, and we have some very difficult constraints. We are going to need your help.

Secretary FOXX. I appreciate that; yes.

Mr. DIAZ-BALART. Mr. Price, any final comments?

Mr. PRICE. Thank you. Appreciate your appearance here today and we will look forward to a lot of close consultation down the road.

Secretary FOXX. Thank you.

Mr. DIAZ-BALART. Let me just again thank the ranking member for working with us so closely. With that, we will adjourn. Thank you.

Department of Transportation
Fiscal Year 2016 Questions for the Record
Chairman Mario Diaz-Balart
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Diaz-Balart #1

OST Program Duplication/Expansion

On becoming Chairman of this subcommittee, I got to spend time learning about all the various offices in OST, and it looks like there's a lot of growth in the staff and mission. Based on your request, the research administration was moved under OST as a new office.

Question: Is that move working out? Some of my authorizing colleagues are still a little miffed about that move.

Answer: The process of integrating the former Research and Innovative Technology Administration into the Office of the Secretary is still underway, but early indications are that this change will help the Department strengthen the focus on research in the overall management of DOT programs.

The addition of the Assistant Secretary for Research and Technology helps ensure that research solutions and impacts are considered in the decision-making process throughout the Department. The new Office of the Assistant Secretary for Research and Technology is currently focusing on specific ways research initiatives can help the Department achieve the Secretary's important priorities, especially in the areas of safety and innovation.

Mr. Diaz-Balart #2

OST Program Duplication/Expansion

I can't help but wonder when looking at the Office of Transportation Policy, the Office of Research and Technology, and the Transportation Planning, Research and Development (TPR&D) appropriation, that they are all similar. I don't want to say "redundant," yet – I'm going to give you the benefit of the doubt – but if you read your own justifications, there's not a lot of difference in what they do.

Question: Are we tripping over ourselves mulling policy and research, and can any of these offices be streamlined or consolidated?

Answer: Although both the Office of the Assistant Secretary for Research and the Transportation Planning, Research and Development programs are focused on research and information gathering, the focus of the two programs is different.

The Assistant Secretary for Research and Technology provides advice and support to the Secretary on a wide-range of transportation research and technology initiatives that impact the overall management of the transportation system. This includes ensuring that the Department is using innovative methods and taking advantage of the latest in technological solutions to transportation problems.

OST-R also manages the collection of transportation statistical data through the Bureau of Transportation Statistics; oversees the University Transportation Center grants at institutions of higher learning throughout the Nation; and supports the independent analysis work of the VOLPE National Transportation Systems Center.

Funding for the Transportation Planning, Research and Development (TPR&D) program has more of a policy focus, such as providing the data and assessment tools necessary to determine how key transportation programs are performing; developing recommendations about how transportation policy should change to shape, or adjust to, a changing world; coordinating national and international transportation planning; analysis of methods to increase the economic efficiency of transportation; and development and coordination of intermodal and multi-modal issues.

Mr. Diaz-Balart #3

OST Program Duplication/Expansion

Question: What changes and efficiencies are in the works now that the Research and Technology office is under OST?

Answer: To date, the focus has been on establishing the new Office of the Assistant Secretary for Research and Technology (OST-R) and aligning and merging administrative functions, such as information technology, budget and finance, and counsel. In time, there may be opportunities for administrative efficiencies and savings that result from the blending of the former RITA organization within OST; however, it is still too early in the transition process to identify specific areas.

It is important to note that, while the organizational structure of the former RITA organization has changed into the new OST-R model, the volume and nature of the work stays the same. For example, the information provided from the Bureau of Transportation Statistics continues at the same level of effort it did under the prior RITA structure. The same is true for the Transportation Safety Institute, and the VOLPE Center. The missions, workload, and outputs of these organizations will continue at a similar pace for the foreseeable future as when these organizations were part of the former RITA.

Mr. Diaz-Balart #4

OST Program Duplication/Expansion

Looking at TPR&D I see you are proposing funds for contracts or project development under the separate titles of "resiliency," "livable communities," and "sustainable communities."

Question: What are the Department's operating definitions for those terms, and what are the measures or goals of resiliency programs, livable communities programs and sustainable communities programs?

Answer: The Department generally considers resilience to be the ability to anticipate, prepare for, and adapt to changing conditions and withstand, respond to, and recover rapidly from disruptions. Across the department, there are multiple programs that advance resilience and climate adaptation, providing funding and technical assistance to help grantees build transportation systems that can withstand high-impact disruptions.

The Partnership for Sustainable Communities (PSC) is an interagency partnership with USDOT, EPA and HUD that works to coordinate federal housing, transportation, water and other infrastructure investments to make neighborhoods more prosperous, allow people to live closer to jobs, save households time and money and reduce pollution.

The Economic Impact of Livable Communities line item in the FY 2016 President's Budget supports the work of the PSC by examining the benefits of place-based policies and investments funded through DOT programs. These place-based policies create more livable communities seek to improve access to jobs, services and affordable housing, attract new businesses and provide transportation options with reduced pollutant emissions.

Mr. Diaz-Balart #5

OST Program Duplication/Expansion

Also under TPR&D, a stated FY 15 program accomplishment is to conduct "at least 75 annual international meetings, conferences or other events." Coincidently, that same performance metric appears under the Office of Policy.

Question: Have you already identified the 75 international events, and how did you conclude 75 events was the right number to attend?

Answer: This number represents all known and projected meetings of international nature that will take place here in the United States or abroad. It includes meetings and events that are recurring in nature, such as those held by multilateral organizations, or those that are a part of ongoing bilateral or multilateral agreements and formal dialogues with foreign governments. The dates for these meetings are typically known and agreed to with counterparts well in advance. In addition, the number 75 includes meetings and events that we have projected based on a review of historical information regarding the number of unscheduled meetings or events that DOT officials typically hold during a fiscal year. These include meetings with ministerial counterparts, ambassadors, and foreign dignitaries to advance Departmental priorities. They also include meetings and negotiations with foreign counterparts that DOT is requested to attend by other agencies of the USG in order to provide expertise.

These meetings and events will promote a robust dialogue between U.S. and foreign transportation officials and enable them to benefit from and build on each other's latest successes. We anticipate that the level of foreign interest in U.S. transportation matters including safety and environmental policy, harmonization of regulations, technology and financing, as well as diplomatic activities will continue at the same rate, if not increase. Likewise, the Department is very keen on continuing to learn about innovative transportation policies and practices that have been implemented by other governments and that could be transferred to the United States.

Mr. Diaz-Balart #6

OST Program Duplication/Expansion

The Office of Policy also lists reaching 3 or more new bilateral and multilateral aviation agreements as a performance measure.

Question: What 3 countries are on your horizon to fulfill this goal?

Answer: During FY 2015, The Office of Aviation and International Affairs hopes to reach new air services agreements with Azerbaijan and Serbia. We also hope to expand our existing aviation relationships through new agreements with China, the EU and Japan.

Mr. Diaz-Balart #7

OST Program Duplication/Expansion

Page TPRD-3 of your budget states, "We expect to implement a special program supporting women in transportation in the Asia-Pacific Region."

Question: For this new program, please provide the specific costs (FTE and dollars), activities, program goals and objectives, and mandate or directive to create such a program.

Answer: In FY 2016, OST-X plans to implement a Women in Transportation initiative through the Asian Pacific Economic Cooperation (APEC) Transportation Working Group. We will use existing staff to implement the program, so no new FTEs will be needed. The budget of $50,000 will be used to pilot a data collection framework in three APEC economies. The program goals and objectives will be creating a data driven baseline for women's economic participation in the transportation sector across the APEC region. Data collection will continue over a number of years and will be used to monitor and evaluate the best practices advocated through the APEC Women in Transportation Task Force.

The mandate for this program comes from the United States participation in APEC. A 2014 affirmation from APEC Leaders and Ministers stated that gender inequality is a cross-cutting theme in APEC, and that women's participation is critical to achieving sustainable economic development throughout the region. Furthermore, APEC recognizes that women's full economic participation often is constrained by gender inequality in terms of resource and training access, advancement opportunities, policy structures and other factors. The APEC Transportation Working Group's "Women in Transportation" initiative works to advance APEC's Policy Partnership on Women and the Economy goal of increasing women's economic engagement throughout the Asia-Pacific region.

Mr. Diaz-Balart #8

OST Program Duplication/Expansion

Page TPRD-13 references programs related to the Quality of Life in Communities Strategic Goal.

Question: Please provide a clear and concise definition of "Livable Community" and "Sustainable Community."

Answer: The terms "livable community" and "sustainable community" are interchangeable as they describe the same livability principles established by the Partnership of Sustainable Communities:

- **Provide more transportation choices.**
  Develop safe, reliable, and economical transportation choices to decrease household transportation costs, reduce our nation's dependence on foreign oil, improve air quality, reduce greenhouse gas emissions, and promote public health.
- **Promote equitable, affordable housing.**
  Expand location- and energy-efficient housing choices for people of all ages, incomes, races, and ethnicities to increase mobility and lower the combined cost of housing and transportation.
- **Enhance economic competitiveness.**
  Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers, as well as expanded business access to markets.
- **Support existing communities**
  Target federal funding toward existing communities—through strategies like transit-oriented, mixed-use development and land recycling—to increase community revitalization and the efficiency of public works investments and safeguard rural landscapes.
- **Coordinate and leverage federal policies and investment.**
  Align federal policies and funding to remove barriers to collaboration, leverage funding, and increase the accountability and effectiveness of all levels of government to plan for future growth, including making smart energy choices such as locally generated renewable energy.
- **Value communities and neighborhoods.**
  Enhance the unique characteristics of all communities by investing in healthy, safe, and walkable neighborhoods—rural, urban, or suburban.

Mr. Diaz-Balart #9

OST Program Duplication/Expansion

Question: What requirements or measures, not specifically required by the organic statutes, will you apply to all grant and formula funds in FY 15 and planned for FY 16 that are related to these DOT initiatives?

Answer:

- Resilience: As in years past, resilience will be a consideration for the TIGER discretionary program. The TIGER NOFA provided guidance to permit using transportation funding to add resilience elements to formula funded projects.
- Also, FHWA has provided guidance that permits resilience elements in emergency response funding. DOT is also finalizing the rule updating the statewide and metropolitan planning process. In the NPRM published in May of 2014, States and MPOs were encouraged to reference plans that address resilience to current and future conditions as part of their overall planning document.
- Sustainable Communities: The TIGER discretionary program will evaluate projects and consider their ability to connect people with jobs, foster economic growth, provide transportation options, and create opportunities for communities.

Mr. Diaz-Balart #10

Small and Disadvantaged Business Programs

I'm interested in the small and minority business outreach programs at the Department. I have a number of these businesses in my community.

I see in the budget you count the phone and email inquiries, events attended, hours spent counseling business owners, and meetings attended. However, I don't see where you include your stated performance measures of increased percent share of DOT-procurement dollars to small disadvantaged business or women-owned business.

Question: Do you track or measure if these businesses you meet with are getting DOT dollars?

Answer: The Office of Small and Disadvantaged Business Utilization (OSDBU) works closely with the Small Business Administration (SBA) and the U.S. Department of Transportation (USDOT) small business specialists to achieve the Federal direct procurement goals. OSDBU's Small Business Transportation Resource Centers (SBTRC) assisted small businesses in receiving an estimated $222 million in USDOT procurement opportunities at the local, state, and Federal level during FY 2014. The USDOT OSDBU enters into cooperative agreements with chambers of commerce, trade associations, educational institutions and other business organizations to serve as SBTRCs. Through these agreements, OSDBU establishes a local presence and increases awareness of contract opportunities and USDOT financial assistance programs for small, minority, women-owned and disadvantaged business enterprises.

The attached Annual Scorecard shows the increased percentage share and dollar amount of USDOT direct procurement dollars to women-owned and small disadvantaged businesses. The Annual Scorecard is an assessment of Federal Agencies' Federal Direct Procurement, which (1) measures how well federal agencies reach their small business and socio-economic direct contracting and subcontracting goals, (2) provides accurate and transparent Federal direct contracting data and (3) reports agency-specific progress. The prime and subcontracting component goals include goals for small businesses, small businesses owned by women, small disadvantaged businesses, service-disabled veteran-owned small businesses, and small businesses located in Historically Underutilized Business Zones (HUBZones).
The USDOT received the highest rating, an A+ scorecard rating, from the SBA for its Fiscal Year 2013 (the latest available) procurement goals. This marked the 5th consecutive year that USDOT received at least an A scorecard rating.

Question: If so, why aren't you including that information in the budget? How do we know if the program is working?

Answer: The scorecard indicates our success in Federal Direct Procurement, see Attachment A.

Question: What's the total amount spent across the Department on minority business outreach in all modes?

Answer: The total annual amount spent across the Department on minority business outreach in all modes is approximately $3.1 million.

Question: And which program is successful in terms of turning a meeting into an actual job or DOT or even a state or local contract?

Answer: OSDBU and its SBTRCs are successful in turning meetings into procurement opportunities.

The USDOT OSDBU enters into cooperative agreements with chambers of commerce, trade associations, educational institutions and other business organizations to serve as SBTRCs. Through these agreements, OSDBU establishes a local presence and increases awareness of contract opportunities and USDOT financial assistance programs for small, minority, women-owned and disadvantaged business enterprises. SBTRCs provide an array of technical assistance and support services in an effort to build the capacity of small and disadvantaged businesses, making the businesses more competitive when bidding on federally-funded contracts. The SBTRCs assisted small businesses in receiving an estimated $222 million in USDOT procurement opportunities at the local, state, and Federal level during FY 2014.

Small business contracting opportunities continue to be a high priority within USDOT. Senior leadership continues to provide the highest level of support for small business opportunities. The USDOT small business program and procurement process provides numerous opportunities for small businesses to participate in USDOT contracts and subcontracts. OSDBU provides management oversight and serves as a liaison with SBA in administering the various programs implemented through the USDOT Federal direct procurement process. OSDBU continues to focus on outreach, training, advocacy and strategies to increase procurement opportunities for small businesses.

Question: For every dollar we spend at DOT on outreach, what does that leverage in terms of successful business or employment on the ground?

Answer: The SBA Scorecard directly reflects how USDOT outreach assists small businesses with successfully doing Federal direct procurement business with USDOT, see Attachment B. The attached report of procurement activities offer examples of small businesses that succeeded in finding procurement opportunities working with OSDBU's Southeast Region SBTRC. The small businesses listed are located in Florida's 25th Congressional District. The Southeast Region SBTRC assists small businesses in Florida, Alabama, Puerto Rico and US Virgin Islands. The small businesses they assisted received an aggregate of over $3.7 million in procurement opportunities in FY 2014. This represents a fraction of the small businesses that found procurement opportunities as a result of assistance they received from our SBTRCs.

Attachment A

Department of Transportation

FY2013 Small Business Procurement Scorecard

A+
121.33%

FPDS-NG Prime Contracting Data as of Feb. 19, 2014
eSRS Subcontracting Data as of Mar. 14, 2014

Prime Contracting Achievement:			101.12%
	2012 Achievement	2013 Goal	2013 Achievement
Small Business	44.09%	38.00%	43.34% ($703.7 M)
Women Owned Small Business	8.77%	5.00%	11.44% ($185.8 M)
Small Disadvantaged Business	17.98%	5.00%	19.30% ($313.2 M)
Service Disabled Veteran Owned Small Business	3.15%	3.00%	3.89% ($63.1 M)
HUBZone	7.04%	3.00%	8.21% ($133.3 M)

Subcontracting Achievement:			10.30%
	2012 Achievement	2013 Goal	2013 Achievement
Small Business	45.10%	50.00%	52.90%
Women Owned Small Business	8.00%	5.00%	9.90%
Small Disadvantaged Business	10.70%	5.00%	12.80%
Service Disabled Veteran Owned Small Business	3.60%	3.00%	1.50%
HUBZone	0.90%	3.00%	1.40%

Success Factors	9.91%
Plan Progress Success Factor Grading Scale: Factor Subtotal Score / 7	Peer Review Score
The Agency demonstrated, through action and documented evidence, a commitment to utilize small businesses to obtain goods and services.	0.97
The Agency's senior leadership (i.e. Deputy Secretary, Chief Acquisition Officer, Senior Procurement Executive, senior program managers, and OSDBU Director) demonstrated, through action and documented evidence, that they have clearly communicated the importance of achieving the agency's Small Business contracting goals through the chain of command to the contracting officer level.	1.00
The Agency demonstrated, through action and documented evidence, a commitment to small business contracting data quality.	0.97
The Agency demonstrated a commitment to small business utilization through regular training of acquisitions staff on the issues/procedures/policies/regulations impacting small businesses.	1.00
The Agency demonstrated, through action and documented evidence, a commitment to growing their small business supplier base and increasing awareness of contracting opportunities for small businesses.	1.00
The Agency demonstrated, through action and documented evidence, a commitment to expanding subcontracting opportunities for small businesses. (Reference: FAR 19.7 - Small Business Subcontracting Program).	1.00
The Agency demonstrated, through action and documented evidence, a clearly communicated policy to address and mitigate the adverse effects of contract bundling on small businesses. (Reference: FAR subpart 7.104 for applicable dollar threshold for each agency).	1.00
Total	6.94

Prime and Subcontracting Grading Scale:
A+ ≤ 150% but ≥ 120%
A < 120% but ≥ 100%
B < 100% but ≥ 90%
C < 90% but ≥ 80%
D < 80% but ≥ 70%
F < 70%

Attachment B

U.S. Department of Transportation
Office of Small and Disadvantaged Business Utilization
Small Business Transportation Resource Center Southeast Region

Report of Procurement Activities FY2014

25th District of Florida
U.S. Representative Mario Diaz-Balart

Clients Served (Name, location)	Type of Assistance Federal, state, local	Assistance Outcomes Federal, state, local (Est. in dollars)
GriCo Inc. Miami, FL	Local - Broward County Aviation	Over $50,000
Mejia Coral Springs, FL	Federal (FTA) Antenna Tower -SC	$119,500
	Antenna Tower –Massachusetts	$300,000
	Antenna Tower – Holland, NY	$170,000
Espirito Santo Coral Gables, FL	Local – Miami Dade County	$10,000.00
All American PCP Pembroke Pines, FL	State – New York City Transit Authority	$1,685,000
JLS Security Pembroke Pines, FL	Local – Broward County Courthouse	Over $1,000,000
A Green World Construction Company Palmetto Bay, FL	Local – Miami Dade Transit	$414,000.00

Mr. Diaz-Balart #11

Safe Transport of Energy Products

DOT is requesting $5 million for the safe transport of energy products. However, the justification for these funds is classified as "other services," not personnel or travel, and the funds will be used for "data driven safety interventions" and "robust regulatory development." There's not a lot of justification or description here.

Question: Can you please provide details on how DOT will use these funds and what outcome do you expect will come from this investment? What are we going to get for this money?

Answer: Ensuring the safe transportation of energy products is a major concern and a high priority for the Department. As domestic crude oil production continues at a rapid pace, the need to ensure that these energy products can be safely moved to refineries and distribution points throughout the Nation is a major concern. The President's FY 2016 budget request incudes $5 million for the Office of the Secretary. These funds will be used to help the Department gather important information, assess gaps in the safety protocols, and identify alternative solutions that will improve the risks associated with moving these products through our transportation systems.

Mr. Diaz-Balart #12

Safe Transport of Energy Products

Last year DOT requested $40 million for what appears to be the same purpose. The conference agreement did not include these funds.

Question: Other than the dollar amount, what's the difference between last year's request and this year's request?

Answer: DOT has aggressively taken action on multiple fronts to ensure the safe transportation of hazmat by rail, by pursuing a comprehensive strategy that emphasizes prevention, mitigation, and emergency response.

We are working tirelessly on drafting a final rule that will establish new requirements for trains transporting large volumes of flammable liquids; improve tank car standards; and ensure proper classification of materials.

Within the President's Fiscal Year 2016 Budget, we've requested approximately $34 million in targeted investments within the respective operating administrations. This includes:

- **$14 million** for PHMSA, which includes $4.4 million for 20 FTEs to conduct additional inspections and enforcement personnel to continue regular hazardous materials inspection activities;
- **$13 million** for FRA, which includes funding to allow the agency to hire 45 new staff focused on the oversight and inspection of the transportation of energy products;
- **$1.6 million** for FMCSA for personnel; and,
- **$5.5 million** for OST activities to coordinate multimodal prevention and response activities and allow for the research into the safe transportation of energy products as well.

Finally, we are working tirelessly to communicate safety standards to stakeholders and working with the emergency response community to ensure they have the information necessary to respond safely and effectively in the event of an accident.

Mr. Diaz-Balart #13

Essential Air Service

Turning to the Essential Air Service program – $175 million in discretionary funding, a 13% increase over the FY 2015 level of $155 million, yet the number of communities served remains at 160.

I don't know if DOT is seriously looking at ways to control costs, but the last aviation bills required a few reforms – one of which eliminates eligibility for communities with 10 passengers or less per day if they are within 175 miles of a medium or large hub airport. Of course there's a waiver option under this requirement and of the 12 communities that submitted a waiver, all 12 received one, and will continue to get service.

Question: What is the cost of continuing service to these specific communities?

Answer: The annual subsidy rates for those 12 communities total about $25 million. Several of these communities experienced an unplanned service hiatus of several months, so the amount actually paid for FY2015 will ultimately be lower. Five of the 12 communities experienced a service hiatus: Bradford, PA; Franklin/Oil City, PA; Greenville, MS; Macon, GA; and Muscle Shoals, AL. Kingman, AZ was terminated due to exceeding the $1,000 per passenger subsidy cap. The last day of service will be April 30, 2015, resulting in 5 months of savings (May-September 2015).

Count	State	EAS Community	Max Annual
1	AL	Muscle Shoals	$1,756,877
1	AZ	Kingman	$1,668,551
1	CA	El Centro	$1,963,385
1	CA	Merced	$2,835,833
1	GA	Macon	$2,039,486
1	IA	Fort Dodge	$3,830,879
1	MD	Hagerstown	$1,822,080
1	MS	Greenville	$1,498,061
1	PA	Bradford	$2,098,283
1	PA	Franklin/Oil City	$1,479,783
1	PA	Lancaster	$2,555,280
1	TN	Jackson	$1,600,278
12			**$25,148,774**

Mr. Diaz-Balart #14

Essential Air Service

Question: When will the Department take another look at these 12 community airports, and any new communities that fall into this category, and re-evaluate their status under this eligibility requirement? How long is the waiver in effect?

Answer: As stated in the order granting waivers, the Department will re-examine the 12 communities originally granted a waiver based on FY 2015 passenger and hub data. The Department is currently examining all other communities within 175 miles of a large or medium hub, based on FY 2014 data.

The waivers are in effect for one year and are re-evaluated annually. The current communities that received a waiver (12) have the waiver through September 30, 2015.

Mr. Diaz-Balart #15

Essential Air Service

Another legislated reform prohibits subsidies exceeding $200 per passenger, unless the community is located more than 210 miles from the nearest large or medium hub airport. Your budget notes that this prohibition will be in effect late in FY 2016.

Question: What are the savings you expect to achieve with the implementation of this subsidy cap?

Answer: The Department issued a Notice of Proposed Enforcement Policy regarding the $200 subsidy-per-passenger cap based on FY 2015 passenger and subsidy data. Given the lag time in carriers' submitting data and DOT processing time, the data will be available around January/February 2016, so it is too early to estimate savings.

Question: Do you expect to issue waivers for this prohibition, like you did with the 10 passenger rule?

Answer: Without having seen any requests for waivers and the rationale behind them, the Department cannot predict how many, waivers might be granted.

Question: Is the Department considering any other legislative reforms to this program to achieve cost savings?

Answer: The Department is continuing to consider ways in which program costs can be reduced and greater efficiencies can be realized.

Question: Absent statutory changes, are there ways you can achieve cost-savings in this program, such as through contract negotiations with carriers?

Answer: DOT negotiates and has frequent contact with carriers on an on-going basis regarding carriers' proposed subsidy amounts and other service issues that impact sales. Examples include legacy carriers' cancellation of ticketing and baggage agreements, visibility of flights for sale in global distribution systems, and gate space or facilities at major hub airports. A recent negotiation with a carrier (that was the only carrier to submit a proposal at a community) will result in a savings of $750,000 annually or $1,500,000 over a two-year term.
In its requests for proposals, the Department expects "best and final" submissions and they are submitted in a competitive environment. As a result, while each proposal is carefully reviewed and analyzed, we reserve negotiation for cases where there is clear potential for justifiable savings.

Mr. Diaz-Balart #16

New Assistant Secretary for Innovative Finance

You're proposing a new office – Innovative Finance – with $2 million and 12 positions (6 FTE) to consolidate the credit programs.

Question: How many people – either positions or FTE – are working in the modes on the affected credit programs?

Answer: This office would serve two functions; one to increase outreach and technical assistance through the Build America Transportation Investment Center (BATIC), and two, co-locate the Credit Programs to increase consistency.

The programs that would be co-located into the new Innovative Finance Office includes: The Transportation Infrastructure Finance and Innovation Act program (TIFIA) which has 18 people, the Railroad Rehabilitation and Improvement Financing program (RRIF) which has 15 people, the Maritime Guaranteed Loan program (Title XI) also has 15 FTE, the Office of Small and Disadvantaged Business Utilization's Short-Term Lending Program (OSDBU/SLTP) has 2 people, and Private Activity Bonds (PABs) which has 1 person. These programs have varying levels of expertise that will benefit from co-locating and collaboration between the programs.

Mr. Diaz-Balart #17

New Assistant Secretary for Innovative Finance

Question: If enacted, would those existing modal employees physically and organizationally move out of the modes and into the new office? If they move out of the modes, won't you then eventually lose the modal program experience?

Answer: The purpose of co-locating the credit programs under one umbrella is to increase the level of credit expertise through collaboration between the programs and also to increase the accessibility of the programs to project sponsors. In addition, we see this as an opportunity for the credit programs to share best practices and to streamline duplicative efforts to ensure a consistent approach across our innovative finance portfolio. Since these programs are financing, not funding, it is important to ensure we minimize the risk for the taxpayer by co-locating the credit staff organizationally and physically, so we are able to increase the focus on creditworthiness across all programs. The modal specific expertise will continue to be provided through the partnerships with the program offices that exist today.

Mr. Diaz-Balart #18

New Assistant Secretary for Innovative Finance

Question: Are you proposing adding a whole new layer of management and bureaucracy to the credit programs and OST in general, or are there ANY savings and consolidations happening elsewhere in the budget?

Answer: Currently these programs are administered in silos buried in various organizations. This co-location will simplify the reporting structure for the credit programs and increase their visibility at the Department. Given the current funding environment, State and local Governments need to have more options to deliver projects with limited resources. The Department's credit programs are a tool in that tool box and this change will increase their accessibility.

Mr. Diaz-Balart #19

New Assistant Secretary for Innovative Finance

Question: More importantly, what are we getting out of this office? What are the goals and performance measures going to be? What product or result are we going to see out of this new office?

Answer: The Build America Transportation Investment Center (BATIC) was created to help provide project sponsors with access to all of the Department's resources. Through conversations with States and local governments, we have learned more about the needs of the public, and how the taxpayer would like to see these loan programs administered. The co-location of these programs as well as the updates found in the GROW AMERICA Act are the Department's way of responding to the feedback we have received through the BATIC. We will continue to reach out to stakeholders to ensure we are providing the best service available through a Federal Loan program.

Mr. Diaz-Balart #20

New Assistant Secretary for Innovative Finance

The credit programs used to be centrally held and were then moved back under the modal administrators. It sounds like you're reversing that effort.

Question: Why were the functions originally sent to the modes, and what happened that you are now proposing to more strongly consolidate under OST?

Answer: The infrastructure deficit is growing at a dangerous rate. In the Department's GROW AMERICA Act proposal, we request funding to help bring our infrastructure to a state of good repair and expand capacity. However, there are many projects that need financial support beyond the existing grants. Programs like TIFIA, PABs, and RRIF can provide that support and help project sponsors improve infrastructure, at a low cost to the Government.

With the utilization of these programs expanding – In FY 2014 the TIFIA program closed a record 13 loans providing $7.5 billion in credit assistance – the co-location of these credit programs will allow the Department's expertise to be shared across all of the programs, ultimately resulting in a more efficient administration of the programs. With the taxpayer dollars at risk, we are constantly monitoring the creditworthiness of the programs and their ability to return payment to the taxpayer.

Mr. Diaz-Balart #21

New Assistant Secretary for Innovative Finance

Looking at the various credit instruments, it looks like we are hit or miss – some projects were just made for TIFIA financing, no one's coming in for a RIFF loan, and Title XI is weighted down by bad decisions of the past.

Question: How is the current portfolio performing across the Department?

Answer: The points you make are exactly why we believe the portfolio should be co-located. There are lessons to be learned, and there are also opportunities to change programs to better accommodate the infrastructure needs.

As with all loan programs, there have been varying levels of performance across the DOT portfolio. The Department works diligently to protect taxpayer dollars in these programs and believes this co-location will effectuate a more consistent approach.

TIFIA - Since July 2012, TIFIA has closed 25 projects for over \$12 billion in credit assistance resulting in \$42 billion in infrastructure investment. Recently, the Texas Department of Transportation (TxDOT) repaid their \$1.1 billion TIFIA loan for the Central Texas Turnpike System. TIFIA was a critical component of the initial finance plan for this project. With the project's strong performance, reduced risk, and low interest rates, TxDOT was able to refinance the TIFIA loan saving millions of dollars and repay the TIFIA loan 27 years ahead of schedule. This is the intent of the TIFIA program, to fill a market gap, providing affordable financing, and willingness to take subordinated positions to project risks. Then, as market and project performance allow, the projects can be refinanced in the capital markets and TIFIA can be repaid.

By the end of FY 2015, TIFIA anticipates having 24 people to monitor and oversee the TIFIA portfolio.

RRIF – The Department is focused on increasing the project pipeline for this program by accommodating requests for passenger and commuter rail. The Department is also looking into how RRIF can be used to improve safety as well as bring our existing systems to a state of good repair.

Title XI – The Title XI program had some defaults at the turn of the century. The Department used that experience to re-evaluate the parameters of the program and increase oversight. We believe that organizationally restructuring these programs will allow each group to learn more about entering into creditworthy loan agreements that benefit transportation while being responsible with the taxpayer's dollars.

In addition, the GROW AMERICA Act proposal provides updates to the credit programs that will allow the programs to be more widely and strategically implemented.

Mr. Diaz-Balart #22

New Data and Digital Funding Requests

DOT is requesting $3 million to comply with the Data Act and another $9 million to create a new digital services team.

Question: Is the $3 million for Data Act activities a "nice to have" appropriation or an OMB requirement?

Answer: Given the new requirements and aggressive timelines defined in the Data Act and the level of coordination needed among the grants, procurement, finance, budget, and information technology communities, additional resources will be needed to adopt and implement newly defined Government-wide data standards. The requested funding will enable the Department to take the immediate actions necessary to make it easier to trace financial information throughout its lifecycle, link related spending information from different sources, and foster improved data quality over all Federal spending.

Mr. Diaz-Balart #23

New Data and Digital Funding Requests

Question: How did you arrive at $3 million for this level of effort and how are the requirements of the Data Act different from what information you are already submitting to USAspending.gov?

Answer: The $3 million request for the Data Act effort covers activities to analyze and address the impact of changes needed to agency systems and business processes, as well as, enhance reporting capabilities. As Treasury and OMB finalize and issue Government-wide data standards this year, the requested funding will be used to accelerate efforts needed to meet the requirements of the Data Act, including the disclosure of all Federal spending and standardization of spending data. As we transition from initial planning activities, we will continue to evaluate the feasibility of implementing these new standards into our financial system(s) and determine if additional funding is needed for full implementation. The Data Act expands current USAspending.gov reporting, requiring additional data elements to include spending data for all Federal funds at a more granular level, such as appropriation, account, program activity, and object class, while maintaining current reporting requirements for awards like contracts, grants and loans. This expansion of reporting will allow clear tracking of Federal funds and link spending to budget priorities.

Mr. Diaz-Balart #24

New Data and Digital Funding Requests

Question: Looking at the $9 million for the digital services team – again, a "nice to have" or an OMB requirement?

Answer: In line with the Administration priority to improve effectiveness and efficiency across government, DOT has identified the need for a Digital Services Team within the Departmental Office of the CIO. This team will assist in the implementation of the Federal Information Technology Acquisition Reform Act (FITARA) by centralizing a solutions development capability at the Departmental level. The Digital Services Team will assist in better serving constituents and meeting mission needs. This capability does not currently exist at DOT. In one recent example, the NHTSA Vehicle Identification Number (VIN) Lookup Tool was not able to meet demand from the public during an airbag recall due to serious technical issues. The legacy infrastructure and application development impacted users directly, as many were not able to search for information on personal vehicles. Creating a Digital Services Team will allow DOT to review existing applications and solutions and begin a holistic modernization to ensure systems are functioning properly.

Mr. Diaz-Balart #25

New Data and Digital Funding Requests

Question: Is the current capacity within the CIO or GSA not savvy enough to make IT recommendations and investments?

Answer: The current CIO capacity supports only legacy systems. The Digital Services Team will provide the experts needed to fundamentally shift the approach of IT in the Department to forward looking and agile solutions. DOT wants to re-envision the way the Department does business to best ensure that its approach is modern and efficient in the support of mission services.

The Department has leveraged the GSA Digital Services resources and they provided strategic direction but were unable to provide technical support implementing the solution. DOT needs a team to implement these new solutions. GSA simply doesn't have the capacity to support the DOT needs.

Question: The justification is very slick, but in a time of sequester, is this activity truly mission critical?

Answer: The Department's current inability to develop forward thinking agile applications marries DOT to the past. Maintaining these antiquated legacy systems is costly and serves neither internal nor external customers well. Implementing a DOT Digital Services Team will result in more effective and reliable services. While DOT recognizes that this is a time of significant budget restraints, the Department believes the efficiencies and customer service improvements that will be realized are critical to improving business results and providing better service to the American people.

Mr. Diaz-Balart #26

New Data and Digital Funding Requests

Looking at Financial Management Capital account, an account that received its "final" year of funding in FY15:

Question: Why are the new programs or activities needed?

Answer: When finalizing the FY 2015 budget request, the scope of the project assumed that only new reporting tools were necessary to improve the reporting capabilities for DOT. After a more thorough analysis, it has been determined that a data warehouse also is required to improve reporting capabilities for current and potential customers and to ensure performance of the transactional system is not degraded.

Question: Could these new programs or activities instead be funded out of the Working Capital Fund?

Answer: The Department's core accounting system is managed by the Federal Aviation Administration's (FAA's) Enterprise Services Center, which is a part of the FAA Franchise Fund. The Franchise Fund is contributing $5 million towards the project, but additional appropriations are needed to implement the data warehouse.

Mr. Diaz-Balart #27

Targeting Funding to National Priorities

In a 2011 report on the TIGER program, GAO found project selection data to be limited and cited an absence of documentation for awards made contrary to recommendations by application reviewers. Three years later the problems persist as a 2014 GAO report again found that DOT could not document the reasons for advancing 43 low-rated projects in its 2013 funding decisions.

Question: Mr. Secretary, how does DOT ensure funding decisions are merit-based and what is DOT doing to address the failures found by GAO?

Answer: The Department of Transportation has taken extensive measures to ensure that projects receiving funding from the TIGER discretionary grant program are fairly and competitively evaluated, and selected to provide the Nation with useful transportation benefits in accordance with statutory requirements and the program's selection criteria. I am particularly proud of the TIGER grant program and thank the Congress for funding a seventh round of grants.

The most recent GAO report issued on September 2014 found that DOT had taken steps to improve the overall management and administration of the TIGER program, including better documentation of decisions. Some of the steps taken to improve the management of the TIGER program include:

Deadline: The Department has established and communicated a more clear process to deal with unforeseen technical issues for late applications. DOT now requires applicants to document their technical difficulties, and consideration of late applications will be on a case-by-case basis, as the Department reserves the right to reject late applications which do not meet the conditions outlined in the Notice of Funding Availability.

Early Modal Input: DOT is instituting a process to gather modal input much earlier in the process and documenting any input received.

Better Documentation: The Department is working with our internal counsel and contractors to find ways to make it easier to more fully document the reasons why projects were advanced and why certain highly recommended projects may not receive funding.
The Department remains committed to ensuring the TIGER program meets the highest standards of management and rigorous oversight to ensure the program's continued success.
DOT will continue to implement process improvements as needed to address future GAO concerns.

Mr. Diaz-Balart #28

Targeting Funding to National Priorities

Looking beyond TIGER, the budget proposes to expand discretionary grant making to better target federal funding to national goals such as freight, safety, and congestion. However, as GAO has found, and I think everyone who works on these issues knows, DOT time and again fails to manage outside influences on its funding decisions.

Question: What gives DOT the confidence that it can direct billions of dollars to achieve national goals when it cannot even demonstrate transparent decisions within a single $500 million pot?

Answer: Since the TIGER program's inception, DOT has invested nearly $4.1 billion in 342 road, rail, transit and port infrastructure projects throughout the entire Nation. The following grant awards from 2014 are a small, but striking sample of how DOT has directed billions of dollars to achieve national goals of improving safety, state of good repair, economic competitiveness, quality of life and improving the human and natural environment:

- In New York City, New York, DOT awarded a $25 million grant for the Vision Zero: Saving Lives and Providing Opportunity Project (a $52.8 million project) that will fund a 3-part safety improvement program in New York City, comprised of safe pedestrian access to schools and transit, and safe bicycle access to jobs via completion of trail systems connecting distressed communities with employment centers.
- For Salyersville, Kentucky, the Department awarded a $24 million grant for the Mountain Parkway Extension Project (a $39 million project) that will help widen 2.4 miles of the Mountain Parkway from two to four lanes in remote Eastern Kentucky through the City of Salyersville's largest commercial district. This will enhance safety, reduce travel time, ease access to public services and provide transportation choices.
- In Claiborne County, Mississippi, the Department awarded a $17.8 million grant for the Three-County Roadway Improvements Program (an $18.7 million project) that will radically improve motor vehicle transportation reliability and safety in an economically-disadvantaged, rural region by rehabilitating 41.16 miles of strategic county roads and replacing 18 bridges.

In addition, the TIGER program has leveraged an average of 3.5 private, State, and local dollars for every Federal dollar invested. The TIGER program has rewarded innovation and encouraged cross-jurisdictional and public-private partnership resulting in a robust, more efficient, competitive, cost-effective and environmentally sustainable transportation system for the U.S. taxpayer.

Mr. Diaz-Balart #29

Targeting Funding to National Priorities

I would like to better understand how exactly DOT might competitively compare projects to ensure that they clearly serve the national interest. The precise basis of DOT's TIGER award decisions continues to be vague, and funding awards to date suggest DOT preferences for planning, bike lanes and transit often trump economic merit.

Question: What metrics, performance measures, or methodologies could DOT employ to more transparently demonstrate that projects are selected based solely on their merits?

Answer: Projects are evaluated based on the primary criteria: safety, economic competitiveness, quality of life, environmental sustainability, state of good repair, and project readiness. Secondary criteria considered are innovation and partnership, which includes the extent of non-Federal funding. The program has been highly oversubscribed, with more than 15 dollars requested for every dollar we were able to award in the last round.

Mr. Diaz-Balart #30

Targeting Funding to National Priorities

Question: Would DOT be willing to openly and transparently publish these metrics and methods so that the public can see and understand the basis of the Department's decisions?

Answer: The primary and secondary criteria are published in the Federal Register, and in addition DOT does outreach that explains criteria for applicants. For example, DOT is planning a TIGER grant summit at DOT in April to discuss the grant process with potential applicants. The Department also regularly provides feedback to individual applicants during debrief meetings with them.

Mr. Diaz-Balart #31

Targeting Funding to National Priorities

The Fiscal Year 2015 statement of the managers specifically states that the conference agreement does not include funds for planning.

Question: Can you assure me that none of the $500 million provided in TIGER for Fiscal Year 2015 will go out for planning initiatives?

Answer: Yes. The Consolidated and Further Continuing Appropriations Act of 2015 does not allow TIGER funds for planning grants.

We have made this point very clear to all stakeholders as part of the 2015 preparatory outreach in advance of the seventh round of TIGER.

Therefore, I can assure you that all Fiscal Year 2015 TIGER Discretionary Grants will be awarded for capital construction projects and any related pre-construction activities needed to complete those capital projects.

Department of Transportation
Fiscal Year 2016 Questions for the Record
Ranking Member David Price
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Price #1

Surface Transportation Reauthorization/Grow America Act

The authorization for surface programs will expire on May 31st. Your budget includes a $478 billion funding outline for a six-year reauthorization proposal for highway, transit and safety programs. This is the fourth time the Department has proposed shifting nearly all of the surface programs, including rail, to the mandatory side of the budget. Although authorizers have struggled to produce a long-term authorization, they have not been particularly receptive to that approach. The appropriations committee also, understandably, has concerns about ensuring proper oversight and preserving the option to address shifting priorities, but we also have failed to step up to the plate and provide critical funding.

Question: What's your most compelling argument as to why you think this shift is necessary?

Answer: The lack of a long term Congressional transportation authorization is causing real impacts on states and local communities to address critical transportation challenges. Over the past six years, Congress has passed 11 short term extensions of the Highway Trust Fund. These continuous disruptions create significant uncertainty for local and state governments, slowing investments in critical highway and bridge projects. This reality is the compelling reason behind the Department's six-year GROW AMERICA proposal and the creation of additional trust fund accounts to provide long term certainty for rail programs and the TIGER grant program. The $478 billion GROW AMERICA proposal provides a tangible solution that is paid for and recommends significant funding increases for DOT's surface transportation programs and reflects the importance of providing State and local governments and other transportation stakeholders with the certainty they need to make important long-term infrastructure investments. Lastly, the current transportation model of short term extensions is not only inefficient and disruptive, it is also unsustainable. If we simply extend current programs for 6 years, we'd still spend $325 billion, however the fuel tax will only bring in $239 billion in revenue during that same period. GROW AMERICA represents a real solution that is fiscally responsible and addresses the nation's long term transportation challenges.

Mr. Price #2

Surface Transportation Reauthorization/Grow America Act

Your GROW AMERICA Act proposal recommends significant funding increases for DOT's surface transportation programs. The financing relies almost equally on existing revenues and the President's corporate tax reform proposal.

Question: If a consensus on a comprehensive tax reform package is not achieved by the time the Highway Trust Fund experiences a cash-flow shortfall, what alternative financing measures would you suggest? For example, will the Administration support another general fund transfer into the Trust Fund? Or, with gas prices at a rate that we haven't seen since almost 2009, should we consider an increase or at least indexing?

Answer: The Administration has not proposed and has no plans to propose an increase in the gas tax. The President proposes to pay for critical investments in infrastructure by using one-time revenue from reforming our business tax system. This would help create jobs and spur investment while eliminating loopholes that reward companies for moving profits overseas and allow them to avoid paying their fair share. The Administration is committed to ensuring that critical transportation infrastructure investments are fiscally sustainable. The Federal gas tax remains an important source of financing for many of our infrastructure needs. The Administration remains committed to continuing to work with the Congress to develop fiscally responsible solutions to address funding needs beyond the reauthorization window.

Question: Further, if authorizing Committees do not provide us with support for transportation programs on the mandatory side, this increases pressure on our discretionary funds. Where do you think we should prioritize our transportation spending?

Answer: The Administration believes continuing the cycle of short term Highway Trust Fund extensions is both disruptive and irresponsible. That is why the Administration released the GROW AMERICA proposal to addresses overall transportation priorities by increasing funding for roads, bridges and transit systems by over a third, supporting hundreds of thousands of American jobs and laying the foundations for long-term economic growth.

GROW AMERICA also provides Americans with affordable transportation options, link regions by high-performance intercity passenger rail, strengthen Metropolitan Planning Organizations to foster strong regional economies, and support American exports by improving our country's freight networks.

GROW AMERICA will also help spur innovation and economic mobility by permanently authorizing the competitive TIGER grant program for critical transportation projects that have no other viable source of funding, and bringing jobs to American communities.

Mr. Price #3

National Infrastructure Investments/TIGER

Your budget requests $1.25 billion in mandatory funding for TIGER grants in FY16 ($7.5 billion over six years).

Question: Why do you believe funding for this program should be mandatory?

Answer: Mandatory funding of TIGER over the six year period would provide a much needed interdisciplinary funding mechanism for the development of the nation's transportation infrastructure at a time when the needs for such a resource are most pressing. It would provide certainty to communities, state DOTs, ports, transit agencies, MPOs and other stakeholders to plan, design, and secure approvals for necessary transportation infrastructure investments. Stable funding would allow the Department to better plan for the application and evaluation phase of the TIGER project, both in terms of scheduling and policy development.

Mr. Price #4

National Infrastructure Investments/TIGER

TIGER has proven to be extremely popular and competitive and is of interest in my district, where funds have helped to fund our multi-modal Raleigh Union Station. Yet, while DOT has been able to fund hundreds of projects over the last few years, in each of the past five years, less than 10% of grant applicants have received funding.

Question: Do you believe that there continues to be strong demand for this program?

Answer: In the last TIGER round, the Department received almost 800 applications totaling approximately $9 billion in requests for $600 million of available funding. In the end, the Department was only able to select 72 total projects out of the hundreds of excellent applications received. So, the demand for TIGER investments is overwhelming.

It is unfortunate that we have to meet with so many project sponsors from across the nation and inform them that while they presented an outstanding proposal that was highly rated by the technical evaluation teams and senior leadership, we were unfortunately unable to make an award due to funding limitations.

That is why GROW AMERICA proposes to increase the available funding amount for TIGER over the next 6 years to enable the Department to fund the proposals that demonstrate excellent returns on investment and will generate tremendous benefits to local and regional communities.

Mr. Price #5

National Infrastructure Investments/TIGER

Question: What do you think would be an appropriate goal – in terms of percent of projects that could be funded -- with the additional funding you have requested for the program?

Answer: GROW AMERICA proposes $1.25 billion annually for TIGER. This amount of funding would allow the Department to, in essence, double its awards of the highly rated projects.

The high demand, coupled with the number of quality projects received every year makes a strong case that additional TIGER investments would greatly increase the number of projects awarded and the benefits of the overall program.

Mr. Price #6

National Infrastructure Investments/TIGER

TIGER funding allows for communities to advance projects that are multi-modal, multi-jurisdictional, or otherwise challenging to fund through existing transportation programs. There have been some efforts to restrict TIGER funding to only roads, bridges, and ports.

Question: What are your thoughts on such a proposed change?

Answer: First, TIGER offers an important model for leveraging Federal dollars for projects that provide innovative, job-creating, and quality of life-enhancing projects around the country. Secondly, the TIGER program has supported numerous critical road, rail, transit, port, and multimodal projects in local communities, and I am proud to say that local communities across the country have greatly benefitted from TIGER investments.

Some of the most innovative projects include numerous aspects, including rail, transit, bike and pedestrian paths, and other elements that together enable transformative revitalization, economic redevelopment, congestion mitigation, and access to jobs, education, and services that greatly improve the lives of Americans across the country. TIGER provides an opportunity to fund transformative transportation projects that would otherwise have no viable source of funding. I think limiting the types of eligible projects only hampers the ability of local decision-makers to craft innovative solutions tailored to their own communities. I think TIGER is a successful model that should be expanded, not limited. That is why the GROW AMERICA Act provides a 6-year authorization for TIGER and increases the available funding to $1.25 billion annually.

Question: Are there any other changes/improvements to the program you would suggest?

Answer: I am open to new ideas of how to strengthen the program. For example, I have heard from stakeholders that have discussed proposed changes to allow eligibility for smaller projects under the $10M investment threshold for small and mid-size urban cities. Right now, there is not an ability to fund small projects in urban areas that do not meet the $10M threshold.

I welcome the opportunity to follow up with you and your colleagues to better understand how the ideas of this committee to improve the TIGER program align with the goals of this administration.

Mr. Price #7

Bicycle and Pedestrian Safety

Your budget proposal includes plans to work with municipalities and states on education and enforcement of the Pedestrian Safety Action Plans, and to continue demonstration programs in six FHWA designated Pedestrian Safety Focus Cities supporting law enforcement agencies implementing the Guide to Pedestrian Crosswalk Enforcement Operations.

Question: What communities are participating in this pilot already?

Answer: Current participating cities are New York, NY; Philadelphia, PA; and Louisville, KY. Cities that participated in previous rounds of activities were: Detroit, MI; Chicago, IL; Tampa and St. Petersburg, FL; and the States of New Mexico and North Carolina.

Question: Are there plans to expand the pilot into new communities?

Answer: Yes. Eligibility for the next round of pilots will be extended to additional communities that are designated by FHWA as Focus Cities. The next round of pilots will include bicyclist safety measures, in addition to pedestrian safety.

Question: What kinds of feedback and measures do we have of your efforts?

Answer: In 2014, NHTSA and the Governors Highway Safety Association (GHSA) came to an agreement to establish bicyclist safety performance measures. Starting with the 2015 Highway Safety Plans, each State now clearly describes past pedestrian and bicyclist fatality data and provides specific targeted strategies to reduce the number of fatalities among these groups. Because the DOT recognizes that pedestrian and bicyclist fatalities are best addressed through a combination of education, enforcement, and engineering countermeasures, we facilitate collaboration between State Highway Safety Offices and State DOTs on these issues. The feedback on our program has been positive. The "Everyone is a Pedestrian" resource page on NHTSA's website (www.nhtsa.gov/everyoneisapedestrian/index.html) provides information for both the public and traffic safety professionals. As reports come in from the Focus Cities projects, NHTSA and the sites themselves are able to share lessons learned. These demonstration projects have served as stimulus for additional efforts promoting pedestrian and bicyclist safety. For example, NHTSA's demonstration project in North Carolina has been continued by the State Department of Transportation and Highway Safety Office, expanding the communities and scope of the project, without additional funding directly from NHTSA. Similar sharing is occurring in Florida. Because the cities that participate in NHTSA's demonstration projects are part of the broader FHWA effort, they are able to mentor other cities through regular conference calls, quickly sharing tips and suggestions for overcoming practical barriers to addressing education and enforcement. In another project, NHTSA recently released Pedestrian Safety Enforcement Operations: A How-to Guide to help law enforcement agencies and officers safeguard pedestrian safety. Enforcement agencies had been requesting this information, and feedback has been positive.

Feedback on NHTSA's overall program has also been constructive. Focus cities requested that the demonstration projects be able to address bicyclist safety. In the next round of planned projects, we expect that education and enforcement activities may address both pedestrian and bicyclist safety.

Mr. Price #8

Bicycle and Pedestrian Safety

Despite these positive efforts, I remain concerned about the overall level of resources devoted to bicycle and pedestrian safety issues. Under the Highway Safety Improvement Program (HSIP), states are required to set safety performance measures for reducing fatalities and serious injuries and the DOT can require states and localities to set aside a larger portion of federal grant funds for safety-specific projects if goals aren't met.

Question: How closely does the Department track traffic safety metrics for bicyclists and pedestrians?

Answer: Pedestrian and bicyclist fatalities on the roadway and right-of-way spaces are tracked through NHTSA's Fatality Analysis Reporting System (FARS). This is a census of all fatalities that occur within 30 days of a crash. NHTSA does not have authority for those incidents that occur off the roadways, for example in driveways and parking lots. However, NHTSA collects and publishes data on non-occupant deaths and injuries in non-traffic crashes from NHTSA's Not in Traffic Surveillance system. FHWA is developing measures of exposure for pedestrians and bicyclists. NHTSA plans to conduct pilot studies to help FHWA ensure the utility of the measures and to identify areas for refinement.

Mr. Price #9

Bicycle and Pedestrian Safety

Question: What, if anything, are states doing with their safety dollars to improve safety and reduce fatalities for these non-motorized road users?

Answer: The Highway Safety Improvement Program (HSIP) is a core Federal-aid program with the purpose of achieving a significant reduction in fatalities and serious injuries on all public roads. Under MAP-21, States received approximately $2.4 billion each fiscal year for the HSIP. When determining how to use HSIP funds, States use a comprehensive, data-driven approach to safety focused on achieving outcomes in terms of lives saved and serious injuries avoided for all road users. States use the best available data to develop a Strategic Highway Safety Plan (SHSP) that identifies the emphasis areas they will focus on to drive down fatalities and serious injuries for all road users in their State. The State Department of Transportation develops the SHSP in a cooperative process with local, State, Federal, Tribal and private sector safety stakeholders. The SHSP drives HSIP investment decisions and focuses on the 4Es of safety – engineering, enforcement, education and emergency medical services. In a 2014 review of SHSPs, more than 75 percent of the States included pedestrian and/or bicycle safety or non-motorized users as a priority.

In 2013 and 2014, approximately 37 percent and 45 percent of States, respectively, obligated HSIP funds for projects where the coded primary purpose category was to improve the safety of pedestrians and bicyclists. Examples of such projects included installing sidewalks, installing or modifying crosswalks and traffic signals, and engaging in safe routes to school activities. Pedestrians and bicyclists also benefit from many other HSIP projects such as intersection safety improvements and shoulder widening. Since States are directed to assign each project to only one primary purpose category, not all HSIP projects that benefit pedestrians and bicyclists are necessarily coded as pedestrians and bicyclists projects.

Additional details about the number and type of HSIP projects are available in the 2013 HSIP National Summary Report at http://safety.fhwa.dot.gov/hsip/reports/nsbrpt2013.cfm. The 2014 update will be available in the coming months.

Mr. Price #10

Staffing Needs and Modal Leadership

The budget requests more than 500 additional FTE for the DOT agencies that have safety oversight responsibility.

Question: What level of confidence do you have that you will be able to fill these safety oversight positions with individuals with the right qualifications within the fiscal year?

Answer: Safety is the Department's number one priority. The Department is committed to hiring vital safety positions as quickly as possible and each mode is developing internal staffing plans to facilitate a faster hiring process. If given the authority, we are prepared to take the necessary actions to hire the staff required to provide meet this priority.

Mr. Price #11

Staffing Needs and Modal Leadership

Question: Other than additional safety staff, what other resources does the Department need to enhance safety oversight?

Answer: The GROW AMERICA Act proposal outlines expanded authorities that will strengthen the Department's ability to ensure the safety of our roads. This includes:

- Establishing harsher penalties for manufacturers that refuse to address defective and dangerous vehicles and equipment that endanger the public;
- Providing the authority to require manufacturers to immediately cease retail sale and/or require repair of vehicles or equipment that pose an imminent hazard to the safety of the motoring public;
- Providing the authority to require rental car companies and used car dealers to participate in recalls of defective and unsafe vehicles; and
- Improving vehicle and tire recall efforts by taking steps to ensure the public is informed of recalls at franchise dealerships, independent tire stores and state departments of motor vehicles. The **Act** also provides consumers more time to get tire defects addressed for free.

The GROW AMERICA Act, additionally, requested more than $10 billion over six years for the Department's highway safety modes to improve safety for all system users. Examples of these proposed investments include:

- Sets funding for the Highway Safety Improvement Program (HSIP) at $16 billion over 6 years. This program helps engineers identify hazards and prevent the next crash, and this level of HSIP funding will make lasting safety improvements over the next decade, saving lives of drivers and other road users for years to come;
- Provides $7.4 billion to improve safety on local rural roads with too many deadly crashes;
- Authorizes the Department to close unsafe bridges when State or tribal officials fail to do so;
- Provides $3 billion to assist with the implementation of Positive Train Control on commuter rail to prevent collisions. The **Act** also strengthen its authority to regulate hours of service to prevent fatigue among rail employees

Mr. Price #12

Staffing Needs and Modal Leadership

Question: Of the nine operating administrations within DOT, only four have confirmed Administrators (Federal Aviation Administration, Maritime Administration, National Highway Traffic Safety Administration, and the Saint Lawrence Seaway Development Corporation). Of the five remaining agencies, only the Federal Transit Administration has a pending nomination. What can you tell us about the status of the nominations for the four others under acting leadership (Federal Highway Administration, Federal Motor Carrier Safety Administration, Pipeline and Hazardous Materials Safety Administration, and Federal Railroad Administration)?

Answer: We have good leaders in place, even if they're 'acting.' The expectation is that there's no drop off in our ability to focus. We do want to make sure we get the right fit for these jobs. I believe that, both with the folks we have in acting roles as well as any that may or not be moving through the process right now, we will keep our standards very high.

Department of Transportation
Fiscal Year 2016 Questions for the Record
Congressman David Joyce
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Joyce #1

Qatar and UAE State Subsidies

Over the past decade, the governments of Qatar and the UAE have granted over $40 billion in subsidies and other unfair benefits to their state-owned carriers. These subsidies include, but are not limited to billions of dollars in direct government grants, interest free loans with no repayment obligation, government loan guarantees, and government protection from fuel hedging losses, among other forms of subsidy.

The routes the Qatar and UAE air carriers operate to the United States have not meaningfully increased passenger traffic; they merely serve to displace the market share of U.S. airlines and shift good U.S. aviation jobs overseas. Every lost or foregone international roundtrip by U.S. carriers because of this subsidized competition equals a net loss of over 800 U.S. jobs. Unlike other subsidy cases, the aviation sector is not covered by World Trade Organization's (WTO) subsidy rules. Unfair competitive actions in "Open Skies" bilateral aviation agreements must be addressed by the U.S. Department of State and U.S. Department of Transportation.

Question: The bilateral aviation agreements with Qatar and the UAE give the United States a unilateral right to request consultations for any reason. Will you request consultations with Qatar and the UAE to address the $40 billion in subsidies they have provided to their airlines? The United States doesn't hesitate to take action against foreign subsidies that harm workers in other sectors of the U.S. economy. Why are airline workers being treated differently? Do you have the authority you need, both under current law and the bilateral agreements with these countries, to take the actions needed to stop the unfair competition that their subsidies are causing? I believe these subsidies and the resulting capacity dumping violates the "Fair Competition" clause of our bilateral aviation agreements with the Qatar and the UAE. Don't you agree? Qatar and the UAE are flooding the market with excess capacity of airline seats caused by billions of dollars in subsidies to the detriment of the U.S. airline industry and American jobs. Will your Department take action?

Answer: The Department of Transportation takes seriously all concerns regarding the ability of U.S. carriers to exercise a "fair and equal opportunity to compete," as provided for by our bilateral air service agreements. Three U.S. airlines recently prepared a report alleging that airlines in Qatar and the UAE receive market-distorting subsidies and an interagency team is currently analyzing the report and allegations. It would be premature at this juncture to comment on specific elements of the allegations or proscribe a course of action. If the Department of Transportation ultimately concludes that a violation of our bilateral air service agreements has occurred, the Department has statutory and regulatory tools to address such issues.

The concerns of the U.S. labor industry are important to the Department of Transportation. In this instance, we understand the concerns of U.S. labor to be linked closely to those of U.S. carriers that have expressed concerns about their ability to exercise a "fair and equal opportunity to compete," as provided for by our bilateral air service agreements.

Mr. Joyce #2

Tire Registration and Database for Tire Registration

The ability for tire manufacturers to improve recovery rates for recalled tires is hampered by a tire registration system that relies on tire sellers to provide consumers with the opportunity to register tires. Very few consumers take this opportunity, which means tire manufacturers do not have the necessary contact information for the vast majority of those who purchase tires. Without this information, it is difficult, if not impossible to notify all affected consumers in the event of a tire recall.

The National Highway Traffic Safety Administration (NHTSA) has a feature on its web site that allows consumers to enter their Vehicle Identification Number (VIN) into a database to determine whether that vehicle is involved in a recall. This is a valuable tool to assist consumers and to hopefully encourage them to seek manufacturer-paid repairs to their vehicle. Consumers also would benefit if NHTSA established a similar tool for tire recalls by establishing a Tire Information Number (TIN) database.

Question: Secretary Foxx, current federal law does not permit the National Highway Traffic Safety Administration to mandate that tire sellers automatically register tires for consumers. Meanwhile, some tire retailers who have invested in the necessary point of sale technology are able to automatically register consumers' tires with the manufacturer.
Secretary Foxx, do you agree that changing the law to require tire sellers to automatically register tires on behalf of consumers will improve tire registration rates? Do you agree this change of law will increase the number of consumers who would be able to receive manufacturer notification in the event of a tire recall?

Answer: The Department is committed to improving tire registrations and tire recall completion rates. Our recall data indicate that the overall tire recall completion rates are significantly less than overall motor vehicle completion rates. This low registration rate means that many consumers are likely not receiving notice of a potentially life-saving recall. Requiring tire resellers to automatically register tires on behalf of consumers would increase tire registration rates and improve efforts to notify consumers of a tire defect. Improving the notification process will increase the recall completion rate for tires. And increasing the recall completion rate for tires is critical to ensuring public safety.

Mr. Joyce #3

Tire Registration and Database for Tire Registration

Question: Consumers would also benefit if NHTSA established a similar tool for tire recalls by establishing a Tire Information Number (TIN) database. Do you think it is worthwhile for NHTSA to add a TIN-searchable database so consumers could benefit further by an additional tool that could inform them whether their tires are subject to a recall? And if so does NHTSA have sufficient resources to add a TIN-searchable database?

Answer: The Department is committed improving tire registrations and tire recall completion rates. We believe that a TIN lookup that furnishes recall applicability and a calculated tire age could be beneficial to consumers. Such a database would improve customer understanding of what tires are covered by recalls as well as the age of the tire. A TIN, however, is different from a vehicle identification number or VIN. While a VIN is a unique identifier for every vehicle, a TIN only identifies a batch of tires made during a specific week at a specific plant. The TIN is not a unique identifier, but it could still be used to determine whether a tire is part of a recalled batch as well as to determine the age of the tire.

However, similar to auto manufacturers and the vehicles recalls database, we believe that tire manufacturers are best positioned to compile and maintain the data online. With NHTSA's VIN lookup tool, we rely on auto manufacturers to maintain and provide access to the vehicles recalls database. Were NHTSA required to develop and maintain such data, properly deploying such a database would require significant information collection from the public, industry and stakeholders to assess the best method and to avoid unintended consequences. In addition, standing up and maintaining the related information technology infrastructure and data processing procedures would require significant resources.

Department of Transportation
Fiscal Year 2016 Questions for the Record
Congressman Mike Quigley
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Quigley #1

Positive Train Control

Mr. Secretary, each time I've brought up the issue of positive train control in this committee, the answer has essentially been the same. You, your predecessor, and former FRA Administrator Szabo have all acknowledged the challenges that freight and especially commuter railroads face in meeting the arbitrary deadline, but each of you have essentially punted on the question of what to do about it because there was still time to figure this out before the deadline.
Well, Mr. Secretary, time is nearly up. We've got nine months left. Both freight and commuters, despite their best efforts, have told me that meeting the deadline is impossible, yet you testified before the authorizing committee just this month saying that the deadline will not be extended.

Question: Can you tell me what DOT's plan is for December 31st of this year when we finally hit this unmeetable and arbitrary deadline?

Answer: Section 104 of the Rail Safety Improvement Act of 2008 (RSIA)[1] clearly mandated an inflexible PTC implementation deadline of December 31, 2015, and only Congress has the authority to amend that statutory deadline.
Although the RSIA requires each covered railroad to complete full PTC system implementation by December 31, 2015, the statute and regulations do not provide for any automatic action or penalty if a railroad does not comply.
Recognizing the limitations of FRA's available enforcement tools as they apply to PTC system implementation, the Department has included potential solutions in its proposed surface transportation reauthorization bill submitted April 29, 2014—the Generating Renewal, Opportunity, and Work with Accelerated Mobility, Efficiency, and Rebuilding of Infrastructure and Communities throughout America Act (GROW AMERICA Act). More specifically, Section 9402 requests that the Secretary of Transportation, and by delegation FRA, be granted authority to: grant merit-based extensions of the current statutory deadline; establish and enforce specific implementation milestones against individual railroads; and allow the use of alternative methods of protection in lieu of PTC systems where safety will not be diminished. That section would also require coordination between DOT and the Federal Communications Commission (FCC) to assess the spectrum needs and availability necessary to fully and adequately implement PTC systems. The GROW AMERICA Act also proposes to assist publicly funded commuter rail agencies to implement PTC systems by providing $3 billion over 6 years for commuter railroads to support integration. Such flexibility, authority, and funding would allow FRA to be more responsive to the reality and obstacles of PTC system implementation while still holding railroads accountable. DOT plans to submit a similar bill soon.

[1] Codified at 49 U.S.C. § 20157.

FRA also plans to send an update to its August 2012 report to Congress this spring on the PTC implementation status, as required by the fiscal year 2015 Transportation and Housing and Urban Development Appropriations Subcommittee report.

Mr. Quigley #2

Positive Train Control

Question: Last year, Administrator Szabo told this committee that "to meet the deadline, everything will have to fall perfectly into place, and in the real world, getting everything to fall perfectly is difficult to achieve." Why hasn't everything fallen into place?

Answer: As indicated in FRA's August 2012 report to Congress,[2] full PTC system implementation, as RSIA requires, has been hindered by the breadth and scale of implementation, the complexity and variety of technological approaches, and the need to comply with other Federal laws.

In 2013, U.S. Class I freight railroads operated over almost 162,000 miles of track, on 60,000 miles of which RSIA requires PTC system implementation. Intercity passenger and commuter railroad operations account for an additional estimated 8,400 miles of track required to be equipped with PTC.

PTC system implementation is the largest, most complex, train control project since the Interstate Commerce Act of 1920 empowered the Interstate Commerce Commission to order the installation of automatic train stop or train control systems. Unlike the train control system of the 1920s, PTC is a complex, software-based system that also relies on wireless communications. As indicated in FRA's 2012 report[3] to Congress, a number of programmatic and technical issues were adversely affecting completion, all of which required resolution.

Subsequent to that report, two additional issues have arisen that could adversely impact the railroads' ability to complete full implementation. The first issue involved a Federal Communications Commission (FCC) moratorium on the installation of the 22,000 towers required for PTC to work pending resolution of a method for complying with Section 106 of the National Historic Preservation Act of 1966 (NHPA), and consultation with both a State Historic Preservation Officer (SHPO) and Tribal Historic Preservation Officers (THPO). FCC was able to develop an expedited review process with input from SHPO, THPO, and other stakeholders, but installation work was precluded for over 13 months. The second issue relates to unresolved mutual interference and desensitizing between the different types of radios used in the railroad PTC operating environment. Effectively, if radios interfere with, or desensitize, each other sufficiently, the affected PTC system(s) will not work. Even though railroads continue to make incremental progress towards implementation, it is unlikely that they will overcome all issues prior to the deadline.

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[2] FRA Report to Congress, *"Positive Train Control Implementation Status, Issues, and Impacts,"* August 2012
[3] FRA Report to Congress, *"Positive Train Control Implementation Status, Issues, and Impacts,"* August 2012

Mr. Quigley #3

Positive Train Control

Question: There has been a lot of discussion about how to prevent train accidents at grade crossings like the recent incidents in California and New York. As I understand it, positive train control is meant to prevent accidents in the following situations: trains are traveling too fast; trains are traveling beyond their authority; trains are traveling through a track switch left in the wrong position; and, trains enter a section of track where maintenance work is taking place. I know that the relevant facts are still being discovered but I'd like to know, Mr. Secretary, if you think positive train control could have prevented these accidents?

Answer: Your understanding of the Congressionally-mandated PTC functions is correct. NTSB is leading the investigations into the Valhalla, New York, grade crossing collision and the Oxnard, California track obstruction collision, so FRA cannot speculate whether PTC would have prevented these accidents. However, as currently required to be designed, preventing grade crossing accidents is not one of its required functions.

Mr. Quigley #4

Tanker Car Safety

While transportation of crude oil by rail in the United States has increased by 400 percent since 2005, tragic accidents involving freight trains transporting crude oil have brought to light serious safety concerns. Nowhere is this concern more serious than in my City of Chicago.

Question: I'm glad that the FRA is in the midst of finalizing its regulations on updated tank car standards, but given that the horrific incident that occurred in West Virginia last week involved the failure of tank cars which were designed to a higher standard than traditional tank cars, when are we going to start talking about the other side of this issue: requiring the stabilization of this highly volatile oil that we are transporting?

Answer: The Department of Transportation, including the FRA and Pipeline and Hazardous Materials Safety Administration (PHMSA) hazardous materials experts, is working closely with the Department of Energy (DOE) on additional research into this product, and that research will ultimately assist in ensuring we are doing all we can to improve the safety of this product and how it is transported.

We know that the technology, expertise, and infrastructure exist to stabilize crude and to remove the gases from the product. We know that once removed from the product, these gases can be safely transported by pipeline, or potentially by pressure cars. And we know that this product is often treated and stabilized, with the gases removed, prior to being placed into pipelines.
In March, DOE in collaboration with PHMSA released a Sandia National Laboratories study: *Literature Survey of Crude Oil Properties Relevant to Handling and Fire Safety in Transport.*

The report confirms that while crude composition matters, no single chemical or physical variable -- be it flash point, boiling point, ignition temperature, vapor pressure -- or the circumstances of an accident (such as the amount of fuel involved) – has been proven to act as the sole variable to define the probability or severity of a combustion event. All Multiple variables matter.

Our hazardous materials experts are working closely with DOE on additional research into this product, and that research will ultimately assist us in assessing the relevant factors involved in the safe transportation of this product.

Right now, DOT is considering all options within our authority to enhance the safe shipment of crude oil and other flammable liquids by train. Everything is on the table now and going forward. We continue to demand that the rail industry address the risks created when crude is moved by rail, and call on the energy industry to acknowledge its role in ensuring their products are transported as safely as possible.

Question: They're doing it in Texas, why aren't we requiring this process all over the country?

Answer: DOT hazardous materials experts are working closely with DOE on additional research into this product, and that research will ultimately assist in ensuring DOT that we are doing all we can to improve the safety of this product and how it is transported.

Mr. Quigley #5

Transportation Investment Generating Economic Recovery (TIGER)

I'm a strong supporter of the TIGER grant program, but too often we've allowed our friends on the other side of the aisle to paint the program in the wrong light, calling it the administration's earmarks that focus only on parochial projects for democratic districts. This couldn't be farther from the truth, but I do think that a greater emphasis on the part of DOT to focus on projects with a larger regional impact and economic development aspect, like Illinois' Elgin-O'Hare project which will have far reaching benefits beyond Chicago and throughout the region, may help dispel the myths.

Question: Can you talk about the regional and economic development value of the TIGER program?

Answer: The TIGER program enables DOT to examine a broad array of projects on their merits, to help ensure that taxpayers are getting the highest value for every dollar invested. This focus is especially important in the current era of fiscal constraint. In each round of TIGER, DOT receives many applications to build and repair critical pieces of our freight and passenger transportation networks. Applicants must detail the benefits their project would deliver for five long-term outcomes: safety, economic competitiveness, state of good repair, quality of life and environmental sustainability. DOT also evaluates projects on their expected contributions to economic recovery, as well as their ability to facilitate innovation and new partnerships both local and regional.

An example of a project that will have direct impact to regional and national economic growth is the $10 million TIGER grant to the Houston, Texas, Bayport Wharf extension project. This investment will allow the terminal to double its cargo capacity by 2033, supporting international trade with more than 1,000 ports in 203 countries. The project will increase the port's ability to take advantage of the ships expected after the Panama Canal expansion and supports the President's goal of doubling freight exports. The project also will increase the productivity of the terminal by reducing truck waiting and idling times.

Mr. Quigley #6

Chicago Region Environmental and Transportation Efficiency (CREATE) Program

The Chicago region is the nation's first and the world's third busiest intermodal hub, where six of the seven Class I freight railroads converge and where nearly a quarter of the nation's rail shipments arrive or pass through. Add in our vital passenger railroads, Amtrak and Metra, and you have an extremely complex system with serious congestion issues.
Through an unprecedented level of collaboration between the city of Chicago, the Illinois state government, DOT and 6 of the 7 of the major railroads in the country, the CREATE project has identified 70 key areas of improvement in the area, and since 2011 have completed 22 projects and is currently in the middle of 28 more.

Question: What can DOT in coordination with this committee do to prioritize the completion of these ongoing projects and jump start the 20 still waiting to begin?

Answer: The lack of available public and private funding continues to be the primary impediment to completing the CREATE program, which is estimated to cost nearly $3.8 billion. Despite the importance of freight investments on the economy, freight projects are often at a disadvantage in the current transportation planning process. Even with these limitations, more than $330 million in federal funds have been dedicated to the CREATE program to date. However, of the 48 CREATE projects remaining to be completed; only 8 have secured the necessary funding to finish construction.

The President's FY16 Budget Request and surface transportation reauthorization proposal, the GROW AMERICA Act, would help to provide the funding and certainty CREATE stakeholders have long sought to see their projects through to completion. GROW AMERICA would establish several new programs that would benefit both freight and passenger rail congestion, including:

- $18 billion over 6 years for targeted investments to improve the movement of freight.
- $14 billion over 6 years to improve passenger rail corridors, alleviate chokepoints, and enhance rail safety.
- $7.5 billion over 6 years to continue the Transportation Investment Generating Economic Recovery (TIGER) grant program, which has successfully supported many freight projects over the previous 6 years, including over $110 million for CREATE.

Mr. Quigley #7

Chicago Region Environmental and Transportation Efficiency (CREATE) Program

<u>Question:</u> In light of how far we've come and considering how far we still have to go, what is DOT doing to think beyond the ongoing CREATE program to find the next steps to addressing congestion in the Chicago region?

<u>Answer:</u> Improving the fluidity of rail traffic in and around Chicago is a key driver to both growing the U.S. economy and continuing to develop a high-performance passenger rail network in the Midwest. In addition to authorizing funding, the GROW AMERICA Act establishes new frameworks to better identify, plan, and implement freight improvements, including:

- Empowering regions and local entities to have a greater role in defining their transportation priorities. As part of this effort, GROW AMERICA authorizes DOT to establish Regional Rail Development Authorities to develop high-performance rail networks and coordinate planning activities and investments with railroads and other stakeholders.
- Establishing State Freight Advisory Committees to assist states in prioritizing freight issues, projects, and funding needs.
- Enhancing project delivery and transparency to provide for clearer guidelines, additional flexibility in satisfying federal permitting requirements, and more timely project approvals.

Mr. Quigley #8

Gulf Carriers

I am concerned that Qatar and the UAE are subverting their bilateral aviation agreements with the United States and distorting market competition through unfair government subsidies to their state-owned airlines. The media has reported that over the past decade, the governments of Qatar and the UAE have granted over $40 billion in subsidies and other unfair benefits to their state-owned air carriers. The subsidies are more than twice as large as the EU subsidies to Airbus, which the US challenged at the WTO. We need to act against these subsidies too. They are injuring U.S. airlines, and shifting U.S. aviation jobs to the Gulf.

Question: The Administration has made unfair competition from State Owned Enterprises (SOEs) a top priority in trade negotiations with Asia and Europe. Why hasn't the Administration put the same effort into challenging subsidies to the SOE airlines in Qatar and the UAE?

Question: The bilateral aviation agreements with Qatar and the UAE give the United States a unilateral right to request consultations for any reason. Will you request consultations with Qatar and the UAE to address the $40 billion in subsidies they have provided to their airlines?

Question: U.S. aviation workers are getting a raw deal under the current aviation agreements with Qatar and the UAE. In my view, the Administration should protect U.S. jobs by modifying the agreements to address the flow of subsidized capacity that these airlines are targeting at the United States. Do you agree?

Question: Do you have the authority you need, both under current law and the bilateral agreements with these countries, to take the actions needed to stop the unfair competition that their subsidies are causing?

Question: I believe these subsidies and the resulting capacity dumping violates the "Fair Competition" clause of our bilateral aviation agreements with the Qatar and the UAE. Don't you agree?

Question: The United States doesn't hesitate to take action against foreign subsidies that harm workers in other sectors of the U.S. economy – e.g., steel. Why are airline workers being treated differently?

Question: Qatar and the UAE are flooding the market with excess capacity of airline seats caused by billions of dollars in subsidies to the detriment of the U.S. airline industry and American jobs. Will your Department take action?

Answer: The Department of Transportation takes seriously all concerns regarding the ability of U.S. carriers to exercise a "fair and equal opportunity to compete," as provided for by our bilateral air service agreements. Three U.S. airlines recently prepared a report alleging that airlines in Qatar and the UAE receive market-distorting subsidies and an interagency team is currently analyzing the report and allegations. It would be premature at this juncture to comment on specific elements of the allegations or proscribe a course of action. If the Department of

Transportation ultimately concludes that a violation of our bilateral air service agreements has occurred, the Department has statutory and regulatory tools to address such issues.
The concerns of the U.S. labor industry are important to the Department of Transportation. In this instance, we understand the concerns of U.S. labor to be linked closely to those of U.S. carriers that have expressed concerns about their ability to exercise a "fair and equal opportunity to compete," as provided for by our bilateral air service agreements.

WEDNESDAY, MARCH 17, 2015.

FEDERAL AVIATION ADMINISTRATION

WITNESS

MICHAEL HUERTA, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

Mr. DIAZ-BALART. Let us call the Sucommittee to order, and today we welcome Administrator Michael Huerta from the Federal Aviation Administration to discuss the Fiscal Year 2016 Budget Request.

FAA is requesting a little over $15.8 billion in new budgetary resources for fiscal year 2016 which, by the way, is approximately the same level that was provided in 2015. Now, while the overall budget request is relatively flat, the request includes $439 million, and the increase is for operation facilities, equipment and research accounts. Now once again, you are wondering, how is it flat then? Well, again, there is a request to reduce the Airport Grants Program by $450 million, along with an increase to passenger fees.

Regardless of what one might think of the merits of this, this has already been proposed and, frankly, rejected a number of times by Congress. As the Administrator says in his written testimony, the FAA faces several challenges in the coming years—advancing NextGen Programs while maintaining FAA's existing infrastructure. Ensuring that certification processes keep pace with the aviation industry's technological advances, and obviously safely integrating unmanned aircraft systems into the airspace, that is something that we have all heard a lot about recently.

So FAA is challenged to meet these goals while continuing its primary mission, to ensure the safe operations of our national airspace. We must collectively find a way to meet FAA's challenges together in a fiscal environment, where we need to hold agencies accountable, frankly, more accountable, for each taxpayer dollar that is spent.

We have seen too many cost overruns and scheduled delays in FAA's NextGen programs, and I know that some in aviation even have a different name for it. Especially under the BCA mandated sequester, there is very little room for error, very little wiggle room, so we must see results from our investments, from every taxpayer dollar. We can only invest in our highest priorities if we have the will to reduce or eliminate those programs that are less effective; this is our fiscal reality whether we like it or not.

I look forward to discussing these challenges with you, Administrator Huerta, as we work to meet the most pressing needs of our Air Traffic Control System, while, again, remaining accountable to the taxpayer and public, which is key.

So before we get to your opening statement, I want to recognize the Ranking Member of the Subcommittee, the gentleman from North Carolina, Mr. Price, for his opening Statement.

Mr. PRICE. Thank you, Mr. Chairman. And welcome Mr. Administrator. I want to join you, Mr. Chairman, in welcoming our Administrator, Michael Huerta to our Subcommittee, and join you in noting some of the budget parameters that we are dealing with here. The fiscal 2016 budget request a total of 15.8 billion for the programs and activities of the FAA. That is only a slight increase of 119 million above the 2015 enacted level, and it is approximately a level with where the Agency's funding has been for the last few years.

We were able to provide a funding booster of about $1 billion under the 2009 Recovery Act, but otherwise we are simply not adequately addressing our infrastructure needs. Let me take just a minute to also put this in the broader context of the overall budge environment, because the mission of this Agency is a prime example of why our broad budget agreement, addressing the real drivers of the deficit, is needed to escape the stranglehold of sequestration.

Two years ago when sequestration was triggered during fiscal 2013, the full impact on the FAA would have required the Administrator to cut more than $630 million from Agency programs and activities.

The initial effects were dramatic. Each and every employee of the FAA was facing as many as 11 days of furlough, more than 150 contract hours, which provide air traffic service to small airports in the country, were on the verge of shutdown. Flight delays and cancellations rippled across the nation, frustrating travelers, disrupting normal flow of commerce.

Now, after several days, Congress did take action to provide some relief for the FAA, I stress, some relief, and the ripple effects were considerable. We passed legislation allowing 253 million to be transferred from carryover funds to the Airport Grant Program to be used to restore the Contract Tower Program, and eliminate employee furloughs.

Now that provided some relief, but we cannot repeatedly do that, rob Peter to pay Paul. The slippery slope of shifting capital funds to fill Agency operational holes, in fact, has linger impacts. Decreasing capital funds will only cause the delay, the deferral of projects that are necessary for the modernization of our air traffic control system, and much needed safety and capacity investments at airports.

Fortunately the Murray-Ryan Budget Agreement allow the FAA, and many other agencies, to avoid the most drastic effects of sequestration. I hope my colleagues will remain mindful of what happened in fiscal 2013 as we move forward this year with the specter of sequestration once again looming large.

Now, let me just briefly return to the focus of the day, FAA's funding needs for 2016. Safety oversight enforcement are critical priorities, I am pleased to see that is reflected, Mr. Administrator, in your budget.

In regard to operations, your budget request includes increased staffing for a variety of aviation safety efforts, requested increase of nearly $21.3 million will enable you to hire additional inspection on certification staff to oversee the introduction of newer aircraft and avionics, and to provide additional safety oversight, of air operators, repair stations and manufacturers.

Budget also includes much needed resources to help the Agency meet the emerging challenges of the integration of unmanned aircraft systems. There are other emergency challenges for the Agency to address. For example, in the aftermath of the fire at the Chicago En Route Center, FAA conducted a comprehensive review of the Agency's facility and personnel security protocols; they requested 13.8 percent increase for FAA's Security and Hazardous Materials Office, will help accelerate security procedures and personnel identification verification systems, necessary to protect the access to critical FAA facilities and systems.

In addition to this, the FAA focuses on its important safety mission, and I hope to remain engaged in your efforts to improve the tracking of passenger air flights, and the recovery of downed planes and flight data, and I will return to that in the question period.

Finally, the FAA must continue to advance NextGen, which will transition air traffic controls from a ground base to a satellite-based navigation system. Toward this end, the budget needs to include the total of $956 million for NextGen programs; including the development of improved data communication systems between controllers and aircraft, as well as the modernization of facility automation systems.

I am encourage the FAA has made good progress in deploying the ground station network that is needed for more accurate aircraft surveillance, however, I realize that the true benefits of these improved surveillance technologies will not be realized until commercial and general aviation aircraft are equipped with the appropriate avionics. I hope we can work on this together.

Mr. Huerta, I look forward to discussing a number of these items with you this morning, and to working with you to ensure that our aviation system remains a global leader in years to come. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, Mr. Price. Mr. Administrator, your full written testimony of course, will be included in the record. So let me now recognize you for five minutes. Thank you for being here.

OPENING STATEMENT

Mr. HUERTA. Good morning, Chair Diaz-Balart; Ranking Member Price, and Members of the Subcommittee. Thank you for the opportunity to discuss the Administration's Fiscal Year 2016 Budget Request for the Federal Aviation Administration.

This request of $15.83 billion will support the FAA's mission to run the safest and most efficient aerospace system in the world, while transforming our airspace through NextGen. Our budget reflects a set of principles the Administration has developed for the FAA's reauthorization. These principles promote safety, modernization and the alignment of our resources to better match our users' needs while maintaining America's standing as a global leader in aviation.

In the 2016 Operations Budget Request, we are asking for $9.92 billion to operate our nation's aviation system on a day-to-day basis. This will strengthen our safety and security programs through hiring additional safety inspectors, engineers and others, to address the increased demand for certification of aircraft, operators and pilots.

It also addresses our increased focus on integrating new users such as unmanned aircraft and commercial space vehicles. Furthermore, we want to enhance our security for personnel and facilities which we reviewed extensively after an act of sabotage and the resulting fire at the En Route Traffic Control Center in Chicago last fall. Finally, we are actively working to protect the FAA from cyber attacks.

Our Facilities and Equipment request of $2.85 billion will help us continue to bring the benefits of NextGen to users now, while at the same time addressing the backlog of needed repairs, and maintenance of our infrastructure.

I would like to take this opportunity to thank the Committee for its continued support of the En Route Automation Modernization Program, which we plan to complete at the end of this month. This new automation system will accommodate the technologies of NextGen, and is one of the largest automation changeovers in the history of the FAA. We introduced a great deal of discipline and structure in this ongoing program, and it is now just a matter of turning off the old system at the last two centers to complete the nationwide transition to ERAM. The new program creates a more powerful air traffic system that can handle the challenges of the coming decades.

We are also upgrading the automation system in our terminal airspace where we control traffic approaching the airports. The terminal automation modernization and replacement program is well underway at our largest TRACONs. The Committee's strong support of these foundational NextGen Programs will prepare us for continued growth, and provide the infrastructure for a healthy economy.

Our 2016 request of $166 million for Research, Engineering and Development allows us to boost funding for research in the sustainable jet fuels as well as research for integrating commercial space transportation and unmanned aircraft into our airspace system. The Committee has significantly bolstered unmanned aircraft research this year with strong financial support.

Finally, in the Airports Budget, we are requesting $2.9 billion to ensure the continued safety, capacity and efficiency of our nation's airport network. As in years past, the Administration is proposing to eliminate the passenger and cargo entitlement funding for large hub airports, and in exchange the budget requests an increase in the Passenger Facility Charge, from $4.50 to $8.00, which will provide large hub airports with greater flexibility to generate their own revenue for projects. At the same time, it would allow us to restructure the Airport Grant Program to better respond to the needs of the smaller airports.

The FAA continues to face many challenges. America's leadership in aviation is facing competition on a global level with the growth of foreign markets. Domestically, we have had to navigate a constrained and challenging fiscal environment in recent years.

In this budget request, we are asking for the flexibility to transfer funds across accounts in order to be able to prioritize resources, to leverage new technology and to respond nimbly to evolving challenges. The FAA needs to realign today's airspace system with current demands. We need the flexibility to make investment choices that further the health of our airspace system so that everyone can benefit.

Civil Aviation contributes $1.5 trillion to our economy and generates nearly 12 million American jobs. The FAA Fiscal Year 2016 Budget Request will enable us to continue to protect and expand this vital economic engine, and to create the right environment for further innovation and for global leadership.

Thank you. This concludes my opening statement, and I would be happy to answer any questions you might have.

[The information follows:]

STATEMENT OF
MICHAEL P. HUERTA, ADMINISTRATOR
FEDERAL AVIATION ADMINISTRATION

HEARING BEFORE THE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES: THE FISCAL YEAR 2016 BUDGET REQUEST FOR THE FEDERAL AVIATION ADMINISTRATION

MARCH 17, 2015

Good morning, Chairman Diaz-Balart, Ranking Member Price, and Members of the Subcommittee. Thank you for the opportunity to discuss the Administration's Fiscal Year (FY) 2016 budget request for the Federal Aviation Administration (FAA).

The Federal Aviation Administration (FAA) operates the safest and most efficient aerospace system in the world. We have proudly delivered on this promise since 1958, providing the world's leading aviation system and setting an unparalleled standard for safety and efficiency that is emulated globally. Today, the breadth of FAA's mission and capabilities is dedicated to achieving the next level of safety, efficiency, environmental responsibility and global leadership.

Aviation was born in America. It has thrived in this country since Wilbur and Orville took their first flight over 100 years ago. The United States continues to lead the world in aviation technology. Our manufacturers produce innovative aircraft and avionics that help maintain our nation's positive balance of trade. The overall health of the U.S economy is highly dependent on the aviation industry. Civil aviation contributes roughly $1.5 trillion annually to the national economy and constitutes 5.4 percent of the gross domestic product. Aviation also generates more than 11.8 million jobs, with annual earnings of $459 billion.

America's leadership in aviation is now being challenged on a global level by the growth of foreign competitors and the shifting dynamics of supply chains. The FAA must prioritize its resources to leverage new technology and to respond nimbly to evolving challenges. To maintain our global leadership and to continue to reap the economic benefits of this industry, we ask Congress to provide FAA with the tools necessary to meet the pressing demands of the future. To that end, the Administration has developed a set of core reauthorization principles that we believe will create a framework to improve safety, make the national airspace system more efficient, and improve service for air travelers and other stakeholders.

First, we must maintain our excellent safety record and foster risk-based safety approaches to aviation oversight. We must use data and analysis to focus our precious resources on the areas of highest risk in our aviation system, while accelerating risk-based certification mechanisms.

We must continue to modernize our air traffic control system. To this end, we ask that you provide stable funding for core operations and NextGen investments, while supporting efficient recapitalization of our aging facilities. Our ongoing collaboration with industry is absolutely essential. We need to deliver benefits, and industry needs to equip to use these improvements.

We need to secure appropriate funding for our nation's airports, while restructuring the Airport Improvement Program to better respond to the needs of smaller airports. Funding levels must also support our safe and efficient integration of new users into our airspace system, such as unmanned aircraft systems and commercial space transportation.

The FAA must foster a culture of innovation and efficiency. We must support long-term workforce planning and implement policies that will foster a strong, skilled, and accountable workforce that is trained to implement NextGen. We need to collaborate with industry on all NextGen projects, as we work together to define and achieve measurable user benefits. We must also foster healthy competition for new entrants, and ensure that the flying public benefits from a strong consumer protection regime.

The FAA also needs to realign today's airspace system with current demands. We ask that you provide the FAA with stable funding and support our ability to plan and implement long-term projects. We need the flexibility to make investment choices that further the health of our airspace system so everyone can benefit.

And finally, we need to maintain our position of aviation leadership on the world stage. We must increase our collaboration with industry and with our international partners. The FAA needs to remain at the table to shape and harmonize international aviation standards that promote seamless travel around the world.

As an agency, the FAA has a tremendous opportunity to make a difference for stakeholders while addressing the challenges presented by a changing industry. Our vision is to transform the aviation system to reflect the highest standards of safety and efficiency and be a model for the world. The FAA will bring about this transformation through our four strategic priorities: 1) Make aviation safer and smarter. 2) Deliver benefits through technology and infrastructure. 3) Enhance global leadership. 4) Empower and innovate with FAA's people.

The FAA's total FY 2016 budget request of $15.83 billion will support our ongoing mission and a continued, but measured, transition to the future. This budget request supports today's infrastructure while deploying key NextGen benefits to our stakeholders and upholding our critical safety programs. This allows the FAA to safely integrate new entrants such as unmanned aircraft systems and increasing numbers of commercial space launches into the National Airspace System (NAS). The proposal will increase capital investments while decreasing FAA's overall budget by reshaping the airport financing system. This transformation focuses federal grant dollars on airports that need it most, while providing for increased investment in airport infrastructure.

In keeping with the core principles that will guide us into the future, the FY 2016 budget requests additional budget flexibility. While FAA has long benefited from the ability to seek Congressional approval to reprogram limited amounts within budget accounts, there has traditionally been no flexibility at the account level. In fact, when the FY 2013 sequestration forced FAA to implement employee furloughs that resulted in air traffic delays, Congress needed to enact special legislation granting the budget flexibility required to minimize the disruption to the airspace system. This new authority requested in the budget will allow the FAA to request to transfer up to 10 percent between appropriations, provided that no account is increased by more than 10 percent. Such a transfer would be subject to approval by both Congressional Committees on Appropriations.

In times of constrained budgets, we need to prioritize our responsibilities to focus our resources on ensuring the safety and efficiency of the existing aviation system. We must deliver new technology and capabilities, and respond nimbly to evolving challenges such as new external cyber security threats. We cannot risk being left behind as the aerospace industry becomes more complex, diverse, and globalized.

Operations

The FY 2016 request of $9.92 billion for Operations represents a 2 percent increase above the FY 2015 enacted level. The requested funding includes $129.4 million for pay increases consistent with government-wide inflationary factors, an additional compensable day, agency contribution increases into the Federal Employees Retirement System (FERS), and non-pay inflationary costs. The budget also requests $45.5 million of program adjustments to cover operating costs of new air traffic control equipment, enhance occupational safety, implement security recommendations for critical operational facilities, and fund 233 new positions (119 FTE) in the safety and security program areas.

Included in the program adjustments is $11.7 million for the Air Traffic Organization (ATO) to fund support costs for Terminal sites transitioning from Common Automated Radar Terminal System (CARTS) to Terminal Automation Modernization and Replacement (TAMR), provide maintenance and operations for all 221 weather camera sites and its services in Alaska, and expand the Technical Operations Safety Action Program.

For the Aviation Safety Office (AVS), increases of $21.3 million and 168 new positions (85 FTE) are requested to hire additional aviation safety inspectors, engineers, and other support positions that will help the FAA address increased demand for FAA certification of aircraft, operators and airmen, as well as the integration of unmanned aircraft into our nation's airspace. The budget includes an additional $1.3 million and 25 positions (13 FTE) in Commercial Space Transportation (AST) to accommodate the anticipated increase in commercial space launches. And for the Office of Security and Hazardous Materials Safety (ASH), which is being separated in the budget as a Line of Business, $11.3 million in program increases and 40 new positions (21 FTE) are requested to implement facility and personnel security recommendations for critical operational facilities, install and manage an Agency-wide Emergency Notification System (ENS), and establish a capability to protect FAA from malicious insider activity, foreign intelligence and cyber-espionage attacks.

We are actively addressing GAO's cybersecurity recommendations and have already remediated a number of technical findings. The FAA's Cybersecurity Steering Committee is providing oversight to ensure we utilize a risk-based approach in addressing these recommendations. The FAA is also working proactively with our government partners (including Department of Homeland Security, National Security Agency, and U.S. Army Cyber Command) to identify other needed enhancements to the cybersecurity posture of the airspace system.

Facilities and Equipment (F&E)

Our FY 2016 Budget request of $2.85 billion for Facilities & Equipment restores the program to a healthier, more balanced level after the major sequester reductions in FY 2013 that were then continued in FY 2014 and FY 2015. The funding appropriated to F&E over the past few years has forced FAA to choose between deferring maintenance of current infrastructure and keeping NextGen progress on track. The $255 million (nearly 10 percent) increase provides funding for the near-term priorities that we identified by working cooperatively with the NextGen Advisory Committee, FAA IT infrastructure supporting NextGen, maintenance of the existing infrastructure, as well as forward movement on Unmanned Aircraft Systems (UAS) and commercial space transportation.

Approximately $2.0 billion of this request keeps the current airspace infrastructure maintained and operational. Notably, this request provides $464 million, a 23 percent increase over FY 2015 enacted levels, for facility-related maintenance. After years of underinvestment in sustainment, this increase puts us on a path to recovery. However, real progress on the backlog will require sustained support over several years, complemented by divestiture and decommissioning of infrastructure where feasible.

This year's F&E request is also a reminder of the dynamic nature of aviation. The integration of both UAS and commercial space into the NAS are represented in the F&E budget request for the first time. The FAA feels strongly that additional budgetary resources are required to address emerging and expanding responsibilities in these areas. These resources will be used to develop updates to the air traffic control automation platforms to support their integration.

Research, Engineering and Development (RE&D)

The FY 2016 Research, Engineering & Development budget request of $166 million is a $9.3 million (6 percent) increase over the FY 2015 enacted level. This allows us to boost funding for Continuous Low Energy, Emission and Noise (CLEEN) by $2.5 million, alternative jet fuel research by $1.5 million, and provide $3.0 million for necessary commercial space transportation research. Our RE&D request continues to support the safe integration of UAS technologies into the NAS, by providing $9.6 million to conduct research. The program is focused on sense and avoid and command and control requirements that will support the safe integration of UAS within the aviation regulatory framework.

Airport Improvement Program

Airports remain a critical part of the aviation system infrastructure. The FAA's FY 2016 request provides the funding needed to ensure safety, capacity, and efficiency at our nation's airports through a combination of grant funding and revenue generated through Passenger Facility Charges (PFCs). Our $2.9 billion request for Grants-in-Aid for Airports is $450 million (13.4 percent) below FY 2015. This level of funding will support our continued focus on safety-related development projects, including runway safety area improvements, runway incursion reduction, aviation safety management, and improving infrastructure conditions.

The FY 2016 budget request proposes to eliminate passenger and cargo entitlement funding for large hub airports. It allows all commercial service airports to increase revenue through an increased PFC that provides them greater flexibility to generate their own revenue. The reduction in AIP funding for larger airports is premised on an increase to PFCs of $4.50 to $8.00 per enplanement, providing these airports greater flexibility to generate their own revenue.

The FAA's request also includes $31 million for Airport Technology Research, an increase of $1.25 million from the FY 2015 enacted level. The additional funding will continue to support enhanced safety and pavement research efforts as well as increased studies for noise abatement and environment impacts. The budget continues to provide $15 million for Airport Cooperative Research.

NextGen

The FY 2016 budget request reflects FAA's ongoing commitment to the implementation and deployment of innovative NextGen solutions. The application of these critical twenty-first century technologies represents a pivotal shift that is already transforming aviation. We believe that NextGen will maximize efficiencies to meet future demands. The FAA is proud of the progress we have already made towards implementing NextGen. We are working in cooperation with industry toward a shared vision, leveraging powerful technologies and setting new standards for the future of global aviation. Modernizing our national air transportation system remains a priority to ensure we operate the most efficient and effective system in the world.

We continue to work collaboratively with industry stakeholders through the NextGen Advisory Committee (NAC), reducing the risks to implementation and assuring we can deliver benefits. We are focusing on getting the technology, procedures, and standards completed, particularly as we have deployed the foundational NextGen technology. We worked intensively with the NAC over the past year to prioritize the operational benefits of NextGen. The FY 2016 budget reflects our common vision by focusing funding on the four key priorities that will achieve the maximum benefits in the shortest amount of time: surface operations, multiple runway operations, performance based navigation, and DataComm. Industry and FAA came together to choose these four NextGen priorities, and we will deliver on them.

The FY 2016 budget includes a total of $956 million for NextGen, of which $845 million is in the Facilities and Equipment account, $61 million is in the Research, Engineering and Development account, and $51 million is in Operations. This investment portfolio reflects an increase of $99 million. Of this $99 million increase, approximately one-third represents true programmatic enhancements while about two-thirds is due to the reclassification of existing work that is now being included in the NextGen funding profile. We believe incorporating these additional programs – such as UAS research and integration, and performance based navigation activities – creates a more accurate portrayal of the agency's overall NextGen efforts.

The FY 2016 budget continues our commitment to deploying performance-based navigation capabilities. These more efficient NextGen routes have allowed us to deliver real fuel-saving benefits to users. We are expediting the integration of these NextGen navigational procedures in airspace around our nation's busiest metropolitan areas under our Metroplex program. We now have more satellite-based procedures in our skies than radar-based procedures. We have created new NextGen routes in cities across America that are saving millions of dollars in fuel burn, shortening flight paths, and decreasing carbon emissions. This results in more predictable airline schedules and fewer delays for travelers.

We have completed the radio network for Automatic Dependent Surveillance -Broadcast, and now have ADS-B coverage everywhere there was radar coverage. This greatly improves the precision tracking of aircraft and gives us near real time aircraft location. The FY 2016 budget requests $185 million to continue the integration of ADS-B applications, expand services in the Gulf of Mexico and Colorado, and maintain ongoing system costs. This technology is the foundation of our transition to satellite enabled, GPS-based surveillance. The ADS-B system will reduce delays and enhance safety while promoting highly accurate and comprehensive surveillance information across the country.

We are also completing the ERAM computer system we will use to track planes using ADS-B. By the end of this month, we expect that all 20 en route facilities will be fully operational. This represents one of the largest automation changeovers in the history of FAA. It results in a more powerful air traffic system that can handle the challenges of the coming decades. We're also upgrading and standardizing the automation systems at more than 150 terminal facilities throughout the country.

The delivery of benefits relies upon equipage with ADS-B by industry and the general aviation community. We are working closely with the airline industry and the general aviation community to help them meet their equipage requirement by the January 2020 deadline.

Another NextGen priority is Data Comm. The 2016 budget significantly increases our commitment to advancing Data Comm by requesting $235 million, a 64 percent increase over 2015. This program uses datalink to safely send digital messages between controllers and pilots, reducing the need for routine voice communications, which can result in transmission errors. Approximately one-third of the funding will be used to complete the departure clearance services in the terminal domain, while two-thirds of the funding will advance en route Data Comm capabilities through upgrades to the ERAM system. Programs like Data Comm build on foundational improvements already achieved and will produce additional benefits for the aviation system.

As we move forward with NextGen, our goal is to make aviation smarter and safer. We will continue to work closely with industry to implement new technologies and procedures that are sustainable. And we want to work with other countries to establish uniform standards around the globe. NextGen technologies offer our nation a worthy opportunity for investment in safety and innovation. NextGen technologies ensure aviation's continued viability, and will produce economic benefits for decades – far beyond their cost. Our nation and airline industry are already yielding measurable financial returns that will bolster America's continued economic stability and growth.

Conclusion

Aviation enables the economic benefits of tourism, shipping and travel for business or pleasure. The FAA's FY 2016 budget request will enable us to continue to protect and expand this vital economic engine, while moving forward with our transformation and fulfilling our mission of providing the safest and most efficient aerospace system in the world.

In this age of global competition, America has a clear opportunity to invest now in our future as we prepare our world class aviation system to meet increasing demands. Aviation as a growth industry is worthy of that investment, representing a cornerstone of our country's economy and accounts for more than 5 percent of our nation's gross domestic product. The FAA continues to deliver on the promise of tomorrow, and we are grateful that Congress continues to recognize our ongoing mission of safety and modernization as a national priority.

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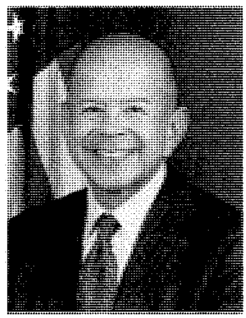
Federal Aviation Administration

Michael P. Huerta
Administrator



Michael P. Huerta is the Administrator of the Federal Aviation Administration. He was sworn-in to office on January 7, 2013 for a five year term.

Huerta is responsible for the safety and efficiency of the largest aerospace system in the world. He oversees a $15.9 billion dollar budget, over 47,000 employees and is focused on ensuring the agency and its employees are the best prepared and trained professionals to meet the growing demands and requirements of the industry. Huerta also oversees the FAA's multi-billion dollar NextGen air traffic control modernization program as the United States shifts from ground-based radar to state-of-the-art satellite technology.

Huerta was confirmed by the U.S. Senate as the FAA's Deputy Administrator on June 23, 2010. On January 1, 2013 the United States Senate unanimously confirmed President Obama's nomination of Huerta for a 5-year term as FAA Administrator.

Huerta is an experienced transportation official who has held key positions across the country. His reputation for managing complex transportation challenges led him to the international stage when Huerta was tapped as a Managing Director of the 2002 Olympic Winter Games. The Olympics drew 2,400 athletes from 78 countries to Salt Lake City. Huerta was critical in the planning and construction of a variety of Olympic transportation facilities, as well as the development of a highly successful travel demand management system that insured the transportation system operated safely and efficiently.

Before joining the FAA, Huerta held senior positions at Affiliated Computer Services from 2002-2009 rising to the position of President of the Transportation Solutions Group; ACS is now a Xerox company specializing in business processes and information technology.

Huerta was commissioner of New York City's Department of Ports, International Trade and Commerce from 1986-89. He then served as the Executive Director of the Port of San Francisco from 1989-1993. From 1993-98, he held senior positions in the U.S. Transportation Department in Washington, D.C., serving under Secretary Federico Pena and Secretary Rodney E. Slater.

He holds a bachelor's degree in political science from the University of California-Riverside and a master's in public affairs, with a concentration in international relations from the Woodrow Wilson School of Public and International Affairs at Princeton University.

Mr. DIAZ-BALART. Thank you, sir. Members, today we are going to proceed in the standard five-minute rounds, and we hope to get in more than one round. I will be altering sides, recognizing Members in order of seniority, as they were seated at the beginning of the hearing.

And again, I thank you all for being so cooperative. Remember to mind your time because both questions and answers have to be within that five minutes. So, let me then start.

TRANSFER AUTHORITY

Mr. Administrator, you just mentioned, and it is in your testimony, that your budget includes a request for new authority to transfer up to 10 percent——

Mr. HUERTA. Correct.

Mr. DIAZ-BALART [continuing]. Between FAA Appropriations accounts. Now, there is no similar transfer authority requested for other modal administrations. So here is the question—why is FAA different? In other words, if we give it to you all, how do we not give it to everybody else? What makes you different? What makes FAA unique among the DOT modes in needing this flexibility?

Mr. HUERTA. DOT has three principle functions in representing the Federal Transportation System. It is a regulator, it is a grant-making agency, but it is also an operator. And the FAA is the only place that we do all three of those things. The operation, which is a 24 by 7 operation, 365 days a year, that is designed to ensure safe and efficient operations of the Air Traffic System. It is really something that sets us apart because of the requirements so that we can ensure the highest levels of safety and efficiency for air traffic.

What we need is the ability to respond to what is a very dynamic environment, an environment that often has to deal with uncertainties with respect to weather, with respect to differential traffic loads throughout the course of the year, as well as the ability to respond to unforeseen circumstances. And so it is for that reason, and that is the distinction that FAA has relative to our colleagues at DOT.

Mr. DIAZ-BALART. Thank you, sir. Let me go into something else that you mentioned in our opening statement about cyber security, and in thinking about cyber security, FAA is not the first thing that comes to mind. However, when you are now looking at moving to satellite-based navigation system, and obviously potentially that has huge vulnerabilities. Now, the GAO reported that FAA has some significant weaknesses in FAA's ability to protect air traffic control systems from cyber threats. So let me just throw out a couple of issues and if you can address them.

Mr. HUERTA. Sure.

Mr. DIAZ-BALART. Can you address the concerns raised by GAO, and outline what steps FAA is actually taking to ensure that the air traffic control system is safe from cyber attacks? Do you have the right organizational structure to address the threat of these attacks? And does your Chief Information Officer have all the necessary authority to deal with these threats? And again, as we are moving to satellite-based navigation, the potential for bad things happening is obviously greatly increased.

So I am throwing three questions, I do not have a lot of time, but see if you can address those.

CYBER SECURITY

Mr. HUERTA. Sure. The FAA is addressing the recommendations that were made in the GAO report, and we have already remediated a number of the technical findings that are there. We have established a new Executive Cyber Security Steering Committee to oversee cyber risk issues. And one of its major responsibilities is to coordinate implementation of the GAO recommendations across the Agency.

You asked about the structure. A couple of years ago we consolidated our information technology resources across the Agency, and there were two benefits of that. One was the significant savings in cost, but the second was to create a single focal point to deal with the full range of information technology issues. We are also working with our government partners including DHS, NSA and U.S. Cyber Command.

The other point that you make is an extremely important point, and one that we are very sensitive to. As we are transitioning to new technology, we are transitioning from what had traditionally been closed systems that are unique only to the FAA to systems that are based on the public IP-based networks.

What that means is that we have to adopt industry best practices in order to ensure that we are staying ahead of what is a continuously evolving cyber threat. I think the organizational structures and controls we have put in place position us very well to do that.

Mr. DIAZ-BALART. Mr. Administrator, the FAA Budget Request includes 956 million for NextGen.

Mr. HUERTA. Yes.

Mr. DIAZ-BALART. An increase of $99 million—how much of this NextGen work is ongoing? How much is new? And how much could be deferred to future years, potentially?

NEXT GEN

Mr. HUERTA. Of the $956 million that we request for NextGen, that represents an increase of about $99.5 million over our fiscal year 2015 enacted level. Now of that $99 milllion, about two-thirds is a reclassification of ongoing activities, particularly in the areas of unmanned aircraft, and unmanned aircraft research and integration based on navigation activities, and what we wanted to do was create a more accurate portrayal of how the airspace is evolving.

The remaining one-third, or $34 million, is what represents true programmatic increase. And what that is very focused on is delivering on the specific benefits that we have identified in cooperation with industry in near-term NextGen capabilities.

Mr. DIAZ-BALART. Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman. I want to return, Mr. Administrator, to the Chairman's question and offer you a chance to put a little broader perspective on that. That has to do, I think, the 10 percent language about transfer authority, has to do with all kinds of contingencies, including the possibility of sequestration I would assume.

Mr. HUERTA. Yes.

Mr. PRICE. When sequestration was triggered during the fiscal '13 budget process, it was a dramatic impact, as we all know, on the operations of the FAA, until Congress passed legislation allowing the transfer of airport funds. As you well know without a new budget agreement we are going to be facing the same thing in the upcoming year.

First, let me just briefly ask you about what happened in fiscal '13, so we understand it, as we need to. We all know about the impacts on our Air Traffic Control Towers, and we know that that was addressed with a transfer of funds from the airport improvement program. So, what was the impact of that transfer on the AARP, and what if any lingering effects have you seen related to the temporary imposition of sequestration on FAA programs; on any and all FAA Programs?

Now, that bit turns us to the 10 percent question. The budget requests new legislative language that would allow FAA to transfer up to 10 percent between accounts. Was this authority requested to diminish the impact of another round of sequestration on FAA's operating accounts?

You gave a number of reasons why this kind of flexibility was desirable, is that on your list, anticipating that? What types of programs would you target on both the receiving and the giving end? Do you expect you would need to slow down NextGen investments, for example, or defer maintenance and the replacement of Legacy equipment? At what point would the operations of the National Airspace System would be impacted? Can you elaborate on any and all of those questions?

SEQUESTRATION

Mr. HUERTA. Sure. Talking first about the 2013 impacts, what we did was focus first and foremost on three things. The continuous operation of the National Airspace System, maintaining the highest levels of safety and infrastructure associated with that system, and ensuring that we had the resources to enable us to make sure that we could respond to any contingencies with respect to both of those things, safety and efficiency.

Where we suffered was in investments that were being made for the long term. We have a number of collaborative activities that we work with industry, and with our labor partners on a regular basis toward deploying new capabilities. Many of those individuals were returned to their home facilities during the period of the sequester, as we were focusing on the short-term day-to-day operation.

We also deferred maintenance, as you pointed out, and we closed the FAA Academy, which is our principal training program for new controllers. We are only now at the point where we are fully recovered from those efforts, where we are now catching up with our backlog in controller hiring. We did restart the collaborative working arrangements and as a result of that we are delivering significant benefits associated with deployment of performance-based navigation, and other NextGen technologies.

As it relates to what contingencies we need to plan for in the future, The President's Budget has put forward a proposal that would suggest that an agreement could be reached to end the sequester. But we have to plan for the contingencies and what the authority, the transfer authority, that the President has proposed for the FAA would enable us to do would be to react more quickly than we acted in 2013.

The Appropriations Committees would still be involved. It would take the form of a re-programming request that we would submit to you to transfer authority from one program or funding from one program to another. But our focus would remain the same: continuous, safe operation of the aviation system. Of necessity, should we have to dramatically reduce our budget our focus would be on ensuring a continued safe operation of the system.

Mr. PRICE. As you stress the reprogramming authority would still involve Congressional consultation.

Mr. HUERTA. That is correct.

Mr. PRICE. And approval.

Mr. HUERTA. We would submit it to Congress for approval.

Mr. PRICE. Thank you. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Mr. Jolly.

Mr. JOLLY. Thank you, Mr. Chairman, Mr. Administrator. Thank you for the conversation earlier about the tower at Tampa International Airport. My question really is broadly on that same topic. Your opinion as Administrator on the tower facilities generally, the health of our tower facilities across the country, and particularly as the current priorities, your ability to replace towers seems to butt up against the expected lifespan.

I mean, we're right on an edge there, and in some cases like Tampa it begins to fall over the cliff in terms of the expected lifespan. So really just your comments on the amount of resources versus the need that you see when it comes to towers, generally. What that means for safety efficiency? What it means for Nextgen implementation on the tower side? If you might comment on that.

AIR TRAFFIC FACILITIES

Mr. HUERTA. Sure. Speaking broadly about our capital program, our Facilities and Equipment budget is designed to support two buckets of need. The first is the maintenance and state of good repair of the existing infrastructure. That includes towers. That includes NavAids. That includes facilities. Many of those facilities are very old facilities. For example, our Air Route Traffic Control Centers' average age is about 50 years for the building themselves. At the same time, we are making a significant investment in modernization of the air traffic control system. As we referenced, the $950 million investment this year and next year, and we need to find ways to do both.

Our focus has been on how do we deliver the benefits associated with modernization. Frankly, where we have suffered has been in the maintenance of the existing infrastructure. We clearly know that we should not expect that we would replace everything in kind, but we do recognize that all of these facilities were built largely at the same time. And so our ability to invest in new towers, new facilities, new NavAids is something that we face continual pressure. But as the Chairman pointed out, it is a question of establishing priorities, and a question of wise stewardship of taxpayer resources.

Mr. JOLLY. You mentioned briefly the San Francisco model.

Mr. HUERTA. Sure.

Mr. JOLLY. Is that something you see a trend towards? I mean, there are very few communities that could probably have the resources to do that or authorities that would have the resources to do that, but could you briefly describe the San Francisco model and whether or not you see that becoming a trend that tries to alleviate this?

Mr. HUERTA. San Francisco Airport, in conjunction with a major terminal project, has actually entered into a contract with the FAA to build a tower for our use, and they are completing construction of San Francisco tower. They will be turning the tower over to us so that it can be properly outfitted sometime this spring.

What the Airport Authority wanted to accomplish in San Francisco was to ensure that the tower construction would fit within the timetable for the reconstruction of the terminal, which otherwise we might not have been able to accommodate. As well as to accommodate some airport specific requirements that were not really central to the FAA's ability to do that.

As a result of the airport being able to advance the construction program, it accomplishes several things. It meets their timetable for when the tower can actually be constructed. While at the same time, it does provide them a future revenue stream of the FAA, in effect, taking back the tower from them. By working together with our aviation stakeholders, I think we were able to come to a good solution there.

I can't really say whether this is a long term trend. Only that what we have found is that by being nimble, flexible, and creative in working with our airport partners what we can sometimes come up with are solutions that will work for everyone involved. In San Francisco's case, they had the ability to take on the construction program for the tower, and we were able to work cooperatively with them to accomplish just that.

Mr. JOLLY. Thank you. I appreciate it. I appreciate your willingness to follow-up with us on the Tampa Airport as well. And I appreciate that the budget proposal that tries to address the PFC issue in a way that looks globally at PFC and AIP as opposed to just singularly at PFC. Outside the jurisdiction of this committee, but I appreciate the willingness to look at that through that lens. Thank you for being here.

Mr. Chairman, I apologize once again. I'll need to leave your hearing early.

Mr. DIAZ-BALART. There are a lot of hearings going on at the same time. Thank you, sir. Mr. QUIGLEY.

Mr. QUIGLEY. Thank you, Mr. Chairman. Mr. Administrator, welcome. I have this little regional airport in my district I want to talk about. But on the broader issue first, as it relates to it. Yesterday, Secretary Donovan came through to the point where he said that he believed we are going to go forward with the FAA analysis of 65 DNL. The somewhat antiquated, somewhat arbitrary noise matrix of what is permissible, what is allowable for our constituents to experience around our major airports.

Your thoughts on, once this moves forward, FAA's analysis of this going into it looking at this as a health issue, a physiological issue. The Harvard Health Study which analysis with, some rather profound long term health effects of exposure to such noise. What is your thinking as the FAA goes forward on this?

AIRPORT NOISE STANDARDS

Mr. HUERTA. Congressman Quigley, the FAA has been conducted ongoing research to revisit the policy of the DNL metric that you referenced, the 65 decibel DNL level. A primary element of that research program is our ability to conduct research and to survey individuals about what we would call the annoyance factor associated with airport noise.

I'm pleased to hear of Mr. Donovan's comments. The collection instrument for the survey is under review by the Office of Management and Budget. Once that review is completed we will very quickly begin the survey of airports around the country in order to form data that will illuminate the study.

It is important that we collect 12 months' worth of data. What that deals with is different climatic conditions, different operating characteristics of the airports as they operate through their winter and their summer seasons. So our plan is to begin the survey around airports in this fiscal year, with plans to complete the survey and analyze the results the following year. After that, we will make a determination of what, if any, revised policy and guidance is needed. We will coordinate that with Congress, with appropriate federal agencies, and the effected stakeholders that surround airports.

O'HARE MODERNIZATION PROGRAM

Mr. QUIGLEY. I appreciate that. Our work is cut out for us. Let me talk a little bit more about O'Hare and O'Hare modernization. I am starting to have my questions and concerns about how this goes forward. Obviously, it is what, $10–$12 billion project. It is not just the annoyance factor. As you know, this is the economic engine of our region, the world's busiest airport.

I am very concerned about the issue of potentially closing our diagonal runways. I am concerned about the fact that because it is all an east/west flow if they have visual, pilots coming around and banking around and flying much lower than they normally would with a 3 degree glide slope.

In short, I am curious and hopeful that you would be willing to work with the Department of Aviation, talk about the patterns, the distribution, the fair distribution of the runway usage there so as to give my constituents a fair chance at hearing each other from April until November when they are outside.

Mr. HUERTA. We have enjoyed a very long and productive relationship with the Chicago Department of Aviation, and that is something that we certainly welcome the opportunity to continue. The principle thing that Chicago was hoping to accomplish, and is hoping to accomplish, through the O'Hare Modernization Program is to eliminate crossing runways which exist at a lot of airports around the country.

That serves two very significant benefits. The first is that it greatly reduces hazards that might exist when runways intersect with one another at a busy airport, such as O'Hare. But at the same time it also has a significant benefit with respect to the efficiency of how the airport operates.

Mr. QUIGLEY. Well, let me just interject because I'm short on time. On the other hand, I have got a lot of aviation experts that tell me that, apparently, the wind blows in Chicago and changes direction in minutes, and that you want options. When we have had very bad weather, like we did last October, the diagonal runways were places where planes were able to go, especially the mid and smaller sized planes.

Mr. HUERTA. I think the O'Hare Modernization Program, while it does create predominantly an east/west flow, it does, in fact, preserve options for different wind conditions in Chicago.

Mr. QUIGLEY. Well, that is if we keep the diagonals open. If we decommission those, I am hearing from aviation experts, could operate less efficiently than we did when we began O'Hare modernization, $10–$12 billion later.

Mr. HUERTA. Without knowing the specific runway that you are talking about, it is hard for me——

Mr. QUIGLEY. Any of the diagonals.

Mr. HUERTA. The airport does retain crosswind runway capability, and so it is not like all the diagonals disappear.

Mr. QUIGLEY. We have more to talk about.

Mr. DIAZ-BALART. It seems like you do. Mr. Joyce.

Mr. JOYCE. Thank you, Mr. Chairman, and I would like to wish you a feliz de san pantricio. As a courtesy I would go last and I defer to Mr. Cueller who was here on time.

Mr. DIAZ-BALART. Do not get used to that, Mr. Cueller, but go ahead.

Mr. CUELLER. Thank you so much. I appreciate it. Mr. Chairman, thank you so much. Mr. Administrator, thank you so much for the great job that you do, and your vision to transform the aviation system. This change in industry is very well-appreciated. Your priorities are, of course, the number two, the one about delivering benefits through technology and infrastructure is very important to me because I sometimes, as a member of the Appropriations, sometimes I see the funding starts off in Washington. It's like a little ripple effect. By the time it gets to the furthest part the ripple effect starts getting smaller, just like when you throw a pebble in the water. I am talking about the border area, for example.

My regional airport is not as big as Mr. Quigley's, but still it is important. Our original airport in Laredo, for example, as an example I have to go down to the McAllen and the San Antonio area as my region, but we are the only one that has Mexican/U.S. customs stationed, in the whole United States. No other place has that to pre-clear cargo. We have issues there, name it. If you name the issues, whether it is the upgrade in the ILS or upgrading the AWIS.

Just a few months ago, I personally thought I was going to miss votes on one day because they had cancelled the flights there for two days in a row. Then on top of that, you know, the control tower, it was built by the Department of Defense because it was an Air Force base, got closed, I believe in 1973 or so. So there are still issues with water leaks. There are still issues with asbestos. There are still issues there.

So any time we talk about upgrades, you know, we are told, and I know it is all funded, and we want to be very supportive of the program itself, the equipment and the airport improvement funds, but it is all a ripple effect. That when it goes down there the ripple gets smaller, you know, the wave gets smaller. So I would ask you what sort of priorities you set for small airports, number one, taking the international trade and consideration, number one?

Number two, on the drones that CBP uses, currently on Corpus Christie that is a base there that you all were so helpful in getting the call out some years ago, working with Senator Cornyn and Kay Bailey Hutchinson. But that area there, because of weather, and because of the Navy base there, there is always problems, about 40 percent of them do not fly out. There is always an issue there. So therefore, the security of the border is hard to cover because of those issues, 40 percent of flights have problems there.

I have talked to CBP. They are supposed to sit down with you all. We would ask you to look at alternative basing. When we talk to CBP they basically, with all due respect, and I have to head over there to another CBP meeting, but they always throw it, you know, it is a Cueller issue. We cannot do anything. But how do we secure our border with the predators where 40 percent of the flights do not fly out for a reason, so I have been asking CBP to look for an alternative base somewhere else. Not to change it, but at least to land and take off when they cannot do it. So I would ask you to look into that, and any thoughts on my two questions.

UNMANNED AIRCRAFT

Mr. HUERTA. We would be happy to sit down with CBP and talk about alternatives for certificates of authorization to operate their unmanned aircraft, to take advantage of capabilities that might exist in other areas along the border. We would be happy to sit down and have that conversation with them.

LAREDO AIRPORT

As it relates to the facilities of small airports, there are two dimensions to it. One is the airport infrastructure improvements associated with the AIP. It sounds like what you are talking about with respect to Laredo, though, has more to do with the NavAids, and the actual air traffic operations within the airport there.

I am going to need to take an IOU on that and understand what the airport's specific needs are, and where they stand in the waterfall for that, but I can get back to you with that.

[The information follows:]

LAREDO INTERNATIONAL AIRPORT
AIR TRAFFIC CONTROL TOWER STATUS

Commissioned in 1976, the Laredo International Airport (LRD) airport traffic control tower (ATCT) is a non-standard, FAA-owned and maintained Federal Contract Tower (FCT). The LRD ATCT has a Facility Condition Index (FCI) of 92.35 percent.

- Recent Maintenance and Sustainment Activities
  - 2007 – Installed security fencing for heating, ventilation, and air-conditioning (HVAC) units and an HVAC hail guard, a tower door awning, new ceiling tiles, three air-conditioning units, a new toilet and sink, and window shades
  - 2008 – Repaired the elevator and HVAC systems
  - 2009 – Completed an Occupational Safety and Health Administration (OSHA) fire life safety upgrade and replaced interior carpeting
  - 2014 – Replaced the tower cab shades

- Planned Maintenance and Sustainment Activities
  - 2016 – Pending funding availability, repair window seals and structural joints
  - Future – Pending funding availability, replace all HVAC systems within the facility, modernize the existing electrical panel boards and lighting within the tower, replace the roof on the control tower building, and upgrade fall protection

- OSHA Projects
  - Replacement of slip resistant material on the cab roof, installation of a grab-bar to the roof, and access improvements
  - Planned to be completed by June 2015
  - Purchase stairwell pressurization test equipment and the associated training
  - Planned to be completed by the end of March 2015

Mr. CUELLER. That would be good. Mr. Chairman, as you know, this industry is changing so fast, and the work that you have done and your folks have done is really great because, you know, the aviation across the world is changing. But I have to say the work that you all have done, the mission, the priorities are something that we have to admire. So again, thank you. Funding is always important.

Mr. DIAZ-BALART. Thank you.

Mr. CUELLER. Thank you for the vision because you have to have that vision on that. So thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, Mr. Cueller. I left the best for last, Mr. Joyce.

Mr. JOYCE. Like the wedding feast of Cana. Thank you, Mr. Chairman. Good morning, Administrator Huerta.

Mr. HUERTA. Good morning.

AIP ANNUAL REPORTS

Mr. JOYCE. I want to know if you have available for us the annual reports for the airport improvement programs for the prior fiscal year due no later than June 1. As you know, the 27th annual report to Congress was not submitted until January 31 of 2014. Reports for fiscal years 2011 through '13 still remain outstanding. Can you provide me an update on these reports?

Mr. HUERTA. I am going to need to get back to you, Mr. Joyce, on that. We can get you, today, a status report on those reports.

[The information follows:]

STATUS OF AIRPORT IMPROVEMENT PROGRAM ANNUAL REPORTS

The Airport Improvement Program (AIP) Reports to Congress for 2011 through 2013 have been delayed due to internal process issues, which have been resolved.

The AIP Annual Report to Congress has grown far beyond what was required. It includes extensive narrative discussion on topics that are tangential to what the statute requires. In addition, it has become unnecessarily voluminous in other ways—e.g., narrative explanation of tables and data that are actually self-evident. This has made it take far longer than necessary to prepare and coordinate, particularly because redundant information (e.g., tables and narrative) increase the risk of inconsistencies. Other factors (such as the series of short-term extensions and furlough in FY-–2011) have made this particular report challenging to prepare and coordinate.

The 2011 report is currently in Executive Review. The FAA is finalizing a combined 2012–2013 report, which will focus on the subjects that Congress has specifically asked us to report on. This will reduce the scale of the report and help to expedite the review process. Materials of general interest will be posted on our website, along with the actual AIP grant award data which we have been making available on our public website for several years. The FAA has also begun working on the 2014 report. It is our expectation that we will be able to submit most if not all three delayed reports to Congress by the June 1 deadline.

Mr. JOYCE. Even though they are due you just have no idea where they are at?

Mr. HUERTA. I was under the impression that we actually had provided most of that, and so that is why I need to go back and check on that.

Mr. JOYCE. Would you agree then, Administrator, that the airlines and passengers are one of the most taxed industries in the United States?

AVIATION TAXES AND FEES

Mr. HUERTA. I think that what I would suggest is the cost of operating the system, and the way the Airport and Airway Trust Fund is set up, it is designed to cover the costs associated with the services that are provided to the aviation industry. That is a function of fuel taxes and ticket taxes, but it does not cover all of the cost of operations of the FAA, and so I think the overall framework that was set in place by Congress was that there should be fees that are paid by passengers and users of the systems to support the FAA's operation.

Mr. JOYCE. That being true, as you know, many in Congress are opposed to raising taxes and fees that ultimately are going to be passed along to paying customers. This includes your proposal to increase taxes on passengers via the passenger facility charge. On top of the $19 billion that Federal Aviation taxes and fees that customers and operators pay each year, an increase in the passenger facility charge would cost airline passengers an additional $700 million annually.

Most recently in 2012, Congress considered and rejected a proposed PFC increase to $7. This increase would cost passengers an additional $2 billion annually. They recognized that passengers, airlines, and U.S. economy could not afford these higher taxes and fees. Given that the airport PFC revenue remains strong in 2014 at $2.8 billion, I believe the same is true today. Why would we need to raise it?

Mr. HUERTA. There is a significant backlog of infrastructure improvements, particularly for our large airports, and so that is why the administration has proposed the tradeoff: That we would reduce the size of the base AIP program to $2.9 billion, Thereby taking the large airports out of the cargo and passenger entitlement program, and allow them to generate the resources to support their infrastructure locally through passenger facility charges.

Now, we do recognize that that is something they have to negotiate with the users of that particular airport. This is a program that is widely supported by the large airports. I think it is also fair to say that many of them have been successful in negotiating use agreements with their airline customers as long as there is line of sight to specific infrastructure improvements that the airlines and other users of the airport want. So what we are trying to do is find a balance here of addressing the needs of smaller airports, while at the same time, giving the larger airports the ability to generate resources locally that support what their unique requirements are.

Mr. JOYCE. It appears that we are trying to grow government then through the PFC charge while we are not really paying attention to what is happening with the airport improvement programs' performance. Is that correct?

Mr. HUERTA. No. I would suggest that what we are doing is, we are shrinking the Airport Improvement Program, and transferring the responsibility for generating those resources to the state and local level. Where, for these large hub airports, they actually have the ability to better match it to their unique requirements.

Mr. JOYCE. Fair enough. I yield back, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, sir. Mr. Administrator, let me go back to NextGen. We talked a little bit about that. You mentioned the advisory committee, and FAA in consultation with the NextGen Advisory Committee has identified four NextGen capabilities that should be prioritized.

Have you established time frames and milestones for those four priority areas yet?

NEXTGEN

Mr. HUERTA. Yes, we have. This was a very collaborative effort that was done in conjunction with our industry partners through the NextGen Advisory Committee, and the four priority areas are the Data Comm program, Improved Surface Operations Program, Performance-Based Navigation, and Multiple Runway Operations.

We have developed for all four of those categories specific milestones, and they were included in the NextGen Priorities Joint Implementation Plan that was delivered to Congress.

We are meeting the programmatic deadlines that were set forward in that, and we look forward to working cooperatively with industry to ensure they stay on track.

Mr. DIAZ-BALART. Will the fiscal year 2016 funds complete your work on any of these priorities?

Mr. HUERTA. A better way to think about it is they are phased in tiers, that it will complete a number of activities that are set out for this year, but then they go into further levels of further development in future years.

The example I would offer is with respect to Performance-Based Navigation. This is something that offers airline operators huge benefits in terms of savings in fuel, savings in traffic miles flown. There are limits, physical limits, to the number that can be done in any one year, in order to ensure that we are able to ensure efficiency and safety throughout the system.

We have targets that we are hitting this year. There will be targets that we will hit next year as well.

Mr. DIAZ-BALART. Let me ask you about what the funding levels are in your fiscal year 2016 for these priority areas?

Mr. HUERTA. Each of them have specific funding profiles that are attached to them. What I think probably the best thing for me to do would be to provide to the Committee the Joint Implementation Plan itself. This is a very long document that really lays out in very granular detail what the funding is for each of these four priority areas.

[The information follows:]

NEXTGEN IMPLEMENTATION PLAN PRIORITIES

Please see the attached NextGen Priorities Joint Implementation Plan Executive Summary.

The NextGen Priorities Joint Implementation Plan document can be obtained in its entirety from the FAA website, at http://www.faa.gov/nextgen/media/ng_priorities.pdf.

Federal Aviation
Administration

NextGEN

NEXTGEN PRIORITIES
JOINT IMPLEMENTATION PLAN

EXECUTIVE REPORT TO CONGRESS

This NextGen Priorities Joint Implementation Plan Executive Report to Congress is prepared and signed by:

10/17/14

Edward L. Bolton, Jr., Assistant Administrator for NextGen — Date

10/16/14

Teri Bristol, Chief Operating Officer Air Traffic Organization — Date

10/16/14

John J. Hickey, Deputy Associate Administrator, Aviation Safety — Date

EXECUTIVE SUMMARY

In response to a request from the House of Representatives Committee on Transportation and Infrastructure, Subcommittee on Aviation, the FAA has collaborated with the aviation industry through the NextGen Advisory Committee (NAC), a federal advisory committee, to develop a plan to implement a number of high-priority NextGen capabilities. The plan's foundation was earlier NAC work, which recommended the FAA focus on NextGen capabilities in four areas: Multiple Runway Operations, Performance Based Navigation, Surface Operations and Data Communications. These are capabilities that will provide significant near-term benefits to National Airspace System (NAS) users.

Throughout 2014, FAA subject matter experts met with aviation industry representatives to determine what the FAA is able to accomplish over the next one to three years and what industry commitments are necessary for those activities to be successful. These meetings have enabled the FAA and industry to reach agreement on all of the "high priority, high readiness" capabilities that the NAC has recommended, with the FAA committing to specific site implementation plans and industry ensuring operator preparedness in order to take full advantage of NextGen benefits.

The FAA's NextGen Priorities Joint Implementation Plan summarizes the high-level commitments to which the FAA and the aviation community have agreed, and provides a timeline of capability milestones and locations. The plan is organized into the four focus areas. It is important to note that the commitments represent a subset of the overall series of programs and activities that the FAA has planned to modernize the NAS.

In order to increase airport efficiency and reduce flight delays through the use of Multiple Runway Operations (MRO), FAA commits to the increased use of wake categorization and improvements for dual and independent parallel runway operations at 28 locations nationwide. MRO capabilities improve access to these runways and can increase basic runway capacity and throughput, which will increase efficiency and reduce flight delays.

With the commitment of three metroplex sites — Northern California, Charlotte, and Atlanta — and the deployment and development of other Performance Based Navigation (PBN) procedures that primarily use satellite-based navigation and on-board aircraft equipment, the FAA will improve air traffic flow in major metropolitan areas while providing a variety of benefits to NAS users across the country, including shorter and more direct flight paths, improved airport arrival rates, enhanced controller productivity, increased safety due to repeatable and predictable flight paths, fuel savings and a reduction in aviation's adverse environmental impact.

Surface Operations commitments are designed to increase predictability and provide actionable and measurable surface efficiency improvements. To accomplish this, the FAA commits to sharing more data with stakeholders and completing feasibility assessments of other capabilities of industry interest in order to increase predictability and efficiency.

Data Communications services will provide digital communications services between pilots and air traffic controllers, as well as enhanced air traffic control information to airline operations centers. The capabilities will enhance safety by reducing communication errors, increase controller productivity, and increase airspace capacity and efficiency while reducing delays, fuel burn, and carbon emissions at fifty-six towers nationwide. Data Comm is critical to the success of NextGen, enabling efficiencies not possible with the current voice system.

The FAA intends to continue the same level of rigor in monitoring progress against the milestones of the plan that was the hallmark of its development. The agency will sustain momentum by conducting internal meetings at least monthly to monitor progress against the plan, while the NAC will work with industry stakeholders to ensure their commitments are funded and met. Senior FAA and industry leadership will provide quarterly updates to the NAC's subcommittee. Progress reports will be provided publicly through the NAC with advance notice available to the public in the Federal Register. The FAA will also report on progress against the milestones for each focus area on the NextGen Performance Snapshots website[1], beginning on October 17.

[1] www.faa.gov/nextgen/snapshots

[2] The NextGen Advisory Committee is a federal advisory committee made up of high-level representatives from throughout the aviation community. It is the FAA's principal source of stakeholder advice on NextGen issues and is tasked to provide recommendations that help fine-tune the agency's plans.

BACKGROUND

In July 2013, as part of the FAA's work prioritizing investments, the agency tasked the NextGen Advisory Committee[2] (NAC) to review its current modernization plans and identify the NextGen capabilities that would provide the highest value to stakeholders. In a September 2013 report, the NAC provided the FAA with a list of high priority, high readiness[3] capabilities that fell into three areas: Multiple Runway Operations (MRO), Performance Based Navigation (PBN), and Surface and Data Sharing. The NAC recommended that these capabilities receive full FAA resources to achieve or accelerate implementation dates regardless of the budget outlook. Further, at its February 20, 2014 meeting, the NAC added FAA's Data Communications (Data Comm) program as a fourth priority area.

Subsequently, the Aviation Subcommittee of the House Transportation and Infrastructure Committee requested that the FAA work further with the aviation community to create an implementation plan for these capabilities with defined milestones, locations, timelines, costs and metrics. The FAA again turned to the NAC as a forum for this collaboration. Four working groups of industry stakeholders and agency subject matter experts worked to consensus. Senior FAA executives met with the agency's representatives on a weekly basis to guide the effort, and met with their industry counterparts at several critical junctures to resolve questions about the content of the plan and the process for overseeing its completion.

This resulting NextGen Priorities Joint Implementation Plan captures a set of activities that the FAA and the aviation community are collectively committed to accomplishing within the next three years (with the exception of Data Comm, which, as a program with an approved cost, schedule and performance baseline[4], has a longer timeline). This plan should be understood as a subset of the overall series of programs and activities the FAA is executing for NextGen, which are broader in scope and timeline and will create a more extensive transformation of the NAS. FAA's NextGen Implementation Plan[5], which was also revised this year to create better transparency on specific program objectives, impacted stakeholders, benefits, budgets, and scheduled delivery, is the underlying roadmap for all of NextGen. These capabilities will be measured against a set of operational performance metrics that were previously negotiated with industry via the NAC, which are reported on FAA's website.

WHAT THIS PLAN CONTAINS

This plan summarizes the high-level commitments to which the FAA and the aviation community have agreed. There are three categories of commitments:

[2] The NextGen Advisory Committee is a federal advisory committee made up of high-level representatives from throughout the aviation community. It is the FAA's principal source of stakeholder advice on NextGen issues and is tasked to provide recommendations that help fine-tune the agency's plans.

[3] "NextGen Prioritization: A Report of the NextGen Advisory Committee in Response to Tasking from the Federal Aviation Administration," September 2013, www.rtca.org

[4] Per FAA's Acquisition Management Policy, fast.faa.gov

[5] http://www.faa.gov/nextgen/library/media/NextGen_Implementation_Plan_2014.pdf

- The first consists of FAA milestones for operational implementation at specific locations that will be available for immediate use.
- The second consists of major FAA pre-implementation activities, such as safety analyses, engineering studies, and investment analyses, for capabilities that the agency and the aviation community are mutually interested in pursuing. The FAA will not presuppose the outcome of these analyses, which could also reveal reasons that these are not viable for implementation. The agency is committed to completing the activities, and, where possible, will seek to establish additional implementation milestones in the future.
- The third category consists of commitments by industry to complete activities required for successful implementation.

Each focus area section includes a graphical depiction of the capability milestones and locations along a timeline, accompanied by a brief description of the work. Each section also includes the overall funding from FY2007-2014 that was spent on development work to enable these commitments, as well as FY2015 funding based on current budget figures for these commitments. This cost information is shown in table form in Appendix A. Appendix B is a list of acronyms and airport codes and Appendix C is the complete report from the NAC, which further details the methodology, criteria, and considerations addressed by the working groups.

MANAGEMENT OF THIS PLAN

The activities in this report require funding from two of FAA's accounts: Facilities and Equipment, and Operations, and can be delivered within our current budget requests. Our ability to complete these commitments depends on maintaining an adequate and stable funding stream. In fiscal year 2013, when furloughs were necessary to address budget shortfalls, FAA was forced to stop and restart projects because subject matter experts were diverted to perform core functions that otherwise may have been understaffed. This caused schedules to slip and increased administrative costs on those projects. More fundamentally, in an environment of constrained resources, FAA's highest priority will always be the safe day-to-day operation of the NAS.

The FAA's current budget requests also cover the cost of the pre-implementation commitments, but pursuing any additional implementation commitments as a result of this work may require additional funding. All parties must understand that the FAA's agreement to assess a capability does not imply agreement to implement the capability, because the FAA must always make a credible business case to justify the full lifecycle costs. Implementation of future capabilities will be determined by established FAA processes that transcend the overarching lifecycle and acquisition management processes. These include: strategic planning, management and budgeting, enterprise architecture, portfolio management and ultimately program management. For example, new operational capabilities must be planned and managed through the NAS Enterprise Architecture Service Roadmaps. Those capabilities that require procurement decisions are governed by the FAA Acquisition Management System. During implementation, changes within programs are then governed by internal program management processes. Finally, the FAA must comply with its NAS

Configuration Control process to adjust the NAS baseline to reflect the equipment changes required to support any new capability. These existing FAA processes ensure that all NAS changes are operationally, technically and financially responsible and feasible, and that the required documentation is in place to adequately reflect the change to the NAS and the reasons for it.

COMMITMENT ASSURANCE WITH INDUSTRY

The FAA intends to apply the same level of rigor to the oversight of this plan that has been the hallmark of its development. The agency will sustain momentum by conducting internal meetings at least monthly to monitor progress, while the NAC will work with industry stakeholders to ensure their commitments are funded and met. Senior agency and industry leadership will also meet on a monthly basis, and have agreed to provide quarterly updates to the NAC's subcommittee. Progress reports will also be provided publicly through the NAC, which as a federal advisory committee holds an open public meeting three times each year, with advance notice available in the Federal Register. Additionally, the FAA has several established forums through which the agency will continue to engage industry on commitments in this plan. These include the Metroplex teams for each project, the Performance-based Operations Aviation Rulemaking Committee[6] (PARC), the Data Communications Integration Team[7] (DCIT), and the Collaborative Decision Making (CDM) Stakeholders Group[8] (CSG).

The FAA has committed to transparency in monitoring progress metrics. As of the date of this report, a section of our NextGen Performance Snapshots[9] website will be dedicated to updating the plan's status on a regular basis. The full benefit of these capabilities will be realized when operators begin to use them on a routine basis. The operational impact will be measured against existing FAA operational performance metrics, which are showcased on both the Snapshots page as well as the agency's Harmonized Metrics website[10].

[6] The PARC provides a forum for the aviation community to discuss, prioritize, and resolve issues, provide direction for U.S. flight operations criteria, and produce U.S. consensus positions for global harmonization, in order to help the FAA transition to a performance-based NAS.

[7] The DCIT provides a forum related to integration of ground automation, communication networks, and avionics systems design and certification as well as Data Communications procedures and enables users to have a stake in the success of the Data Comm program. It includes airframe and avionics manufacturers, FAA, NAS users, and related industry associations and business groups.

[8] The CSG provides oversight and governance of joint FAA/industry CDM initiatives and provides the FAA with input on prioritization and tasking for possible technologies, tools, and/or procedures that will increase the efficiency of the NAS. The CSG includes representatives from the Airlines for America, National Business Aviation Association (NBAA), Regional Airline Association (RAA) and the current industry lead of the CDM program, Delta Air Lines.

[9] The NextGen Performance Snapshots is the agency's vehicle for sharing metrics about how NextGen is improving NAS operations, and can be found at www.faa.gov/nextgen/snapshots

[10] http://www.faa.gov/about/plans_reports/operational_metrics/

Mr. DIAZ-BALART. All right. Early in the planning for NextGen, the FAA said that a $40 billion investment would deliver NextGen capabilities by 2025. As we know, there have been program cost overruns and schedule delays since that original goal was set.

What is your latest estimate for the transformation of our country's air traffic control system through fully deployed NextGen technologies?

Mr. HUERTA. We are realizing NextGen benefits now. As I suggested in my opening statement, we are completing a lot of the foundational infrastructure, and probably the most significant piece of that is the EnRoute Modernization, which we will complete this month.

Admittedly, this was a program that when I joined the agency four and a half years ago was a program that was in significant trouble, but we rebaselined that program and since then we have met all of its financial and schedule milestones. This represents a huge accomplishment that enables us now to build capabilities within that.

Separately, we also have a very aggressive program for deployment of Performance Based Navigation in about a dozen different metropolitan areas around the country.

Last year, we successfully turned on airspace redesign programs around Houston, Dallas, and introduced new procedures in Washington and Northern California, and those activities are ongoing. Other metropolitan areas are following associated with that.

The big milestone comes in 2020, and that is when the industry is required to be equipped with a technology called Automatic Dependent Surveillance-Broadcast. The base infrastructure was completed last year, as promised by the Federal Government, and by 2020, the industry must do its part to equip its aircraft to comply.

We have put in place a program called Equip 2020, where we are working both with the air carriers and the general aviation industry to identify barriers and ensure they are able to meet that 2020 mandate.

Mr. DIAZ-BALART. Again, any idea of what an estimate would be for the full deployment of all these NextGen technologies? Have you looked at that? Do you have a plan for that?

Mr. HUERTA. No, the funding level that we talk about is consistent with what we talked about back then. About half of that is on the FAA side. The other half of that is on the industry side for equipage.

We have the ADS–B program that was delivered on time and within budget, and that was completed last year. We are now meeting our target schedule for the Data Comm program, which is now in the trials phase.

As I mentioned, we are completing the En Route Automation Modernization Program. The Terminal Modernization Program is midstream in its schedule and is meeting its time tables.

This has always been a long term evolution of the airspace, but the way to think about it is we have built the platform, now we are building the applications, and it is through the applications that we are able to realize the benefits.

Mr. DIAZ-BALART. Mr. Huerta, my time is up. We will follow up with that if you can get a little more specific about that. I would just be curious.

Mr. HUERTA. Sure; absolutely.

Mr. DIAZ-BALART. Mr. Price.

PASSENGER FACILITY CHARGES

Mr. PRICE. Thank you, Mr. Chairman. Before we get any further along, it might be useful to return just for a minute to Mr. Joyce's line of questioning because I want you to clear something up on this passenger facility charge issue.

How does this work exactly? Is it just an all purpose tax or is it not true that a PFC can only be used for an approved capital project?

Mr. HUERTA. It is true that——

Mr. PRICE. Approved, that is, by you.

Mr. HUERTA. The FAA must approve any capital program that is financed through Passenger Facility Charges. An airport does not have the ability to just unilaterally increase the Passenger Facility Charge. It has to be tied to a specific project or program of projects that are reviewed and approved by the FAA.

FLIGHT TRACKING AND DATA RECOVERY

Mr. PRICE. All right. I did not think that was totally clear from the earlier exchange.

Now, flight tracking and data recovery, just very quickly. There are a number of questions here. It has been one year since the disappearance of Malaysia Air 370, a terrible tragedy, which underscores, I think, the need for this, which we have been working on for years.

Our subcommittee's bill for the last couple of years has included report language encouraging the FAA to work with the National Transportation Safety Board and the International Civic Aviation Organization, ICAO, to support U.S. and international development standards for new technology in this area. Can you provide an update on what the FAA has done to follow through on this directive?

Meanwhile, these other agencies have been active. For example, in the fall of last year, the NTSB held a forum on emerging flight data and locator technology, which resulted in the NTSB issuing a series of performance based recommendations.

In what ways will the FAA use these recommendations that were issued to your agency? Can we expect your agency to respond directly to the NTSB recommendation letter?

Meanwhile, with ICAO, that agency has put forth a global aeronautics distress and safety system proposal that includes a combination of inflight tracking capabilities and deployable recorders as a complementary matrix to locate down aircraft and survivors, and facilitate rapid recovery of black box data.

How can the FAA work with ICAO and with our Ambassador to promote this proposal? What steps will you need to take to implement these international standards?

Finally, I was pleased to learn that the FAA will play a leading role in an international pilot deployment initiative to demonstrate feasibility. Can you give us a brief outline of that pilot, including whether it will be testing the use of specific tracking technologies and also deployable recorders? Also, remind us, if you will, of the timing of the pilot, including when the efforts will begin and when we can expect results?

Mr. HUERTA. An important milestone was hit this year when the International Civil Aviation Organization, or ICAO, had its high level safety conference in February of this year in Montreal. This was only the second of these conferences held in the agency's history. Flight tracking and all the attendant issues associated with that were really at the center of what this conference was all about.

The FAA and the NTSB both participated in the conference, and the United States through both agencies played a significant leadership role in addressing both the tracking and the flight recorder issues.

A number of working groups were convened focusing on developing specific requirements that will be used for tracking of aircraft.

The important thing about these requirements is they are performance-based, and what that allows is for member states to adopt specific technologies and to work with their operators to ensure that they are meeting the mandate.

The FAA has been working with our industry to support this. We are very supportive of the minimum performance specifications that were called out by ICAO, and that is something that I think you should expect we will continue to play a very active role in working with our industry partners to actually deploy.

You mentioned the implementation initiative taking place this spring. The FAA will be leading this effort, and what the purpose of the implementation initiative is, is to demonstrate this year that there are available technologies which can be used, which will meet the performance-based standard as set forth by ICAO.

Assuming the results pan out as we expect they will and are supportive, then this would be formally presented to the ICAO assembly following that for final adoption.

Mr. PRICE. The adoption of standards by this country does not depend on ICAO, it is a matter of harmonizing; right?

Mr. HUERTA. It does not, but what we want to ensure is that any international standard is consistent with what our requirements are, and I think what you saw developing at ICAO is very consistent with the research that the FAA has been leading and is consistent with the performance-based recommendations that were made by the NTSB.

Mr. PRICE. Thank you, Mr. Huerta, Mr. Chairman.

Mr. DIAZ-BALART. Mr. Valadao.

Mr. VALADAO. Thank you, Chairman. Good morning. I asked this question a few weeks ago, and probably to the wrong gentleman, but I knew you were coming in later but I was preparing myself for this.

In addition to the unmanned aircraft system, the UAS, simply being a hobby for many Americans, drones have various business applications, including those in the agricultural industry, which represent a significant portion of businesses in my district in Central California.

There are additional concerns with the use of drones for more sinister purposes, as I saw on a recent trip down to our Mexican Border. With the growing number of drones being used for multiple purposes, it is rapidly becoming an issue the FAA must address immediately in order to ensure safety for those on the ground and in the air, as well as protecting our national security interests.

Can you please describe some of the ways in which the FAA can make sure drones of all sizes and uses are properly monitored and tracked to ensure compliance with the law and maintain safety?

UNMANNED AIRCRAFT

Mr. HUERTA. The FAA's approach to unmanned aircraft represents a staged approach, which is very focused on how we safely integrate them into the national airspace system. This is a technology that holds huge promise for the types of things you have talked about, whether it is for agricultural purposes, whether it is conducting surveys of wildlife, evaluating pipelines, a whole range of possible uses, some of which are actually safer than doing it with manned aircraft.

The flip side of that is also of concern, how do they interact with other aircraft in the national airspace system, and what we have heard is significant concern expressed on the part of Americans with respect to factors such as privacy, and how do we ensure that all these steps are taken to ensure safe integration, but addressing these larger issues.

The FAA has a comprehensive plan and a roadmap that we published a couple of years ago. We identified six test sites where we are conducting research, and most recently, we put out the small UAS rule. It is open for 60 days for comment. It is what a regulatory framework looks like for safe use for commercial purposes for aircraft of this nature that are under 55 pounds.

On the same day we issued the rule, the President released a Memorandum that deals with Government use of Unmanned Aircraft Systems, attendant to getting at the privacy issue, and at the same time, he tasked the NTIA through the Commerce Department to develop an overall framework of how we address some of these larger Government-wide concerns about possible uses that are out there.

Finally, the last piece of it is how do we ensure they are being used for lawful purposes, and that is a partnership that we have with law enforcement. Similarly, the FAA addressed a number of years ago threats and concerns about lasers, and working with our law enforcement partners, we were able to come up with making sure they understood what the enforcement mechanisms were, and we worked closely in cooperation with them to assure they are being used for lawful purposes.

That is something that we are continuing to focus on, we will continue to develop, but that partnership is very, very important. It is a technology that has great potential. It is a technology that also introduces new risks, and it is something that we have to find the right balance as we integrate it into our system.

Mr. VALADAO. I also have additional concerns with those new regulations allowing the drone operation below 400 feet elevation. This is the same low altitude airspace that helicopters use for medical and law enforcement personnel, but also in my area, a lot of crop dusters. I know they do follow a lot of the visual flight rules at that level.

How will this new rule ensure the safety of these manned aircraft specifically?

Mr. HUERTA. In two ways. The rule as it is currently drafted and out for comment requires the operator to maintain visual line of sight with the operation, and that the operator must actually receive a certification from the FAA.

That is not a pilot's license. What it does require is the knowledge and understanding of the rules of the air, how they interact with other aircraft.

Separately, we have a very aggressive and robust research program that is dealing with the whole question of how do we get beyond line of sight. The big thing that we have to address here is detect and avoid.

Aviation is founded on a principle that was formerly known as "see and avoid," where a pilot had a responsibility to look out for other pilots that are operating in the system under the characteristics that you have talked about, visual flight rules type of conditions.

Now, when you have the operator that is not necessarily with the aircraft that is flying in the system, what you have to ensure is that we have appropriate technological standards, bases and technologies in place to accomplish the same thing, and that is what the research in detect and avoid is all about.

Mr. VALADAO. Thank you. My time has expired.

Mr. DIAZ-BALART. Thank you, sir. Mr. QUIGLEY.

Mr. QUIGLEY. Thank you, Mr. Chairman. You do not have an issue with crop dusters, do you?

Mr. DIAZ-BALART. No, no. I wish.

Mr. QUIGLEY. Mr. Administrator, I appreciate how difficult your job is, but let me share with you what O'Hare modernization is doing with my constituents in the city and the suburbs.

These noise monitor readings, the decibel levels that people are experiencing, they are unprecedented. These people experience 80, 90 and above, and it is not just that, it is the sheer volume. Some people are getting over 100 flights more than they got before.

I think what you said at the beginning dictates an understanding that noise volume has an extraordinary health impact. Everybody knows when you live near an airport, you are going to experience some of this, but what we experience with OMP is the airport has moved to them. We now have high readings, five, six, seven, eight miles out, and the sheer volume and repetition is extraordinary.

Analyzing this, the best guess of this is that part of the solution to that and more fair distribution of the runways is also one that would help the airport operate more efficiently, because it is hard to look at the raw statistics for on line arrivals and departures and say that has been a bonus so far.

I do not want you to think this is a personal thing.

This is a very important issue for hundreds of thousands of people who live not just near O'Hare, I am talking five, six, seven, eight miles out. For the first time, we have noise complaints from people who live near Lake Michigan from O'Hare.

While this is the economic engine of the region and I want to help it be the economic engine, which is one of the reasons I am on this committee, I think the two can go hand in hand, but it must involve the FAA working with the Department of Aviation and the community to come to some compromise on how to best use the runways around the airport.

O'HARE AIRPORT

Mr. HUERTA. As I said, Mr. Quigley, we have been working closely with the Department of Aviation. We will continue to do that. Airports are noisy places. The work that the Department of Aviation has done has been to fully assess the environmental impacts associated with the airport, but we share your interest in understanding noise over the longer term. That is why we are doing the DNL study and assessment, to develop a better understanding and better research tools of what are things we can continue to do.

We have worked very cooperatively and will continue to do so to actively look at the implementation of O'Hare modernization, and to recognize that as we modernize the airport, we have to consider the effects on communities, and I think we are doing that.

It is an ongoing process, and we continue to be committed to it.

Mr. QUIGLEY. You know, the environmental impact study is being reviewed, there is an analysis because the roll out came out different than we thought, there is talk of whether we need another one, which is extraordinarily costly and timely, as is the 65 DNL.

In the meantime, I do not see the progress that you see. I think the concerns that we have are that OMP was pushed forward without any community involvement of those immediately impacted. The number of hearings that were held and where they were held were not significant. No one said you are going to have these kinds of decimal readings and you are going to have this many additional flights over your head.

I do not share your optimism, and I am an optimistic person. I am a Cub fan. Quite simply, more needs to be done. There needs to be a bigger push in the short term to address these issues, and I do think there are short term solutions that do not hurt the economic engine that is O'Hare Airport.

Mr. HUERTA. We look forward to working with the Department of Aviation on continuing to address these issues.

Mr. QUIGLEY. I appreciate your efforts. Thank you.

Mr. DIAZ-BALART. Thank you, Mr. QUIGLEY. Mr. Joyce.

SMALL AIRPORTS AND AIP

Mr. JOYCE. Thank you, Mr. Chairman. On another note, Administrator. Would consolidation of small county airports be in the best interest of the FAA giving it less of a footprint? In Ohio we had a governor way back when who decided every county should have an airport. And in my former life, I was one of those DAs who represented the civil side as well as the other side. It was losing money on a constant basis in our county.

We wanted to shut it down and we could not get any help from the FAA saying we had—the FAA would want a repayment of the costs that were incurred. In this case, there was an industrial park that went all around it and there were some issues potentially with safety. Isn't there a way to work out agreements where the FAA could become a partner, if you will, in the idea that they closed down the airport, developed the land and then get their interest back after the property had generated some money?

Mr. HUERTA. There are two things that are suggested by your question and I will try to address both of them. First of all——

Mr. JOYCE. I am not trying to—this is just for general discussion. It is not necessarily trying to hammer you on any point. I just want to know for my own sake.

Mr. HUERTA. The structure of the Airport Improvement Program was intended by Congress to strike a balance. And that is to address the needs of large hub airports and to create maximum efficiency in the airport infrastructure and at the same time, to provide for a base level of access for communities to have access to aviation service.

Essentially, it is to have a large program and a small program. And the challenge is how do we do both of these things? We provide basic access but we also accommodate the efficiency requirements of the industry as a whole. That is what has resulted in the system that we have today: A combination of very small airports that receive support from the FAA and very large airports that we try to support through Letters Of Intent, through AIP and through Passenger Facility Charges.

That is, I think finding that balance going forward or revisiting that is something that Congress certainly needs to consider as it takes up FAA reauthorization. I think that it really is up to you to figure out is the program as it was originally structured, or something that needs a second look?

The second point you are raising is a question of what if a community changes its mind? That it has had an airport and it makes a determination that, hey, it has been a great run, or we don't need it, or we would like to use the land for some alternative purpose. And then, what kicks in is, we are required to ensure that they satisfy all the obligations that they have entered into as a condition of receiving AIP funds from the FAA in the past.

And that condition is very straightforward: That they will operate at an airport for a defined period of time while the funds are being amortized. And we are willing to work with airports to figure out, well, if that is not going to work, than how can we satisfy our grant assurances which they are legally required to satisfy. And at the same time, look at what might be alternative land uses there.

I will say that the number of communities that pursue that path are very small in number.

Mr. JOYCE. Okay.

Mr. HUERTA. And we have worked with them to do that. But the airports are often viewed by local authorities as serving an economic development purpose. That it is important to have that to attract other industry or other activities to a particular area. We work with airport sponsors at all levels of government, of all shapes and sizes to help them to support their needs as well as to fit them into the larger national context.

Mr. JOYCE. And so, we wouldn't need any legislation to help you work with them as far as making this flip from an airport into an industrial or some other—and hold off on getting newer money back from grants or monies that have been——

Mr. HUERTA. Well, as long as we see a way for them to satisfy the contractual obligations that they entered into, which we are required to ensure that they meet.

Mr. JOYCE. So you have the ability to do that now?

Mr. HUERTA. I believe we do.

Mr. JOYCE. Oh, great. And the second part, I want to commend you. I didn't come here trying to give you a hard time. I want to commend you on the fact that while you—have to have master plans that you are allowing these airports to also work to get—make sure that they are safe as far as doing runway work and other work that is going to be done in the master plan, but doing those in conjunction with the master plan being presented and approved and everything else.

Mr. HUERTA. Sure.

Mr. JOYCE. But allowing for the safety of the people who are actually using the airports. I appreciate your support in that.

Mr. HUERTA. Thank you.

Mr. JOYCE. Thank you.

NEXTGEN TIMELINE

Mr. DIAZ-BALART. Administrator, let me just, and I don't expect you to have it today, so I am not asking for it right now. I asked the question, but if you could get back to us with the latest estimate for the transformation of our air traffic control system to a fully deployed NextGen, just with all the different programs, that would be very helpful.

Mr. HUERTA. Sure, we can certainly provide that. I will make the point, though, that it is important to think of NextGen in terms, as you would think of the delivery of any major technological program. And I mentioned 2020 as being an important milestone.

And so, we tend to think of NextGen as 1.0——

Mr. DIAZ-BALART. No, we understand that.

Mr. HUERTA [continuing]. 1.5, 2.0, as we are providing additional capabilities. But we can provide that to you.

Mr. DIAZ-BALART. Yeah, if you could just give us——

Mr. HUERTA. Sure.

Mr. DIAZ-BALART [continuing]. Your estimates of the timing for those things.

Mr. HUERTA. Yes.

[The information follows:]

NEXTGEN COST AND TIMELINE

Initial estimates of the FAA investment required to achieve NextGen benefits are projected at $15 billion to $22 billion through 2025. Preliminary estimates for the collateral investments required from the aviation industry are projected to be $14 billion to $20 billion during this same time frame. The FAA's most recent estimates of the total expenditures on NextGen mid-term improvements is just over $32 billion, covering the period 2007 to 2030.

NextGen is an ongoing endeavor, which entails the continuous improvement of the National Airspace System. The basic infrastructure will be completed by the end of 2015; however, FAA's modernization process will continue. The incremental enhancements will be delivered in the 2016–2020 timeframe.

Mr. DIAZ-BALART. Let me go back to what Mr. Valadao had talked about on the UAS. FAA obviously has a significant responsibility. The DOT and Inspector General has noted that FAA has not developed what they said an adequate framework for sharing and analyzing UAS safety data. And that questions remain regarding the placement authority and structure of the UAS integration office. And so, talk to me a little bit about those deficiencies highlighted by the IG.

UNMANNED AIRCRAFT

Mr. HUERTA. Let me talk first about the structure. Our premise has been that unmanned aircraft would operate as any other aircraft would operate in the national airspace system ultimately. That means that the structures that we have in place to ensure their safety, to ensure their operation, to ensure their safe integration need to be something that is integrated into the overall structure of the agency.

Having said that, we did create a joint program office, which is housed within our Aviation Safety organization with the sole focus of how do we integrate unmanned aircraft into the system. This joint program office is supported by resources from Aviation Safety as well as from Air Traffic, and what they are expert in is really understanding the unique operational characteristics that unmanned aircraft represent and how we integrate them into the national airspace system.

I think that some would suggest an alternative approach and the alternative approach might be that we have a specific line of business that is solely focused on unmanned aircraft. And philosophically, that might be an approach but that would also suggest that we should be organized into airlines, general aviation, and other classes of users.

If what we are really trying to achieve is integration, we think this hybrid approach of ensuring that it fits within the basic framework of the FAA while having a focal point actually is serving what those requirements actually are. The IG has also mentioned, what is the state of technology? So that we can ensure that they can meet the basic levels of safety and that is a thing that we care the most about. How do we safely integrate them?

And so, that is why our program for integration is a staged program for integration. Earlier I mentioned the research that we are doing on technologies like detect and avoid. While I don't think it is where it needs to be today, what I have been impressed with is how quickly it has evolved over even the last few months.

What we are seeing is, there are a lot of companies, there are a lot of organizations that have demonstrated very promising technologies and are now beginning the process with us of getting it certified so that it could actually be incorporated into these aircraft.

It is an industry that is evolving very, very fast. What we need to ensure that we have the ability to do is to take the innovation that is taking place and introduce it so that we are getting the benefits of safety that come with it.

Mr. DIAZ-BALART. Without killing the innovation, right?

Mr. HUERTA. Exactly.

Mr. DIAZ-BALART. Exactly. Let me just speak on the same issue, the notice for proposed rulemaking for small UAS's announced in February includes a new certification for small operators. So any idea what the budget requirements for these new certifications are going to be and also, will there be a fee for operators applying for certification?

I mean, I can understand the complexity of all of this, and so, what are the potential budget requirements for these new certifications? And again, also the potential fees for operators?

Mr. HUERTA. We haven't made a determination with respect to fees at this point but what we have framed out in terms of the operator is it is a certification requirement but it is not a full-blown pilot license. We feel that many of the requirements to be a pilot simply are not applicable for unmanned aircraft. And so, it is a more limited set of requirements that an operator would have to actually operate an unmanned aircraft and the principle thing is the rules of the sky: How do they interact with other aircraft going forward?

As it is out for comment, what we are hearing, it is still in the comment period. We are getting a lot of comments. We are expecting that the review of that is going to determine whether we finalize the framework as it has currently been proposed.

I would envision that we would come back to the Committee once we have a much better sense of what this market looks like and what that certification program will look like in final form.

Mr. DIAZ-BALART. Great. Mr. Price.

Mr. PRICE. Let me just ask a couple of further questions. A lot of interest here this morning on the UAV question, obviously. What is the timeframe for that rulemaking now? You are going to get an avalanche of comments, a lot of material to deal with. Do you really expect to meet that September deadline? If not, when do you think we might see that final rule?

And then, let me ask you a specific question about the work you have done to date. As I understand it, you have issued roughly 44 exemptions for UAS operations out of more than 300 pending applications from the commercial entities that hope to utilize this technology. Can you tell us what criteria you use to issue these exemptions? In what ways are these systems going to be used?

Will the 29 additional certification positions included in your budget, is that partly aimed to help you deal with that backlog?

Mr. HUERTA. It is. Let me turn first to the exemptions. The criteria for the exemptions are specifically called out in Section 333 of the FAA Modernization Act of 2012. And essentially, what is required is that the Secretary of Transportation needs to make a finding that the proposed use under Section 333 can operate safely and that appropriate safety mitigations have been put in place to ensure their safe operation.

In general, all of the applicants that we have approved to date have been operating line of sight operations, have tended to be operating during daylight hours and have been using relatively small unmanned aircraft. And the number that we have approved has gone up as have the applications gone up at the same time.

This is, I think, an important tool. We have worked with film companies. We have worked with news organizations. We have worked with people that are conducting surveys of property, of wildlife, of electrical grids. We have even approved one railroad which is using it to provide surveys as well as security on its network.

And so, there are a wide variety of uses that are out there that we have been focused on and what we are trying to do is figure out, now that we know what these basic frameworks look like, how can we just move them much more expeditiously through the process? And so, you know, the exemption process is the principle thing that is available to us right now.

Back to the rule. As you pointed out, yes we did put it out for comment in mid-February. The comment period is open for 60 days. As I mentioned and as you pointed out, we are getting a lot of comments associated with that. I think our ability to respond to it quickly depends on what the nature of the comments are.

Publicly, what we have heard in the open source media is that there is an appreciation that we have struck what seems to a large segment of the population to be an appropriate balance. And if the comments reflect that, then I think that we can certainly move much more quickly in making the rule final.

I don't want to speculate as to how long it is going to take because it is entirely dependent on how many comments we receive.

Mr. PRICE. Mr. Chairman, let me just pose a very broad question. I don't want this hearing to go by without raising the question of reauthorization because so much is potentially tied to that. I realize that I have limited time here. Let me begin to ask the question and maybe we can extend this into the next round. The programs of the FAA are expiring at the end of the fiscal year.

Your budget proposal, as it has been remarked, includes an increase in the passenger facility charge for airports but doesn't include other substantive legislative reforms. Does the administration plan to send Congress an aviation authorization proposal? If not, why not?

Your budget notes that you are identifying a set of core principles and you gave us a preview of what those might include. And then, finally, this question about air traffic control. The Clinton Administration designated air traffic control as an inherently governmental function. The Bush Administration reversed that position. How would you describe this administration's view on air traffic control? Is it inherently governmental?

Similarly, some in the aviation industry have suggested that Congress should privatize or reform the air traffic control functions of the FAA. What are your thoughts on those types of reform? And, Mr. Chairman, maybe we better wait for the next round for the answer, thank you.

Mr. DIAZ-BALART. Well, it is a simple question, right?

Mr. PRICE. Very simple question, so——

Mr. HUERTA. I don't know how much of that I can get through in 23——

Mr. PRICE [continuing]. We need more than a couple of sentences now.

Mr. HUERTA [continuing]. In 23 seconds.

Mr. DIAZ-BALART. Well, why don't we—when we go to our closing——

Mr. PRICE. We can wait on that.

Mr. DIAZ-BALART [continuing]. Yes. Mr. Yoder.

CONTRACT TOWERS

Mr. YODER. Thank you, Mr. Chairman. Sir, thank you for coming to testify today. I apologize. I was at another hearing down the hallway but I was glad to have a chance to have a little dialogue with you before the hearing completed this morning.

During the budget debate related to sequestration, the FAA proposed closing 149 contract towers including several in Kansas, the Midwest Air Traffic Control Center in Overland Park, Johnson County Executive Airport and seven other airports in Kansas with contract towers specifically. Our nation's air transportation system, as you know, is a comprehensive network of intertwined facilities with air traffic control towers serving in the important role helping pilots and their crew safely guide their aircraft between airports.

Contract air traffic control towers exist specifically to direct aircraft and ensure the safety of our skies. What is the status of the contract towers program particularly? And how do we ensure that the importance of these towers are not dismissed and that reforms made to the funding levels of these towers are made in a fair, transparent and safe manner?

Mr. HUERTA. Sure. Let me talk first about what is in the 2016 budget. The 2016 budget request includes a total of $154.4 million for the federal contract tower program. That is about a $9.9 million increase over what was provided last year in FY 2015 and that is to accommodate inflationary adjustments and the potential inclusion of one additional site being added this year.

There are currently about 252 towers in the Federal Contract Tower program and that is something that we do recognize is a significant part, as you correctly pointed out, an interconnected system to ensure that we can operate and maintain a safe system. Longer term, as directed by federal statutes, the FAA is required to use a cost-benefit analysis to determine entry into the Federal Contract Tower program and to assess the continued cost-effectiveness of towers that are included in that program.

The analysis quantifies the safety and efficiency benefits that accrue from having the presence of a tower against the cost of what their operations are. If a current federal contract tower shows that their cost exceeds the benefits then we do work with the local contract tower sponsor to provide the opportunity to fund a pro-rata share of the cost which is capped. And they must be given an 18-month period to transition over to that.

That is what the existing framework is. It is supported by the budget overall. We have been working on updating our cost-benefit methodology with the goal of addressing exactly what you are talking about. How can we ensure that it is transparent? And how can we ensure that it is taking full account of all of the costs as well as the benefits that are there for the program?

Mr. YODER. You know, as the FAA has to make choices, as every agency did, under sequestration this was a choice the FAA made. Were there other choices available and what—as you do that cost-benefit analysis, how did we arrive at closing 149 contract towers during that process?

Mr. HUERTA. At that time, what we were looking at was lower activity towers; meaning that the number of operations could be handled safely without necessarily needing to have the tower or not needing to have the same degree of tower hours.

And while we were in the sequester, we were looking at a series of choices none of which were good, as I testified before this Committee at that time. But what we were really trying to focus on is how do we preserve the maximum benefit, maximum operational capability for the largest numbers of users of the national airspace system.

I think that longer term, one of the things that we are looking at is what are technologies that we have available to us that we should also be considering as we are looking at future investment needs. There is great promise in, for example, remote tower capabilities, which is a combination of video and other surveillance technologies that provides you the same benefits of having a tower on the facility but not necessarily on the premises of the specific facility that you are talking about.

We are at very early stages in that investment case and decision but I think that we have to consider not only regular operating costs but what are long-term technological programs that we might look to as well.

UAS PRIVACY

Mr. YODER. And just quickly, and this may have been discussed already so I apologize, but I have a lot of constituents that raise concerns around the future of drone technology and their privacy and security and safety. And I just, if you might describe what the FAA recommends we should do or does Congress need to pass new statutes? Does FAA have the tools to protect the privacy and safety and security of individuals related to these drones?

Mr. HUERTA. Well, specifically, as it relates to privacy, the FAA does not regulate anything in the national airspace system for its use. We regulate it only for its safety and we have neither the expertise nor authority to consider questions of how something gets used.

Now, as a government as a whole, this is a matter that has generated significant interest and it is for that reason that the President issued a memorandum directing federal agencies on best practices and practices they should use for federal use of unmanned aircraft. And at the same time, task the NTIA and the Commerce Department with this larger question of what is the framework and how do we deal with this larger issue of privacy.

Mr. YODER. Thank you, sir. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Mr. Valadao.

AIR MEDICAL TRANSPORT

Mr. VALADAO. Air medical transport is vitally important to rural areas such as my district. Air medical transport services have key differences that separate them from regular everyday air travel. Effective regulation of these services requires unique and commonsense approaches. I have heard concerns from air medical services in my district about the FAA's ability to effectively manage the recently released final rule on helicopter air ambulance regulations.

Are you confident the FAA has the resources needed to educate field personnel on the proper implementation of these new rules, and does the FAA have the ability to approve necessary equipment improvements within the timeline of the new established rules?

Mr. HUERTA. I think that this is certainly a high priority for us in all of our field operations to ensure that everyone has a clear understanding of what is required in the new rule and how best to oversee it. If there is a specific concern that an operator in your area has, I would be interested in knowing about it to see if there is something specific we need to do to address that.

Mr. VALADAO. Then how can both these processes be managed more efficiently? For example, I understand the guidance pertaining to this rule, as released a year ago, is still not available to the public despite the fact that rule takes effect in less than 40 days. Does the FAA have a plan to manage the implementation in such a short time with limited resources?

Mr. HUERTA. Let me get back to you on exactly where that is. I was under the impression that we actually had most everything out there that folks needed.

[The information follows:]

MEDICAL HELICOPTER AMBULANCES

1. Is the FAA ready to fully educate field personnel regarding these new rules?

   Yes, the FAA is ready to fully educate the field personnel on the new rules. A four hour field outreach program is set up for March 26, 2015. This outreach will be complimented by the initiation of a focus team hotline for inspectors to call for additional information/clarifications, follow-on outreach sessions, a link to the frequently asked questions (FAQs) bank online and a dedicated helicopter air ambulance session at the upcoming principal operations inspector conferences to be held later in the year.

2. Does the FAA have the authority to approve new equipment on helicopters?

   Yes, the authority is granted by statute. Additionally, the FAA has the ability to make timely approvals of new equipment on helicopters. This may be done by field approvals, and supplemental type certificates and there are established processes to use for an operator to obtain either one of these approvals.

3. The guidance pertaining this new rule was released a year ago and is still not available to the public, besides that the fact that the new rule takes place in 40 days.

   The draft guidance pertaining to the new rule was made available to the public for comment in the fall of 2014, and public comments were incorporated, it is planned for final release by the last week of March 2015.

4. Does the FAA have a plan to manage the new plan with limited resources?

   The FAA believes that the resources available are sufficient to manage the new rule.

Mr. VALADAO. Well, that is it. Thank you.

Mr. DIAZ-BALART. Thank you. Mr. Administrator, before I ask you to deal with Mr. Price's, frankly again, big question, let me first again thank the Administrator for your answers and for your participation today. As you can see, there is a lot of interest because a lot of subcommittees are going on at the same time, and yet you see a lot of members here with a lot of interest.

The committee staff will be in contact with your budget office regarding questions for the record. I know we have a number of questions submitted. I would imagine that other members also will have questions as well. So I would ask you, if you would please, sir, to work with OMB to return the information for the record to the committee within 30 days from Friday. We will be able to publish a transcript of today's hearings and make informed decisions on crafting the fiscal year 2016 budget.

And with that, if you would like to try to take a stab at Mr. Price's final questions.

Mr. PRICE. Thank you, Mr. Chairman. I did manage to get the question out. We will see how you do with getting the answer in. But this is an important question as you know. It has been a source of some speculation and uncertainty. So if you could address it, I would appreciate it.

REAUTHORIZATION

Mr. HUERTA. Well, yes, the administration has submitted a set of principles that would govern reauthorization going forward. They are provided in my written testimony in terms of what they are, so I will not take the time to go over each of them here.

I would like to make the point, though, that Secretary Foxx and I both believe that these principles should be regarded as a starting point for the administration's position. More will be following as we engage in the discussion with the authorizers of what the form is that reauthorization should take going forward.

You asked about the question of governance changes and whether we need to address the structure and frameworks of the FAA. And both the Secretary and I have been very open in saying it is a conversation that we are open to having, but it has to meet several criteria.

First and foremost any structure that results must ensure the highest levels of safety of the system. We have an incredibly safe system. It is something that we are very proud of. We do not want to introduce anything that would in any way compromise that.

The second is it needs to provide a roadmap for deployment of future technologies. I think we have made great progress in the last few years through the modernization program. We are right at the point where we are now delivering benefits to users. We do not want to stand in the way of that. What we want to figure out is how can we better accelerate that.

And, finally, we need the stability to be able to plan for what our long-term future facilities' requirements are. Earlier in the discussion we had a lot of conversation about just the age of FAA facilities and how we establish priorities. And there are many tools that we do not have available to us, but at the same time, multiple structures would perhaps help us address that issue.

The final point that I would like to make, though, is one that has come up before this Committee a lot; and that is how do you break down stovepipes that get in the way of effective delivery of aeronautical services? And if we talk about some of the questions that have been raised about certification, some of the questions that have been raised about deployment of technology, what that requires is a very, very close interaction between the operating side of the agency and air traffic and the regulatory side of the agency, which certifies that this can be done safely. And as a result of breaking down those walls, I think we have been able to make very, very good progress going forward. I do not want to do anything that would potentially get in the way of that going forward.

I think there are many options that are out there on the table, but the core thing that the industry really needs to be focused on is what exactly is the problem that proponents of one structure or another are trying to solve? Is it investment? Is it funding predictability? Is it ensuring technological innovation? And I think that as the industry develops a much better understanding of what is the problem they are trying to solve, I think that we should be open to the full range of alternatives that might exist to structure it and not get focused too quickly on here is a solution without considering unintended effects.

We have a very unique aviation system here in the United States. We have a system that is the most complex and most diverse commercial system. There is no one in the world that has a general aviation industry like ours. There is no one that has a manufacturing base like ours. And I think what we need to be focused on is what is a solution that works for the United States as a country, not a solution that might work someplace else.

Mr. PRICE. Well, I thank the Administrator for that answer, and I do think those are very sound principles, criteria, that will need to be considered.

The necessity of authorization is a decision-forcing mechanism, though. And at some point these considerations are going to have to issue in a plan going forward. So we look forward to further discussions, deliberations, on that matter.

Mr. Chairman, thank you.

Mr. DIAZ-BALART. Good way to close out the meeting, Mr. Price. The next hearing for THUD will be on Thursday when we will hear DOT Surface Transportation and Maritime Administration.

Again, Mr. Administrator, thank you for participating and for being thorough. And with that, we will adjourn the meeting.

Federal Aviation Administration
Fiscal Year 2016 Questions for the Record
Chairman Mario Diaz-Balart
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Diaz-Balart #1

UAS Integration

FAA has a significant new responsibility to safely integrate Unmanned Aircraft Systems (UAS) into the national airspace. However, the DOT IG has noted that FAA has not developed an "adequate framework for sharing and analyzing UAS safety data" and that "questions remain regarding the placement, authority and structure of the UAS Integration office".

Question: What steps have you taken to address the deficiencies addressed by the IG in its June 2014 report?

Answer: Safety data is collected from public operators holding a Certificate of Waiver or Authorization (COA) and civil operators with approval under a Special Airworthiness Certificate – Experimental Category (SAC-EC). The data are used to track the number of UAS operations as well as incidents/accidents in the National Airspace System (NAS) in order to measure the safety record of UAS and to identify hazards that need to be mitigated. Specific lost-link data has been used in safety studies in order to determine the likelihood of a lost-link event occurring in controlled airspace. Review of COA data received since 2012 has revealed a steady decrease in the accident rate of public UAS operations. Continued data collection and analysis will help us better understand future NAS impacts and assist in developing standards, policy, rulemaking, and drive UAS requirements for NAS integration.

The FAA has recently designated a data specialist for the Test Sites. Located at the FAA's William J Hughes Technical Center in Atlantic City, New Jersey, this specialist is responsible for collecting research data from the Test Sites and facilitating the transfer of the data to the appropriate resources who work on various research and development requirements in the FAA's UAS research and development portfolio. In addition to research data, the Test Sites are required to also provide operational data in accordance with the operational authorization they receive through the COA. This operational data is required of all COA holders and may be used to identify emerging risks or other operational trends.

Mr. Diaz-Balart #2

UAS Integration

Question: Do you feel that your UAS Integration office, located in the Aviation Safety Office, has the right authority and structure to meet the challenge of integrating UAS into the airspace?

Answer: The Unmanned Aircraft industry has evolved rapidly over the three years since the UAS Integration office was created. The FAA believes the current structure has served the agency well, based on the significant accomplishments the office has achieved. However, the FAA is always evaluating the organizational structure and recently made the decision to change the UAS office senior executive level reporting from AFS directly to AVS.

The FAA is making this move now in an effort to better position AVS to meet the demands of this rapidly expanding and evolving UAS field. At this time, there will be no impact or change to employee's current job or duty function. Likewise, no offices, work spaces, etc. are affected as a result of this decision.

Going forward, in addition to the skill sets the FAA currently possesses, the agency may assess and augment our technical expertise to fully support the rapidly expanding responsibilities of this office. In addition to the changes within the AVS organization, the FAA is creating a new executive position (Senior Advisor) reporting directly to the Deputy Administrator that will be focused on external stakeholder engagement and overall FAA integration progress.

Mr. Diaz-Balart #3

UAS Integration

This committee has recognized the importance of FAA's work on UAS, and provided significant new resources in FY 2015 for this work, including $5 million for a center of excellence, $2 million to improve UAS research, and $3 million in FAA operations for UAS.

Question: What will be accomplished with the additional funds provided in FY 2015 for UAS integration?

Answer: The FY 2015 budget includes $4 million for a UAS Center of Excellence (CoE), $2 million to improve UAS research, and $3 million for UAS operations. The $4 million appropriated for the CoE in FY 2015 will be combined with $1 million appropriated in FY 2014, for a total of $5 million for the CoE.

Eleven initial research focus areas have been defined for the UAS CoE. Some of the focus areas include air traffic control interoperability, airport ground operations, and detect and avoid capabilities. The FAA will ensure that the CoE's activities complement planned research with the UAS Research & Development (R&D) portfolio, including initiatives performed by the FAA's Technical Center and UAS Test Sites.

The additional $2 million in the FY 2015 appropriation for other UAS research will be used to accelerate UAS R&D in three keys areas:

- Flight testing of command and control radios to validate draft RTCA standards under the limitations imposed by small UAS. This validation will mature the draft standards and help ensure they can be used with a large population of UAS;

- Evaluation of ground architecture (radios, antennas, networking) necessary to provide reliable command and control links for UAS operating cross country where the UAS will need to switch between multiple ground radios. This ground architecture evaluation will help determine technical limitations of potential architectures to inform ground radio infrastructure decisions of the FAA or a third-party service provider; and

- Evaluation of unique human factors challenges for UAS and regulatory and policy changes that may be needed to address them. These unique challenges include how to allocate manned pilot functions to a remote pilot, control station standardization, and unique crewmember training requirements.

The additional $3 million in Operations funding is planned to be used for supporting ongoing UAS integration related activities, such as standards development through RTCA, developing a UAS event tracking system, addressing issues related to spectrum, providing contractor support for the UAS Test Site Program, further development of the FAA's mobile application (B4UFLY) which increases user situational awareness, expansion of outreach and messaging activities to educate and inform the general public and model aircraft operators, and holding public meetings to discuss innovation and opportunities at the UAS Test Sites and Center of Excellence.

Mr. Diaz-Balart #4

UAS Integration

Question: When does the FAA plan to make an award for the UAS Center of Excellence?

Answer: On May 8, 2015, the FAA selected a Mississippi State University team as the FAA's Center of Excellence for Unmanned Aircraft Systems (COE UAS). The COE will focus on research, education and training in areas critical to safe and successful integration of UAS into the nation's airspace. The team brings together 15 of the nation's leading UAS and aviation universities that have a proven commitment to UAS research and development and the necessary resources to provide the matching contribution to the government's investment.

The COE research areas are expected to evolve over time, but initially will include: detect and avoid technology; low-altitude operations safety; control and communications; spectrum management; human factors; compatibility with air traffic control operations; and training and certification of UAS pilots and other crewmembers, in addition to other areas. The FAA expects the COE will be able to begin research by September 2015 and be fully operational and engaged in a robust research agenda by January 2016.

Congress appropriated $5 million for the five-year agreement with the COE, which will be matched one-for-one by the team members. In addition to Mississippi State University, the other team members include: Drexel University; Embry Riddle Aeronautical University; Kansas State University; Kansas University; Montana State University; New Mexico State University; North Carolina State University; Oregon State University; University of Alabama, Huntsville; University of Alaska, Fairbanks; University of North Dakota; and Wichita State University.

Mr. Diaz-Balart #5

UAS Integration

You have announced your plans for small UAS in airspace outside of air traffic control.

Question: What plans are being made to potentially integrate UAS into controlled airspace?

Answer: We are continuing to integrate UAS through issuance of airworthiness certificates, Certificates of Waiver or Authorization (COAs), and exemptions issued under section 333 of the FAA Modernization and Reform Act. The FAA has also designated six test sites to conduct research and development to help further integrate UAS into the national airspace system, and on May 8 selected a Mississippi State University team to lead a UAS Center of Excellence to provide additional research options.

The FAA is working with two news-gathering organizations to investigate how to enable small UAS use over people and near structures. We are also working with a railroad operator to investigate approval of beyond visual line of sight operations for monitoring tracks to improve rail safety.

The FAA is also working with several companies to approve unmanned aircraft using the existing aircraft certification process. The Aircraft Certification Service is using a risk-based approach that will tailor the process to the appropriate level of rigor based on the risk posed by the aircraft and operational concept. These certification programs are essential to enabling larger UAS to be approved to operate in the national airspace.

Currently, the FAA is developing the next stage in the UAS rulemaking process, for unmanned aircraft and operations that would not fall within the scope of proposed part 107. These could potentially include aircraft weighing more than 55 pounds, and operations carried out beyond visual line of sight, night operations, and operations carrying external loads or internal payloads. It is an FAA priority to approve the application for the next stage of UAS rulemaking by the end of FY 2015.

Mr. Diaz-Balart #6

UAS Integration

Question: What are the technological hurdles to achieving integration into controlled airspace, and how are you addressing these challenges in your research budget?

Answer: Key technical questions and challenges in areas such as Detect and Avoid and Command and Control must be addressed to integrate UAS operations into the national airspace systems. It is important to note that standards development and associated research in areas such as Detect and Avoid and Command and Control are ongoing. Published technical standards and UAS with associated systems certified to be compliant with these standards will be required before UAS can be more fully integrated into controlled airspace.

UAS research will be used to accelerate effort in three key areas. These include:

- Flight testing of command and control radios to validate draft RTCA standards under the limitations imposed by small UAS. This validation will mature the draft standards and help ensure they can be used with a large population of UAS;

- Evaluation of ground architecture (radios, antennas, networking) necessary to provide reliable command and control links for UAS operating cross country where the UAS will need to switch between multiple ground radios. This ground architecture evaluation will help determine technical limitations of potential architectures to inform ground radio infrastructure decisions of the FAA or a third-party service provider; and

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Mr. Diaz-Balart #7

ADS-B Equipage

I understand that FAA has completed its network of ADS-B ground stations, and I congratulate the FAA on this accomplishment. To realize the benefits of this technology, aircraft must be equipped with ADS-B transponders. The law mandates that all aircraft flying in controlled airspace have to be equipped by 2020.

Question: Can you tell us the percentage of commercial aircraft that are equipped today with the ADS-B transponder?

Answer: Currently there are approximately 267 US-registered air carrier aircraft that are equipped with the ADS-B transponder. This represents approximately 4.5% - 5.3% of the total target fleet of 5,000 to 6,000 aircraft.

Mr. Diaz-Balart #8

ADS-B Equipage

Question: What actions is the FAA taking to ensure that all airlines are equipped with ADS-B transponders by 2020?

Answer: The FAA recognizes there are challenges with aircraft operators, including airlines, meeting the ADS-B Out mandate by 2020 and has consequently convened a government-industry working group, known as Equip 2020, to address these issues. The group consists of both FAA personnel and various user and industry groups that are committed to meeting the mandate.

Currently, the group has established the following sub-working groups to address the top challenges for the air transport organizations:

- Air Carrier Equipage: This working group is coordinating and monitoring the equipage of ADS-B Out in the Part 121 and 135 community, tackling issues relevant to availability of avionics equipment and its installation.

- Installation and Approvals: This working group is addressing all of the issues associated with ensuring efficient and consistent avionics installations and approvals.

Mr. Diaz-Balart #9

ADS-B Equipage

Question: How many general aviation aircraft need to be equipped with an ADS-B transponder?

Answer: All US – registered general aviation (GA) aircraft operating in controlled airspace must be equipped with ADS-B transponders by the 2020 mandate. Approximately 50,000 US-registered GA aircraft routinely fly in airspace requiring ADS-B equipage. However, as many as 120,000 US-registered GA aircraft fly in controlled airspace at least one day per year.

Mr. Diaz-Balart #10

ADS-B Equipage

Question: What steps is the FAA taking to address general aviation's concern with the cost of ADS-B equipage?

Answer: The cost of equipage has come down considerably since the start of the program. In fact, in 2008 the average unit costs for ADS-B Out for General Aviation ranged from $7,644 - $10,920, depending on aircraft type. That cost has since been reduced to approximately $2,000 depending on the aircraft type and equipment already on-board.

Many of the General Aviation community's concerns regarding equipage are being addressed within the Equip 2020 working group. The following subgroups have representation from the General Aviation community:

- General Aviation Equipage: This working group coordinates and monitors the equipage of ADS-B Out in the General Aviation community, tackling issues relevant to availability of equipment and its installation.

- Education and Benefits: This working group coordinates education and outreach to the community concerning ADS-B Out requirements and benefits. The group may also identify additional benefits that could be implemented for equipped aircraft.

- Installation and Approvals: This working group addresses all of the issues associated with ensuring efficient and consistent installations and approvals.

Mr. Diaz-Balart #11

ADS-B Equipage

Question: Is the FAA considering an extension of the 2020 deadline?

Answer: The FAA is not currently considering an extension to the 2020 deadline and continues to work with the aviation community through the Equip 2020 working group to ensure the industry meets the January 2020 mandate.

Ground surveillance using ADS-B requires all aircraft in the area to be equipped, and future ADS-B In aircraft applications will require that aircraft be equipped with ADS-B Out. The 2020 mandate ensures all aircraft will be equipped to enable a reduction in the ground radar infrastructure (secondary surveillance radars) and to incentivize aircraft to equip with ADS-B In since the leading aircraft will already be equipped.

An ADS-B Out system also includes a Global Positioning System receiver, so the mandate will achieve near-universal capability to conduct performance-based navigation (PBN) operations and accelerate the transformation of the National Airspace System (NAS) to satellite-based procedures and systems.

A number of aircraft owners and operators have already invested to comply with the rule, and would be adversely affected by any delay.

Mr. Diaz-Balart #12

Delegated Authority/Certification

The aviation industry has emphasized that it is essential that FAA streamline its certification processes for new aviation products to retain our competitive edge in the global marketplace.

The 2012 FAA authorization mandated that FAA is to take steps to streamline its processes, including the expansion of the delegated authority process.

Question: What specific steps are you taking to improve certification processes, including the expanded use of delegated authority?

Answer: Reforming the aircraft certification process is a key component to the future vision of the FAA. The agency is working to address this issue on a local, national, and international level, and the efforts include responding to requirements in Section 312 of The Federal Aviation Administration Modernization and Reform Act of 2012.

As part of ongoing efforts to improve responsiveness to industry as it certificates new products, in September 2014 the FAA replaced project sequencing with a new "project prioritization" process. The new system prioritizes projects based on their safety benefits and complexity, and allows for more efficient allocation of FAA's resources. In contrast to sequencing, project prioritization offers applicants a commitment to a response time for the review of compliance data based on the priority of the certification project. This new system allows applicants to be able to initiate projects without delay. If they have an Organization Designation Authorization (ODA) or are using an FAA-approved delegated engineering representative, they can immediately move forward with much of the work required to certify the product.

The FAA has also expanded delegation to include instructions for continued airworthiness and emissions

Mr. Diaz-Balart #13

Delegated Authority/Certification

Question: What is the status of the 14 initiatives recommended to the FAA by the Aviation Rulemaking Committee (ARC) regarding reforms to the certification process?

Answer: Section 312 of the FAA Modernization and Reform Act of 2012 required the FAA to work with industry to develop consensus recommendations on ways to reduce the time and cost of certification without compromising safety. In response to this direction, the FAA formed the Aircraft Certification Process Review and Reform Advisory Rulemaking Committee (ARC), which developed six recommendations which resulted in 14 specific FAA initiatives. The FAA has successfully completed 10 of the 14 initiatives resulting from Section 312 ARC recommendations, many of which are directly related to FAA's efforts to expand the use of delegated authority and to implement a risk-based systems approach to the oversight of that delegation system. The FAA has made significant progress on the remaining four initiatives, and we are working to complete them as expeditiously as possible.

Mr. Diaz-Balart #14

Delegated Authority/Certification

Expanded use of delegated authority means that FAA safety personnel may see a shift in responsibility from directly certifying products to more of an oversight role.

Question: How is the FAA managing this shift in staff responsibilities from direct certification to oversight of delegated authority?

Answer: Organization Designation Authorizations (ODAs) are an integral component of the FAA certification process. The FAA has developed training courses and made them available to FAA personnel who oversee ODA activities. The first audit training session was held in December 2014.

The FAA conducts oversight of ODAs through an Organization Management Team (OMT). Participation varies depending on the functions the ODA holder is authorized to perform. Training for OMT Members consists of a curriculum that instructs personnel on the FAA's Designee management and ODA oversight approach. The curriculum also teaches specific techniques needed for oversight through courses on Compliance & Enforcement and Basic Compliance Auditing. These courses provide the tools necessary to conduct effective oversight by teaching how to identify violations and non-compliance and apply a systems approach to managing and supervising an ODA holder. Finally, OMT members must also attend FAA designee seminars on a recurrent basis every 3-4 years that are relevant to the disciplines within the OMT they oversee to ensure alignment of FAA personnel and ODA Holders.

The compliance auditing course is designed to provide FAA personnel the ability to plan, conduct, and closeout an effective audit. This course stresses that the OMT member must approach ODA activities as a system. Additionally, OMT members and leads must have completed the Designee Management Course (FAA23005) which integrates the vision of the delegation program with training designee advisors on the processes and procedures required to oversee individuals and organizations with delegated authority. Finally, we are revamping the designee advisor curriculum to increase the availability of training to managers of designee advisors to ensure the vision of the delegation program is standardized throughout the Aircraft Certification Service.

Mr. Diaz-Balart #15

Air Traffic Controller Contract

Administrator Huerta, the FAA contract with air traffic controllers expires in July 2016, prior to the end of the fiscal year.

Question: What assumptions were made in the FY 2016 operations budget to accommodate the expiring contract?

Answer: The FAA does not currently expect any controller contract changes that would impact FAA's requested requirements in FY 2016. The FAA's FY 2016 budget request already incorporates the controller workforce plan and there is no reason, at this point, to believe that the contract's pay provisions will change.

Mr. Diaz-Balart #16

Air Traffic Controller Contract

Question: What are the guiding principles the FAA will use in negotiating a new contract with air traffic controllers?

Answer: The overarching objective of negotiations is to reach agreement on a fair and affordable contract that will set the terms for the parties' relationship, work rules, and pay for the next several years. The agency must also consider the implications this contract may have on future negotiations with other bargaining units and unions. The FAA will pursue an agreement that aligns the workforce and unions with the agency's priorities.

Mr. Diaz-Balart #17

Weather Program

Weather causes 70 percent of flight delays and cancellations, and it appears that your NextGen weather program is in the early stages of development.

Question: What is the status of your NextGen weather programs.

Answer: The FAA Joint Resources Council (JRC) has approved the Final Investment Decision (FID) for the NextGen Weather Processor (NWP) program and the Common Support Services for Weather (CSS-Wx) program. The contracts for both programs were subsequently awarded on April 2, 2015. Raytheon was awarded the NWP contract, and Harris was awarded the CSS-Wx program contract. Both programs are currently in the solution development phase.

Question: How will these programs reduce some of the weather delays the flying public currently experiences?

Answer: The NextGen Weather Processor (NWP) program will produce advanced aviation weather data, including long-lead weather products (up to eight hours), Weather Avoidance areas, weather radar mosaics that better correlate and adjust to the controller's sector responsibilities, and more timely weather products with higher accuracy. NWP will perform weather translation providing weather constraint data in a format understandable to non-meteorologists and ingestible directly into automated NextGen Decision Support Tools (DSTs). The improved situational awareness from these products provides air traffic personnel the opportunity to manage air traffic more efficiently, resulting in reduced delays and the mitigation of convective weather effects.

CSS-Wx will provide direct benefits to operational users and increase efficiency by enabling the operational stakeholders to quickly retrieve and share weather decision support information. This major paradigm shift will promote proactive Air Traffic Management (ATM) decision-making to minimize the impacts associated with weather constraints.

Mr. Diaz-Balart #18

Weather Program

Question: Are there any issues with your partnerships with NOAA and NASA?

Answer: The FAA continues to enjoy strong relationships with our NOAA and NASA partner agencies. The NextGen Executive Weather Panel (NEWP) is one of our prime mechanisms for coordinating weather research activities between NOAA, DoD and the FAA, and has resulted in the transition of research to national operations. With our NASA partners, we formed Research Transition Teams, which have also resulted in the successful transition of several NASA-funded research activities into operationally-fielded products. These partnerships have been very beneficial, resulting in the delivery of key NextGen capabilities.

Mr. Diaz-Balart #19

Space-Based ADS-B

It is my understanding that air traffic controllers in Canada, the UK, Ireland, Denmark, Italy, Portugal, and Singapore are planning to begin using space-based ADS-B in 2018 to provide more efficient air navigation services over the ocean areas where there is no radar coverage today. The FAA, however, is not planning to be ready to use space-based ADS-B until 2020 at the earliest.

Question: What steps are you taking to ensure that the FAA meets the international timeline of 2018 for seamless oceanic air traffic control?

Answer: The FAA is continuing to evaluate Space-Based ADS-B as one of a set of alternatives to reduce separation in oceanic and remote airspace (global and domestic) and believes that one of these alternatives will be available before 2020.

The FAA has been a global leader in Space-Based ADS-B since it started working with Aireon under a Memorandum of Agreement (MOA) in October 2011. Since that time, there have been a series of modifications to support the development of an FAA investment decision. Under this agreement, the FAA has expended close to $9 million to engage with Aireon in the requirements development and design reviews of the new system, to identify various alternatives, and define a strategy moving forward.

An updated MOA between the FAA and Aireon was signed on October 3, 2014, which will continue through the end of FY 2018. This will enable the FAA to stay engaged with Aireon's development of the Space-Based ADS-B system and gain access to pre-operational data to test and evaluate system performance.

The FAA is continuing to refine the program objectives, business case, requirements, and safety analysis (all necessary to safely and effectively reduce separation services) to support any further investments. The FAA intends to incorporate Space-Based ADS-B data into its automation systems by 2018.

Mr. Diaz-Balart #20

OEI Procedures

I understand the FAA is considering a policy clarification to the OEI (One Engine Inoperative) rule.

Question: Can you explain where the FAA is in this process? If the FAA is moving toward towards the adoption of the policy change, can you give us an indication as to when we can expect this policy clarification to be published? Is the FAA taking into considering local economic development concerns and working with stakeholders as it pursues the policy clarification?

Answer: On April 28, 2014, the FAA published for public comment a proposal to amend its policy concerning the impacts of certain structures during aeronautical studies conducted under Title 14 of the Code of Federal Regulations Part 77. Specifically, the FAA proposed to consider the impact of one engine out procedures when studying new structures or modifications to existing structures at certain airports that have a defined departure area for each runway end supporting commercial service operations. The FAA is proposing to factor these impacts into the aeronautical study process because the encroachment of airspace by structures surrounding certain airports appears to be significantly limiting options available to airlines to establish OEI procedures.

The FAA conducted a public webinar on June 25, 2014 to explain the proposed policy change, and comments to the proposed change were received until July 28, 2014. The comments on the FAA proposal to voluntarily allow an airport to establish a single One Engine Inoperative protective surface off the departure end of their runways are still being reviewed and analyzed.

The FAA has received numerous comments noting local economic development concerns and how the stakeholders would be involved. The FAA has not made a decision on whether to move forward with the proposed policy change. This decision will occur after all the comments are reviewed and analyzed.

Mr. Diaz-Balart #21

Regulatory Consistency

The consistent application of regulations across FAA regions and offices is one of high priority to industry and I understand of your headquarters staff as well. A government/industry panel to develop recommendations to improve the consistency of FAA's regulatory interpretations put forward six recommendations in November 2012, and though the agency has developed related implementation initiatives, these have not yet been officially released. Three questions related to this work:

Question: When will the agency make those implementation initiatives public? What is the status of the panel's top recommendation, the implementation of a master source guidance system, an electronic guidance library to include a process to review and eliminate out-dated or conflicting material on both a current and on-going basis? Please provide the Committee with the FY2016 and out-year funding estimates and its implementation benchmarks for the recommendations.

Answer: In 2012, the FAA chartered the Consistency of Regulatory Interpretation (CRI) Aviation Rulemaking Committee (ARC) to determine the root causes of, and provide recommendations to reduce inconsistent interpretation and application of regulations.

The ARC submitted its report to the Associate Administrator for Aviation Safety on November 28, 2013. The report included six recommendations, two of which were closed with the concurrence of the ARC members. The two closed recommendations are:

- Improve Rulemaking Procedures to Achieve Greater Clarity in Final Rules Issued by the FAA.
- Establish a full-time Regulatory Operations Communications Center (ROCC) as a centralized support center to provide real-time guidance to FAA personnel and industry certificate/approval holders and applicants.

The ARC's primary recommendation was to "Develop a Single Master Source for Guidance Organized by 14 CFR Part." To support this recommendation, the FAA's Office of Information Technology is developing the Dynamic Regulatory System (DRS). DRS will allow easy access to the Flight Standards Service (AFS) and Aircraft Certification Service's (AIR) information for both internal and external stakeholders and simplifies searches of AFS and AIR documents.

The DRS proof of concept was approved in January 2015. The FAA is in the process of gathering and identifying stakeholder business requirements that the DRS will support. A DRS requirements document is expected to be completed by June 30, 2015. The cost of the project can be projected once business requirements are captured and the scope of the project defined.

AFS and AIR are also working to review, validate, and cancel outdated guidance documents. In December 2013, AFS issued the Cancellation of Non-Official Guidance Documents Memo. This memo stated that all guidance documents not housed in the Flight Standards Information Management System (FSIMS), the Regulatory Guidance Library (RGL), or on www.faa.gov would be cancelled or incorporated into these electronic repositories. AFS is working to compile a list of Advisory Circulars (ACs) and orders to cancel. AIR has an effort underway to validate that the RGL contains the correct version of AIR's guidance documents and to ensure that current guidance documents are marked appropriately and are easy to access via a publically-available search function.

The FAA is working with industry to ensure awareness of its activities. To engage the ARC members and keep them fully apprised of its progress in addressing their recommendations, the FAA posted the implementation plan online in January 2015. The FAA will update the plan every six months in addition to providing updates to the ARC members during quarterly teleconferences between the ARC members and the FAA.

The plan is available at:
http://www.faa.gov/regulations_policies/rulemaking/committees/documents/index.cfm/committee/browse/committeeID/239.

Mr. Diaz-Balart #22

Part 135 Activity Study

The last reauthorization (PL 112-95, Section 409) required the agency, within 18 months of enactment, to produce a study of Part 135 operations.

Question: Has that study been completed? If so, please provide a copy of that study for the record. If the study is not yet completed, please inform the committee as to when we can expect the study's completion?

Answer: The study has been completed and is included in a Report to Congress, which is currently being circulated for review and clearance within the administration. It will be delivered to Congress upon completion of the clearance process.

Mr. Diaz-Balart #23

FAA National Resource Program

Some concerns have been raised by the Part 135 on-demand air carrier community about the increasing difficulty in securing FAA inspectors to certify pilots. I understand these inspectors are funded through the National Resource Program.

Question: Please provide for the record the following: (1) A description of the program; (2) The proposed FY 2016 budget and FTE's assigned to this program; (3) A historic perspective and future funding trends for the program by providing the FTE's and budgets from FY2011 through FY 2020.

Answer: The FAA inspector personnel are assigned to 126 facilities across the continental U.S., Hawaii, Alaska, and Puerto Rico. The National Resource Program operates for the benefit of any facility or inspector that has a need for a resource to conduct pilot evaluating, testing, or checking (certification) activity for an air carrier. The Program can assist an inspector/office in locating a qualified resource when none is available within the requesting facility. The Program provides funding for the inspector to travel to the operator's location, as appropriate.

The Program currently has two permanently assigned FTEs. Both are stationed in Fort Worth, Texas and are responsible for locating a qualified inspector to conduct the check. The FY 2016 budget is $375,000 for inspectors and requisite travel to complete requested checks.

A historic perspective and an estimate of future costs for the program is provided below:

FY	FTEs	Funding
FY 2011	2	$277,000
FY 2012	2	$300,000
FY 2013	2	$297,000
FY 2014	2	$320,000
FY 2015	2	$375,000
FY 2016	2	$375,000
FY 2017*	2	$400,000
FY 2018*	2	$400,000
FY 2019*	2	$425,000
FY 2020*	2	$425,000

*Estimate of future costs.

Federal Aviation Administration
Fiscal Year 2016 Questions for the Record
Ranking Member David Price
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Price #1

Alternative Fuels Research:
Continuous Lower Energy, Emissions and Noise (CLEEN) and Unleaded Aviation Gas

The CLEEN program is a public-private partnership designed to develop and demonstrate promising new technologies and procedures, and advance sustainable alternative jet fuels.

Question: Please provide an assessment of the research that you have been able to advance through this public-private partnership, providing examples and descriptions of the areas that have made the most progress, as well as those that have made the least.

Answer: The alternative jet fuel research within the CLEEN Program has been successful in supporting the certification and qualification process for new fuel approvals, as demonstrated by the approval thus far of three alternative jet fuel types. However, this process is resource-intensive in terms of the amount of testing required and the fuel quantities needed to attain approval.

Examples and descriptions of the areas that have made the most progress:

- In September 2009, the first alternative jet fuel specification was approved by the international standard setting organization, ASTM International, with support from the FAA-sponsored Commercial Aviation Alternative Fuels Initiative (CAAFI). The new specification (ASTM International D7566) enabled the use of up to a 50% blend of alternative jet fuel made from gasified biomass, gas or coal mixed with Jet A. This specification has been amended twice as a result of testing conducted under CLEEN to support the certification and qualification process.

- In July 2011, the ASTM International D7566 specification for alternative jet fuels was amended to enable the use of up to a 50% blend of alternative jet fuel made from plant oils as well as waste fats, oil and greases. This fuel certification enabled the purchase agreement between AltAir Fuels and United Airlines wherein alternative jet fuels will be used in Los Angeles International Airport in 2015. Testing performed by Honeywell under CLEEN in March 2011 under cold temperature conditions typically experienced during flight directly supported the July 2011 ASTM International approval.

- In June 2014, the specification was amended to include a 10% blend of an alternative jet fuel made from sugars. This fuel approval was also successful in part due to rig and engine testing of the new fuel conducted under the CLEEN program by engine manufacturers Pratt & Whitney and Honeywell.

Work is currently ongoing to approve additional fuels. Under CLEEN:

- Boeing completed testing of alternative fuels to determine their impact on aircraft fuel system materials, aiding in the understanding and approval of these fuels.

- Rolls-Royce completed laboratory testing of new alternative jet fuels under development by nine fuel companies. Four of these alternative jet fuels were selected for auxiliary power unit and rig tests.

There are currently six alternative jet fuels under consideration by ASTM International that the CLEEN program is supporting via certification and qualification testing, with additional alternative jet fuel producers showing interest in adding their fuels to the certification and qualification process. Due to the resource intensive nature of the alternative jet fuel certification and qualification process, some of these fuels will not be certified for use in commercial aviation for several years. Via the CLEEN program, CAAFI, and the Aviation Sustainability Center of Excellence (ASCENT), we are working to identify areas to expedite the certification and qualification process.

Mr. Price #2

Alternative Fuels Research:
Continuous Lower Energy, Emissions and Noise (CLEEN) and Unleaded Aviation Gas

Question: What goals does the FAA have for its successor program, known as CLEEN 2?

Answer: The CLEEN II Program, like the CLEEN Program, is focused on continuing the success we have had in reducing aircraft noise and greenhouse gas emissions, improving air quality and energy use, and advancing alternative jet fuels.

The CLEEN II Program goals are to develop and demonstrate:

- Certifiable aircraft technology that reduces aircraft fuel burn by 40% relative to year 2000 best-in-class in-service aircraft, and/or supports the FAA goal to achieve a net reduction in climate impact from aviation;

- Certifiable aircraft technology that reduces landing and take-off cycle (LTO) nitrogen oxide emissions by 70% from the International Civil Aviation Organization (ICAO) standard adopted in 2011, and/or reduces absolute nitrogen oxide production over the aircraft's mission. This must be achieved while limiting or reducing other gaseous or particle emissions;

- Certifiable aircraft technology that reduces noise levels by 32 decibels cumulative, relative to the Stage 4 standard, and/or reduces the noise contour area in absolute terms; and

- The use of additional drop-in alternative jet fuels in aircraft and engine systems, including successful demonstration and quantification of benefits; advancement of fuel testing capability; and support for fuel evaluation.

Mr. Price #3

Alternative Fuels Research:
Continuous Lower Energy, Emissions and Noise (CLEEN) and Unleaded Aviation Gas

The budget requests $23.8 million for NextGen – Environmental Research – Aircraft Technologies, Fuels and Metrics.

Question: Please provide a detailed funding breakout on FAA's plans for this program in FY 2016. How much of this funding will be dedicated toward CLEEN 2?

Answer: The $23.8 million requested in FY 2016 for NextGen – Environmental Research – Aircraft Technologies, Fuels and Metrics includes $18.7 million for aircraft and engine technology maturation via the CLEEN II program and $5.2 million for the advancement of alternative jet fuels via the CLEEN II program, CAAFI, and ASCENT.

The $18.7 million requested for aircraft and engine technology will be used to:

- Accelerate maturation of aircraft technologies that reduce fuel burn, emissions and noise.
- Conduct demonstrations to enable commercial product development.
- Provide data to assess the benefits at the National Airspace System level.

The $5.2 million requested for alternative jet fuels will be used to:

- Continue laboratory, rig and engine testing to advance approval of additional promising alternative jet fuels via the CLEEN II program and the Aviation Sustainability Center (ASCENT) Center of Excellence.
- Conduct analyses to evaluate environmental and economic sustainability, and benefits of alternative jet fuels across the fuel supply chain via the ASCENT Center of Excellence.
- Coordinate effective information exchange and cooperation among public and private sector stakeholders, including the USDA-DOE-DOT supported Farm to Fly program, and the FAA-sponsored Commercial Aviation Alternative Fuels Initiative (CAAFI).

The total amount in FY 2016 dedicated to the CLEEN II program cannot be specified at this time. While the entire $18.7 million for aircraft and engine technologies is dedicated to CLEEN II, only a portion of the $5.2 million in alternative jet fuel research will be allocated to CLEEN II. This portion is not fixed in the budget but will instead be determined during program execution. Therefore, the total CLEEN II funding for FY 2016 will be $18.7 million plus the amount that will be allocated for alternate jet fuel research.

Mr. Price #4

Alternative Fuels Research:
Continuous Lower Energy, Emissions and Noise (CLEEN) and Unleaded Aviation Gas

FAA is also researching the development of unleaded aviation gas for general aviation aircraft, and efforts are moving from research towards fleet-wide evaluation, certification, and deployment.

Question: What is the expected timeline for when these fuels might be available and what hurdles remain with regard to certification and distribution?

Answer: The FAA expects to complete the R&D program by the end of 2018, with an authorization to use the tested fuels on the "transparent" fleet of aircraft issued soon afterwards. The general aviation industry, the user community, and the market will then determine the timeline for fuels availability. The outcome of the EPA endangerment finding on lead will also likely affect the ultimate timing of "availability at the pump." The Piston Aviation Fuels Initiative (PAFI) will continue to facilitate this phase of the transition, but at that point, industry and the user community will assume primary roles, with less involvement and influence on the part of the FAA.

The FAA has taken action to address the primary hurdle relative to certification through a request for new language in the next FAA reauthorization expanding the Administrator's authority to determine the eligibility for existing aircraft and engines to operate on the PAFI replacement unleaded fuels. In doing so, hurdles exist concerning the extent to which technical evaluation will be required to determine that eligibility, as well as the compatibility of the PAFI replacement unleaded fuels with the existing distribution infrastructure. In addition, the "non-transparent" fleet (those aircraft requiring modifications to operate on the replacement fuels) will need to be addressed before a complete transition can be accomplished.

Mr. Price #5

Alternative Fuels Research:
Continuous Lower Energy, Emissions and Noise (CLEEN) and Unleaded Aviation Gas

FAA has made good progress in moving forward on the Piston Aviation Fuels Initiative (PAFI), but I understand that additional testing from what was originally anticipated may be needed to ensure a safe transition to an unleaded fuel. This is due, in part, to the substantially differing chemical composition of the fuel candidates being considered to replace leaded aviation gas and the corresponding analysis of the impact of these changes on the performance and operations of the general aviation fleet.

Question: Will additional funding, above what the agency previously deemed necessary, be needed to conduct this additional engine and aircraft flight testing and related inspections and measurements?

Answer: The initial FAA testing of the candidate unleaded fuels has revealed that there are compositional and property differences relative to the current 100LL avgas used almost exclusively by the U.S. general aviation fleet. Determination of the impact of these changes must be assessed to authorize the existing engines and aircraft to operate on these fuels and to evaluate the compatibility of these fuels with the existing avgas distribution infrastructure. The FAA test program was designed to address all these factors, and detailed plans are currently being developed that specify the necessary resources to accomplish these tasks.

However, there currently exists a level of uncertainty regarding the extent of resources required for this effort due to the multi-faceted impact of the candidate fuel compositional and property differences. The PAFI program was envisioned to entail a strong contribution of "in-kind" support from industry to augment the government contributions. While the scope of this support was not originally defined, we are working with industry to identify what level of support can be expected.

The FAA has been encouraged by the responsiveness shown by industry to date. However, additional resources may be needed to address the uncertainties posed by these new fuel formulations.

Mr. Price #6

NextGen: Automatic Dependent Surveillance-broadcast (ADS-B) Equipage

One of the key lynchpins of FAA's NextGen program is the automatic dependent surveillance – broadcast program, known as ADS-B. To date, the FAA has deployed more than 630 radio ground stations. However, in order to realize the full benefits of ADS-B, we need aircraft to be equipped with the relevant avionics in order to send and receive the appropriate signal. Current FAA rules require aircraft equipage for outgoing signals by 2020, but deployment has been slow thus far. The DOT's IG report from last September estimated that only 3 percent of major carriers would be equipped by the end of FY14.

Question: What progress toward deployment has the industry made since the end of FY14 what is the estimated adoption rate for FY15 and FY16?

Answer: As of April 2015, approximately 10,948 aircraft were equipped with the ADS-B version 2 that is required by the FAA's ADS-B mandate. This is an increase of 4,204 from October 2014. If the equipage growth curve observed from February 2014 to January 2015 is maintained, then 20,078 aircraft should be equipped with the ADS-B version 2 by January 2016. However, the FAA expects additional increases in equipage, based on new avionics availability and decreases in unit costs.

Mr. Price #7

NextGen: Automatic Dependent Surveillance-broadcast (ADS-B) Equipage

Question: The cost of the avionics equipment was initially a major barrier for the general aviation community, but prices have dropped significantly, with some systems costing as little as $2000. Has cost delayed deployment? Now that costs to equip have decreased, should we expect equipage rates to rise dramatically?

Answer: There are a variety of factors that may influence when a given General Aviation (GA) owner decides to install the ADS-B avionics needed to meet the ADS-B mandate requirements. In addition to cost concerns, some other reasons why owners would delay equipage – may include the belief that avionics will follow the trends of consumer electronics (mobile devices, TVs, etc), where the passage of time leads to lower costs and/or improved performance.

The FAA does not have any data that indicates the degree to which cost concerns have delayed ADS-B equipage in the GA community. However, the FAA believes that equipage rates will increase over the next few years, at least in part due to decreases in equipage costs.

Mr. Price #8

NextGen: Automatic Dependent Surveillance-broadcast (ADS-B) Equipage

Question: In addition to cost, are there other major barriers to full deployment?

Answer: The FAA recognizes there are challenges with aircraft operators meeting the ADS-B Out mandate by 2020 and, consequently, convened an ADS-B Out Call to Action in October 2014. Participants agreed to work ADS-B issues together and so established a government-industry working group, called Equip 2020, to address these issues. Equip 2020 consists of operators, manufacturers, suppliers, various user and industry groups, and FAA personnel. The group has established the following sub-working groups to address the challenges in four key areas:

- Air Carrier Equipage Working Group, co-led by industry (Airlines for America (A4A), American, and FedEx) and FAA (Aviation Safety (AVS) – AFS). The working group is responsible for addressing challenges in the areas of:
    - Global Positioning System (GPS) receiver upgrade, cost, and availability
    - Cost to install in general aviation (GA) aircraft
    - Requirements for experimental aircraft
    - FAA capacity to handle the volume of approvals
    - Lack of education among the pilot community
    - Perceived lack of benefits to the equipped aircraft

- General Aviation Equipage Working Group, co-led by Industry (General Aviation Manufacturers Association (GAMA), and FAA (AVS – AFS).
    - Cost to install in general aviation (GA) aircraft
    - Requirements for experimental aircraft
    - FAA capacity to handle the volume of approvals

- Education and Benefits Working Group, co-led by industry (United and JetBlue) and FAA (AVS – AFS).
    - Lack of education among the pilot community
    - Perceived lack of benefits to the equipped aircraft
    - Privacy of aircraft owner and location information

- Installation and Approvals Working Group, co-led by industry (Aircraft Electronics Association) and FAA (AVS – AFS and AVS – AIR)
    - Requirements for experimental aircraft
    - FAA capacity to handle the volume of approvals

Equip 2020 has been meeting monthly since the ADS-B Out Call to Action and has already accomplished the following:

- To facilitate cost-effective equipage, the group has recommended a GPS receiver transition period. Using remaining radars between 2020 and 2025 to manage risk of GPS satellite failures, it provides time for air carriers to upgrade to 3rd generation GPS technology;
- Industry attention accelerated market forces—multiple vendors are now providing solutions below $2,000;
- Developed guidance for a technical amendment of the ADS-B mandate rule to support experimental aircraft;
- Implemented joint FAA/industry education campaign;
- Established FAA ADS-B Focus Group to ensure efficient approvals;
- Evaluation of alternatives underway to address privacy concern; and
- Sharing product availability information for all aircraft types.

Since the Call to Action event last October, equipage among the air transport segment, which includes regional jets, has more than tripled, from 234 aircraft to 733 aircraft equipped as of April 14. GA and air charter numbers have more than doubled, from 5,965 aircraft to 13,709 aircraft equipped as of April 14.

Additionally:

- US airlines are supporting the schedule for the mandate.
- GA costs are "moving in the right direction;" although there are still concerns about costs to older, low-value piston aircraft.
- Aircraft manufacturers have developed schedules for all ADS-B Out equipment to support their customers.

The GA community has a dedicated working group that will be coordinating and monitoring the equipage of ADS-B Out within the community, tackling issues relevant to availability of avionics equipment and its installation.

The FAA is continuing to address impediments to ADS-B Out implementation. Numerous opportunities for engagement continue to emerge as Equip 2020 efforts come to fruition.

Mr. Price #9

NextGen: Automatic Dependent Surveillance-broadcast (ADS-B) Equipage

Question: What incentives does the agency currently have at its disposal, and what incentives is the agency considering, to help aircraft get equipped before the deadline?

Answer: The FAA has entered into agreements with numerous air carriers, manufacturers and other industry partners to equip aircraft and facilities with ADS-B equipment. These agreements have allowed the agency to demonstrate and validate benefits to share program risks and costs.

For example, Embry Riddle Aeronautical University had an agreement with the FAA to equip its fleet of aircraft prior to the rulemaking. In turn, they would receive ADS-B services earlier then the baselined schedule. UPS also played an integral part in accelerating ADS-B implementation and equipage.

The FAA may develop other incentive options for aircraft owners and operators, including the airlines, to further encourage equipage.

Mr. Price #10

En Route Automation Modernization (ERAM)

The modernization of FAA's 20 en route centers should be completed by the end of this month. While there were a few bumps at the launch of this effort, FAA should be commended for the great progress it has made with ERAM.

Question: In light of last year's fire at the Chicago center, please explain how ERAM allowed controllers to transfer high altitude air traffic to other facilities. Would the Chicago center and FAA have been able to do this without ERAM?

Answer: The ERAM system doubles the number of flights a given high altitude en route center can track and triples the number of radars a center can use to see aircraft. ERAM can also process ADS-B position reports from all aircraft in its designated airspace. This combination of capabilities allows a single center to see into any adjacent centers' airspace if needed.

During last year's fire at the Chicago center, ERAM was able to transfer high altitude traffic to other facilities by allowing the adjacent en route centers to:

- Extend their area of interest (AOI), which allows the passing of more flight plans to adjacent centers that normally would not receive them.
- Allow more seamless adaptation to ingest surveillance radars not normally adapted in the adjacent centers.
- Allow the controller to "handoff" an airplane (along with its flight plan information) and transfer communications to a center that normally would not receive that flight.

While the FAA could have done this with ERAM or the legacy HOST system, the ERAM software allowed the changes to be much more seamless and required less time and effort. Under HOST, the system would have been shut down, a new software build would have been produced and tested at the FAA's Technical Center in Atlantic City, and that build would have to be deployed to the affected facilities. In ERAM, no system shutdown is required, and changes can be accomplished "on the fly" using another build resident in the system.

When other planned NextGen changes to radio communications are implemented that complement the ERAM system, the FAA will be able to further reduce the response time needed to address a large facility outage such as the one that occurred in Chicago in the fall of 2014.

Mr. Price #11

En Route Automation Modernization (ERAM)

Question: It is my understanding that FAA facilities in Alaska and Hawaii do not have ERAM capability, and some have concerns about the agency's ability to maintain a system that is aging and unable to evolve with new NextGen capabilities. Do you have specific plans for these facilities?

Answer: While these facilities do not have ERAM capability, they will be benefiting from other NextGen technologies such as Automatic Dependent Surveillance – Broadcast (ADS-B). For example, Anchorage Center is using ADS-B to separate aircraft at five nautical miles (5NM). As for Hawaii, the agency has deployed ADS-B ground stations throughout the state. These ground stations are providing enhanced situational awareness to properly equipped aircraft.

As stated above, these facilities are supporting NextGen enhancements through the use of other NextGen technologies. Furthermore, the FAA continues to explore future NextGen investments through various alternative analyses.

Mr. Price #12

Staffing: Inspectors/Certification

The FAA budget requests $21.1 million to hire 85 additional FTEs within the area of aviation safety. The vast majority of these positions (54) would be used for the safety oversight of commuter and on-demand operators, repair stations and manufacturers. Another 29 FTE would be dedicated to certification and UAS integration activities.

Question: Regarding the safety positions, which areas are most in need of attention?

Answer: The AVS staffing request for FY 2016 is aligned with the organization's highest safety priorities. The request for additional continued operational safety staffing (54 FTE) will enable AVS to expand oversight and surveillance of existing aircraft operators, repair stations and manufacturers. The second request is for additional certification and Unmanned Aircraft Systems (UAS) positions that will enable the organization to devote more engineering and inspector resources to safely integrate new and/or modified aviation products into the National Airspace System (NAS).

Mr. Price #13

Staffing: Inspectors/Certification

Section 312 of the FAA Modernization and Reform Act required FAA to work with industry to come up with recommendations to streamline and modernize the certification process, a necessary step to bring aviation products to market.

Question: What specific actions has the FAA taken to implement the recommendations of this joint effort? Are there specific goals for reducing average certification wait time?

Answer: Section 312 of the FAA Modernization and Reform Act of 2012 required the FAA to work with industry to develop consensus recommendations on ways to reduce the time and cost of certification without compromising safety. In response to this direction, the FAA formed the Aircraft Certification Process Review and Reform Advisory Rulemaking Committee (ARC), which developed six recommendations that resulted in 14 specific FAA initiatives. The FAA has successfully completed 10 of the 14 initiatives resulting from Section 312 ARC recommendations.

One of the initiatives called for the FAA to move from project sequencing to a project prioritization format. In September 2014, the FAA replaced project sequencing with the new "project prioritization" process. The new system prioritizes projects based on their safety benefits and complexity, and allows for a more efficient allocation of FAA's resources.

In contrast to sequencing, project prioritization offers applicants a commitment to a response time for the review of compliance data based on the priority of the certification project. Now, applicants will be able to initiate projects without delay. If they have an Organization Designation Authorization (ODA) or are using an FAA-approved individual delegated engineering representative, they can immediately move forward with much of the work required to certify the product.

The FAA has also developed a comprehensive roadmap for major change initiatives in the FAA's Aircraft Certification Service, deployed a system to monitor process improvements and effectiveness, created an action plan to evaluate the effectiveness of ODAs, completed audit training courses, expanded delegation to include instructions for continued airworthiness and emissions, improved the validation process, and completed a review of the continued operations safety and rulemaking processes.

Mr. Price #14

Staffing: Inspectors/Certification

FAA utilizes organizational designation authority (ODA) to help expedite the certification of products, and FAA's inspection staff has an important oversight role to play with regard to ODA activities.

Question: What training is FAA providing to inspectors to ensure that they adequately oversee these certification designees?

Answer: ODAs are an integral component of the FAA certification process. The FAA has completed training courses and made them available to FAA personnel who oversee ODA activities through an Organization Management Team (OMT). Participation in the training courses varies depending on the functions the ODA holder is authorized to perform. Training for OMT Members consists of a curriculum that instructs personnel on the FAA's designee management and ODA oversight approach.

The curriculum also teaches specific techniques needed for oversight through courses on Compliance & Enforcement and Basic Compliance Auditing. These courses provide the tools necessary to conduct effective oversight by teaching how to identify violations and non-compliance and apply a systems approach to managing and supervising an ODA holder. Finally, OMT members must also attend FAA designee seminars on a recurrent basis every 3-4 years that are relevant to the disciplines within the OMT they oversee to ensure alignment of FAA personnel and ODA Holders. The first audit training session was held in December 2014.

Mr. Price #15

Staffing: Air Traffic Controllers

With regard to air traffic controller staffing, last year the FAA modified its hiring process in an effort to attract a more diverse workforce. There has been some criticism of FAA's revised process, although it did seem to produce a more diverse pool of candidates.

Question: How are these new developmental controllers faring in their training?

Answer: The air traffic control developmental training program has a projected duration of 1.5 to 3 years, depending on the type and level of ATC facility. The first group of developmental controllers from the February 2014 (modified hiring process) job announcement entered the training program in October 2014, while the last groups of these new controllers are not scheduled to begin initial training until the fall of 2015.

As such, it will be some time before the FAA can fully assess any training impacts from the hiring modification. For those new developmental controllers assigned to FAA's least complex facilities, the agency expects to have data to analyze in mid-to-late 2016.

Mr. Price #16

Staffing: Air Traffic Controllers

Question: I understand that FAA will be putting out another call for controller candidates as early as this month. Please describe any changes FAA has made to the upcoming selection process and the rationale for doing so.

Answer: The FAA made several improvements to the way it selects, trains, and assigns air traffic controllers. These changes included:

- Evaluating all candidate sources against the same set of qualification standards;
- Revising the testing process;
- Eliminating Centralized Selection Panels;
- Expanding the vacancy announcement to include two tracks;
- Broadening the assignment preference for candidates; and
- Increasing the efficiency of the application process.

The goal of these changes is to recruit qualified candidates, enhance decision making, and increase objectivity in the assessment of candidates. These changes were coordinated through an agency-level executive steering committee that ensured compliance with federal employment guidance and FAA diversity goals.

Two vacancy announcements were made this year. The Track II vacancy announcement targeted applicants who have at least 52 weeks of certified air traffic control experience in either a civilian or military air traffic control facility. The General Track announcement targeted candidates with general work experience, who are further evaluated for their potential to become certified air traffic controllers.

Mr. Price #17

Staffing: Air Traffic Controllers

Question: FAA plans to issue a new contract for controller training. What is the expected timing of this new contract? What changes will you expect to make to FAA training protocols?

Answer: The new Controller Training Contract (CTC) was awarded on March 31, 2015 to Science Applications International Corporation (SAIC). The FAA will transition from ATCOTS to CTC in September 2015.

The new CTC is a five-year contract (a three-year base period plus two one-year options) and is structured as a combination of Firm Fixed Price and Time and Material (T&M). SAIC has presented a team of twelve subcontractors to assist them with the implementation of the new contract.

This contract is a staffing assistance contract and does not make any changes to FAA training protocols. However, it does allow for the option to implement vendor or FAA-proposed innovations and enhancements as directed to improve training and cost efficiencies.

Mr. Price #18

Staffing: Systems Specialists (Technicians)

The 2012 FAA authorization bill required the National Academy of Sciences to do a staffing model for technical operations staff and the NAS report was issued July 2013.

Question: What is the status of FAA's response and what steps are being taken to implement a new model?

Answer: The FAA followed the NAS report's recommendations in developing a staffing model based on the modeling framework and criteria developed in the report. The FAA Air Traffic Organization's Technical Operations Service Unit worked closely with the FAA Financial Services Office of Labor Analysis in partnership with the Professional Aviation Safety Specialists bargaining unit in its development. The staffing model is currently in its final phases of testing.

Federal Aviation Administration
Fiscal Year 2016 Questions for the Record
Congressman David Joyce
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Joyce #1

Airline Pilot Safety Rules

Several accidents, including the Colgan Airways accident near Buffalo, N.Y., in 2009, helped prompt the Federal Aviation Administration (FAA) to develop new pilot fatigue and first officer qualification and training rules. During the rulemaking process, the FAA invited industry, labor, and government to work together on the effort to enhance safety. The first officer minimum qualification requirement imposed by Congress in PL 111-216 is a safety-driven, consensus based training upgrade which requires all commercial airline pilots, including first officers, to possess an Air Transport Pilot (ATP) certificate. The law allows for credit to be given toward the 1500 hour requirement for certain training and flight experience (for example, military flying and accredited college aviation courses).

Question: The Federal Aviation Administration issued new qualifications and training requirements for airline pilots effective August 1, 2013. Do you believe that the FAA's new rules are justified to improve aviation safety?

Answer: The FAA believes the new rules improve safety. As noted in the Pilot Certification and Qualification Requirements for Air Carrier Operations Final Rule, the additional training provisions would improve safety, "justified by expected accident prevention benefits." In addition, these requirements ensure that a pilot has the proper qualifications, training, and experience before entering an air carrier environment as a pilot flightcrew member.

A summary of the new requirements include:

- All pilots operating under part 121 will be required to hold an Airline Transport Pilot (ATP) certificate in the airplane category with a multi-engine class rating;
- All pilots seeking an ATP certificate with a multi-engine class rating will be required to complete the ATP Certification Training Program that includes academic training and training in a flight simulation training device;
- All first officers in part 121 operations must have an aircraft type rating for the aircraft to be flown;
- A minimum of 50 hours in class of airplane is an aeronautical experience requirement for the ATP certificate;
- The rule established a restricted privileges ATP certificate enabling pilots who meet the established criteria to operate as a first officer in part 121 operations; and
- A minimum of 1,000 hours in air carrier operations is required prior to serving as a captain in part 121 operations.

Mr. Joyce #2

Airline Pilot Safety Rules

Question: Congress passed legislation to improve pilot training and qualifications in 2010. The FAA issued an advance notice of rulemaking on this subject in February 2010, a notice of proposed rulemaking in 2012, and the final rule was issued in July 2013. Is it your belief that the regional airline industry had sufficient notice of pending changes to first officer qualifications and training well in advance of when they become effective?

Answer: The regional airline industry did have sufficient notice of the changes to first officer qualifications and training. The most significant change was the requirement for all pilots in part 121 operations to hold an Airline Transport Pilot (ATP) certificate. This statutory requirement was self-enacting and was going into effect absent any FAA rulemaking. The statute gave the industry three years from enactment to ensure its first officers hold an ATP certificate (captains were already required to hold an ATP certificate). Four months after enactment, in December 2010, the FAA published an Information for Operators directed at Directors of Operations, Chief Pilots, and pilot flight crew members highlighting the statutory requirement.

In addition, the FAA worked with industry groups to ensure understanding of the requirement. Those industry groups then encouraged member airlines to begin preparing for the August 2013 deadline. Generally, all pilots employed by an airline who met the eligibility requirements for an ATP certificate were qualified by the August 2013 deadline. Those pilots that did not meet the minimum age and/or minimum time eligibility requirements for the ATP certificate were removed from flying status.

The FAA had latitude in establishing effective dates for the other qualification and training requirements in the final rule and allowed for additional compliance time where needed.

Mr. Joyce #3

Airline Pilot Safety Rules

Question: Last year, Federal Aviation Administration chartered a new aviation rulemaking committee on airline pilot training. One tasking of the new Aviation Rulemaking Committee is to explore the potential for creating an alternative path to the Restricted Air Transport Pilot certificate. Do you believe that this effort could potentially help satisfy the concerns that have been raised and make obtaining the Restricted Air Transport Pilot certificate less time consuming while also maintaining or improving safety?

Answer: With the publication of the Pilot Certification and Qualification Requirements for Air Carrier Operations Final Rule, the FAA established a restricted privileges Airline Transport Pilot (ATP) certificate enabling pilots who meet the established criteria to operate as a first officer in part 121 operations. Based on the discretion afforded to the Administrator in Public Law 111-216, section 217, the FAA established two alternative flight hour requirements for an ATP certificate based on academic experience. This allows pilots who meet the established criteria (military trained and graduates of Bachelor or Associate degree programs with an aviation major from FAA-authorized institutions of higher education) to fly as first officers with less than 1,500 hours of total flight time.

The FAA chartered the Air Carrier Training Aviation Rulemaking Committee (ARC) in January 2014. At the request of industry, a workgroup under ARC was established in April 2014 to explore alternative paths to an ATP certificate with restricted privileges. If the workgroup determines there is a way to provide more focused academic and flight training to be an airline pilot earlier in a pilot's career, which can be done in less than 1,500 hours with no adverse effect on safety, it will provide its recommendations to FAA for further consideration.

Mr. Joyce #4

Airline Pilot Safety Rules

Question: Congress gave FAA the authority to reduce the number of flight hours required for the Restricted Air Transport Pilot certificate on the basis of additional education. Numerous stories in the media have stated that the minimum number of flight hours needed by pilots to fly for the airlines is 1,500. Is that accurate, and if not, under the new rules that became effective on August 1, 2013, what is the actual number of required flight hours needed to earn the Restricted Air Transport Pilot certificate?

Answer: As required by Public Law 111-216 and placed into FAA regulations by the Pilot Certification and Qualification Requirements for Air Carrier Operations Final Rule, all airline pilots must hold an Airline Transport Pilot (ATP) certificate. The total minimum time required to be eligible for that certificate is 1,500 hours. With the publication of the final rule, pilots with fewer than 1,500 hours may qualify for a restricted privileges ATP certificate if they are a military-trained pilot or a graduate of a Bachelor or Associate degree program with an aviation major from an FAA-authorized institution of higher education.

Minimum total time as a pilot for an unrestricted ATP certificate remains 1,500 hours. Minimum total time as a pilot for an ATP certificate with restricted privileges varies for the following categories:

- Military-trained pilot: 750 hours;
- Graduate of a Bachelor degree program with an aviation major and at least 60 semester credit hours of aviation coursework: 1,000 hours;
- Graduate of a Bachelor or Associate degree program with an aviation major and at least 30 semester credit hours of aviation coursework: 1,250 hours; and
- A pilot that meets all of the eligibility requirements for the unrestricted ATP certificate with the exception of age or total cross country flight time: 1,500 hours.

Federal Aviation Administration
Fiscal Year 2016 Questions for the Record
Congressman Mike Quigley
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Quigley #1

65 DNL

It's time for the FAA to revisit the 65 DNL level used to measure aircraft noise. The metric is outdated and does not accurately reflect the true level of discomfort experienced by my constituents.

I again pressed the head of OMB to expedite consideration of the FAA's DNL study, which will determine whether 65 is still the appropriate DNL level when measuring noise impacts.

But while I support lowering the DNL to a more appropriate level to allow for further mitigation for impacted communities, I question whether the average day and night level (DNL) should be the only metric the FAA considers when it comes to noise mitigation.

Question: My constituents don't perceive airplane noise in averages, Mr. Huerta, they're feeling the effects in real time. When it comes to noise mitigation, shouldn't the FAA also take into consideration things like the physiological impact of concentrated, extended noise and the impact of low frequency noise?

Answer: The primary FAA metric, the Day Night Average Sound Level (DNL), does not "average" noise. DNL is calculated with a formula that takes multiple aspects of noise into consideration, including loudness, duration of flight, and whether the sound occurs at night when it is more intrusive. To date, no metric has been identified that is better than DNL to determine noise impacts on communities.

It is critically important that any changes in the framework that FAA uses to evaluate and manage aviation noise across the National Airspace System be supported by a sound scientific and technical basis. To that end, the FAA is currently conducting research to reassess the appropriateness of the DNL 65 dB threshold for significant noise, the physiological impacts of aviation noise, potential effects that are specific to PBN procedures, along with other impacts of aviation noise.

Mr. Quigley # 2

Community Involvement

There is a lack of meaningful community education, outreach and weighing of impacts when major overhauls to airspace use, such as the OMP, or new procedures like Next Gen are implemented.

The FAA's failure to focus on areas most impacted by the OMP in their public hearings and the incompleteness of the information provided in those hearings is disappointing.

That's why last year, I sent the FAA a letter calling into question the environmental impact study and calling for new public hearings.

Question: Is the FAA investigating how to better engage the community when changes are planned?

Answer: The FAA is evaluating current community involvement practices, including reviewing lessons learned and best practices from prior performance-based navigation (PBN) implementation projects. This evaluation will inform a broader effort to develop an FAA PBN community involvement plan.

The FAA also has initiated an effort to revise the 1990 FAA Community Involvement Manual to provide a high-level document that serves as a guide for a broad range of FAA's public outreach/community involvement efforts (specifically including NextGen implementation) and to update community involvement requirements and practices to current requirements, expectations, best practices, and technologies.

Community involvement is already part of what the FAA does in fulfilling National Environmental Policy Act (NEPA) responsibilities, and FAA considers community impacts in accordance with its environmental procedures in FAA Order 1050.1, Environmental Impacts: Policies and Procedures.

This Order provides guidance on how we comply with the NEPA and other environmental statutes, regulations, and Executive Orders. It includes guidance on engaging the community throughout the NEPA process. The level of community involvement is commensurate with the level of estimated environmental impact and in accordance with the White House Council on Environmental Quality (CEQ) regulations and guidance.

Mr. Quigley #3

Community Involvement

Question: Shouldn't community impact play a greater role when designing flight tracks?

Answer: The FAA understands that there is a strong interest in how communities' impacts are considered when creating or moving flight tracks. There are two foundational documents that determine how the FAA considers community impacts:

- **FAA Order 1050.1, Environmental Impacts: Policies and Procedures**
  This document gives environmental policies and procedures that the FAA must follow when making changes to the National Airspace System in the air and on the ground. In particular, it describes the various levels of community involvement that are required for different kinds of projects.

- **The FAA's Community Involvement Policy Statement**
  Chapter 32, Appendix 10, of FAA Order 7400.2, Procedures for Handling Airspace Matters. This policy statement expresses the FAA's commitment to communicate with the public and involve the public in its decision-making processes.

The FAA understands that the public expects to be involved in a wide variety of FAA decisions, including the creation and movement of flight tracks. The agency regards community involvement as an essential element in the development of programs and decisions that affect the public.

The FAA is in the process of reviewing and updating the FAA Community Involvement Manual to better reflect current requirements, expectations, best practices and technologies. In addition, the FAA's Air Traffic Organization will be reviewing its community involvement techniques specifically for flight track projects and will identify areas for improvement.

Mr. Quigley #4

Noise as a Health Issue

Administrator Huerta, many view the impacts of excessive noise as a health issue.

Question: Are there current or planned FAA studies on the health and psychological impacts of noise?

Answer: The FAA is currently conducting research on both cardiovascular effects and sleep disturbance of aircraft noise and has plans to continue this research beyond the current work being conducted. Due to the identified uncertainties and limitations in the studies conducted so far, the results from the studies are too preliminary to be the basis for guidance or policy relating to aviation noise.

The FAA has a broadly scoped noise research program that includes research on physiological impacts of aviation noise, potential effects that are specific to performance-based navigation procedures, and other impacts of aviation noise.

Mr. Quigley #5

Silent Skies Act

In 2006, the FAA issued regulations requiring all new commercial aircraft designs to meet Stage 4 noise standards but was silent on whether airlines would need to phase out older, louder airplanes or retrofit them with quieter engines.

My bill, the Silent Skies Act, will require the FAA to issue new regulations to phase in the quieter engines at a rate of 25% of an airline's fleet every five years, so that all commercial airplanes meet these quieter standards by 2035 at the latest.

Question: Should the FAA consider revising its aircraft noise regulations to ensure that these quieter standards are implemented as soon as possible?

Answer: The FAA promulgates regulations to reduce aircraft noise on a timetable that considers the state of aircraft noise technology and cost-effectiveness. The FAA also works in conjunction with the International Civil Aviation Organization (ICAO) to set new noise standards. Once a standard is set, the FAA promulgates the standard in U.S. certification regulations under 14 CFR part 36. The FAA is currently promulgating the latest noise standard, Stage 5.

The FAA does not require the phase-out of aircraft meeting previous noise standards when a new standard is implemented. Older, noisier aircraft have been phased out over time. The FAA will continue to review the aircraft fleet and weigh the cost benefits of the timing of additional phase-outs.

The FAA has previously phased out Stage 1 and Stage 2 jet and turboprop aircraft that have maximum take-off weight greater than 75,000 pounds, and has issued a regulation that requires all jet and turboprop aircraft to meet the Stage 3 noise standard, regardless of take-off weight, by December 31, 2015.

The last completed phase-out was between 1990 and 2000 for Stage 2 aircraft with a maximum take-off weight over 75,000 pounds. This occurred 13 years after the Stage 3 standard was put in place.
As aircraft are retired from the fleet, market forces tend to favor airlines replacing older aircraft with aircraft that meet the latest noise standards. For example, as of 2010, the civil jet and turboprop fleet of aircraft with a maximum take-off weight over 75,000 pounds consisted of 22% Stage 3 aircraft and 78% Stage 4 aircraft.

Some of the newer Stage 4 aircraft should have the necessary noise margin to be recertified as Stage 5 once the Stage 5 standard is put in place.

Mr. Quigley #6

Aurora Fire Update

Administrator Huerta, the fire at the Chicago Center in September 2014 caused air traffic problems throughout the country and raised a lot of red flags.

Question: What has been done to ensure that communication and navigation systems will transfer to their backups automatically without the need for personnel to actively make those switches?

Answer: All navigation equipment fielded with backup capability will automatically transfer to the backup equipment if the primary equipment fails. This has been the design of navigation equipment for over 40 years. Voice communication systems within facilities also have automatic switching. In the case of the Chicago Center fire, however, the entire facility was unavailable for use. The National Airspace System does not utilize automatic switching of voice communications between facilities, but rather transfers those services in accordance with established contingency plans in the event of catastrophic incidents.

After the fire at Chicago Center, Transportation Secretary Foxx and Administrator Huerta called for a review of contingency plans and facility and personnel security protocols. The review concluded that the FAA should revise its contingency strategy and policies to support recovery within hours, instead of days, by creating more flexibility with its air traffic technology. All facility contingency plans have been updated following the Chicago Center event.

The FAA will be making changes in stages, depending on available resources. The stages include the capability to make radar, voice radios, flight planning data, and weather and aeronautical information more rapidly available to support operations in a new configuration; reducing or eliminating the need for manual coordination of operations between facilities; and enhancing NextGen capabilities to restore service availability even more quickly if a facility has a catastrophic loss.

Question: Have these changes been made nationwide, or just at Chicago Center?

Answer: The changes referenced above are FAA-wide and are currently underway.

Mr. Quigley #7

FAA Reauthorization

The programs of the FAA expire at the end of this fiscal year, yet your budget proposal does not include much in terms of legislative reforms.

Question: Does the Administration plan to send congress an aviation authorization proposal? If not, why not?

Answer: In preparing for reauthorization, the Administration has identified a set of core principles that will guide the FAA through the process. The core reauthorization principles should support FAA's efforts to improve safety, modernize the air traffic control system and airspace, secure appropriate funding for our airports, make the national airspace system more efficient, better align our resources to our users' needs, and improve service for air travelers and other stakeholders.

The FAA reauthorization provides an opportunity to integrate new users and enhance America's leadership in aviation. The upcoming reauthorization is also an opportunity to provide the FAA with the tools necessary to meet the future needs of our industry stakeholders and the traveling public, including stable long term funding to provide the certainty necessary to plan and implement long-term projects.

The FAA is open to dialogue and looks forward to working with Congress and industry on their ideas for FAA Reauthorization.

Mr. Quigley #8

FAA Reauthorization

Question: Your budget notes that the FAA is identifying a "set of core principles." Can you give us any preview of what those might include?

Answer: In preparing for reauthorization, the Administration has identified a set of core principles that should be advanced to improve safety, make the national airspace system more efficient, and improve service for air travelers and other stakeholders. These include the following:

- Maintain the safest aviation system in the world;
- Modernize the FAA's air traffic control system;
- Secure appropriate funding for the nation's airports;
- Enable the integration of new users into the National Airspace System (NAS);
- Foster an FAA culture of innovation and efficiency;
- Allow the FAA to better align its resources with the needs of the NAS;
- Strengthen the DOT's Global Leadership in Aviation;
- Ensure there is a strong consumer protection regime for the flying public; and
- Foster competition, new entry and connectivity to the National Air Transportation System.

Federal Aviation Administration
Fiscal Year 2016 Questions for the Record
Congressman John Culberson
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Culberson #1

GAO Recommendations

On March 2, GAO released a report outlining what the FAA needs to do to address cybersecurity weaknesses in its air traffic control system. The report is available online at http://www.gao.gov/products/GAO-15-221.

Secretary Huerta mentioned the report in his prepared testimony, saying:

> *"We are actively addressing GAO's cybersecurity recommendations and have already remediated a number of technical findings. The FAA's Cybersecurity Steering Committee is providing oversight to ensure we utilize a risk-based approach in addressing these recommendations. The FAA is also working proactively with our government partners (including Department of Homeland Security, National Security Agency, and U.S. Army Cyber Command) to identify other needed enhancements to the cybersecurity posture of the airspace system."*

Question: Administrator Huerta, I was pleased to hear you mention that you are working to address GAO's recommendations regarding cybersecurity. In their report, GAO made 17 recommendations for how you can improve information security and recommended 168 specific actions to address existing cybersecurity weaknesses. Would you please expand on how and when you plan on implementing GAO's recommendations? I'd appreciate any details you could share on the timetable by which you expect to have all of GAO's recommendations put into place. Thank you.

Answer: The FAA recognizes that cyber-based threats to federal information systems are becoming a more significant risk and are rapidly evolving and increasingly difficult to detect and defend against. The continued resiliency of the National Airspace System (NAS) is contingent upon mission-focused, multi-year strategic planning, effective organizational cyber security risk management, and the ability to identify and respond to threats to ensure continued NAS operations under a range of cyber conditions.

The 17 GAO recommendations focused on the NAS Cyber Operations (NCO) processes, strategic planning, policy updates, incident response, and contingency planning. Of these recommendations, 14 will be remediated by December 2015 and two by June 2016. One recommendation will be resolved in phases, all of which are planned for completion 2018.

The 168 actions generated on the five audited systems were grouped into six specific areas of Boundary Protection, Cryptography, Authentication, Audit & Monitoring, Authorization, and Configuration Management. These findings are actively being remediated and the majority of these remediations include multiple milestones to reach closure. The FAA anticipates closing these actions during the 4-year follow-up period.

In June 2014, the Department of Transportation Inspector General issued a report outlining the FAA's inability to effectively deploy a significant component of NextGen nationwide (see https://www.oig.dot.gov/library-item/31974).

In September 2014, GAO issued a report regarding challenges about transitioning to the Next Generation Air Traffic Control System (NextGen). (see http://gao.gov/products/GAO-14-770).

Mr. Culberson #2

Air Traffic Organization

Question: Administrator Huerta, given the controller furloughs and proposed contract tower closures prompted by the sequester in 2013, along with multiple reports by the DOT Inspector General and GAO on the significant problems with the FAA's NextGen implementation efforts, do you believe the time is ripe for Congress to consider restructuring the FAA's Air Traffic Organization – perhaps along the lines of NavCanada or the commercialized air traffic control service providers of most European countries – in which the government (FAA) focuses on the safety aspects of aviation and a new entity (such as a not-for-profit corporation like NavCanada) runs the air traffic operation and is in charge of implementing the NextGen modernization program?

Answer: In preparing for reauthorization, the Administration has identified a set of core principles that will guide us through the process. Any reauthorization proposal should support FAA's efforts to improve safety, modernize the air traffic control system and airspace, secure appropriate funding for our airports, make the national airspace system more efficient, better align our resources to our users' needs, and improve service for air travelers and other stakeholders. Furthermore, the proposal should also support the FAA's goals of integrating new users and enhancing America's leadership in aviation.

The FAA understands that alternative models for FAA governance may be considered in the reauthorization process. But before changing anything, any movement away from the present model needs to ensure more direct accountability to users of the National Airspace System (NAS) and be mindful of the linkage and integration of safety, NextGen, airport infrastructure, and other functions.

The FAA is open to dialogue and looks forward to working with Congress and industry on their ideas for FAA Reauthorization.

Federal Aviation Administration
Fiscal Year 2016 Questions for the Record
Congressman David Valadao
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Valadao #1

Air Medical Services - Helicopter Air Ambulance Rule

Air medical transport is vitally important to rural areas such as my district. Air medical transport services have key differences that separate them from regular everyday air travel. The effective regulation of these services requires unique and common sense approaches. I have heard concerns from air medical services in my district about the FAA's ability to effectively manage the recently released final rule on Helicopter Air Ambulance regulations.

Question: Are you confident the FAA has the resources needed to educate field personnel on the proper implementation of these new rules?

Answer: The FAA has invested considerable time and resources in coordinating, educating, and preparing for the implementation of the Helicopter Air Ambulance, Commercial Helicopter, and Part 91 Helicopter Operations Final Rule. This rule was issued February 21, 2014 and was effective April 22, 2015.

The FAA published guidance in the form of Advisory Circular 135-14B, Helicopter Air Ambulance Operations, on March 20, 2015 and has provided extensive inspector guidance both in writing and through inspector briefings conducted via telephone and video conferencing. These inspector briefings began on March 26, 2015 and will continue on a bi-weekly basis until it is determined the training needs of field inspectors have been met. The FAA has established and publicized an Operations Focus Team to supplement inspector education and answer questions from FAA field personnel to ensure a smooth implementation of the new regulations.

Mr. Valadao #2

Air Medical Services - Helicopter Air Ambulance Rule

Question: Does the FAA have the ability to approve the necessary equipment improvements within the timeline the new rule establishes? How can both of these processes be managed more efficiently? For example, I understand the guidance pertaining to this rule, was released a year ago, and the final guidelines are still not available to the public, despite that the rule takes effect in less than 40 days.

Answer: The FAA does have the ability to approve the necessary equipment improvements within the timeline the new rule establishes. Although the effective date of the new rule is April 22, 2015, most equipage issues are not scheduled for mandatory implementation until April 24, 2017 and beyond. The FAA is working with designated focal teams to increase training for direct field approvals as well as working with manufacturers and maintenance repair stations to develop and implement best practices. This is a challenge due to the unique characteristics of each helicopter airframe.

The FAA published Advisory Circular 135-14B providing guidance for operators on March 20, 2015 and notified stakeholders, including the Air Medical Operator's Association, of its availability that day. Processes are being managed more efficiently by integrating the focal teams, aviation safety inspector workforce, and repair stations to provide inputs, oversight and guidance on all issues addressed in the rulemaking and mandates within the FAA Modernization and Reform Act of 2012 – Section 306(e). In addition, the FAA has taken every opportunity to provide consistent and continuous updates while responding to industry and stakeholders on the rule.

Mr. Valadao #3

Air Medical Services - Helicopter Air Ambulance Rule

Question: Does the FAA have a plan to manage this implementation in such a short time with limited resources?

Answer: The FAA continues to work with manufacturers, stakeholders and operators to ensure a safe and orderly implementation of the new regulations. The vast majority of the requirements were already being observed by operators. New requirements have been the focus of more than five well-attended outreach meetings, presentations, and discussions conducted with industry since November 2014.

Mr. Valadao #4

Air Medical Services - Helicopter Air Ambulance Rule

The FAA has committed to a very ambitious effort to publish and distribute an array of necessary guidance and other documents to safely and effectively implement the final Helicopter Air Ambulance Rule.

Question: Given that the effective date is April 22, just one month away, are you prepared to extend this deadline if the FAA is unable to provide the guidance and regulatory approvals necessary to implement the rule in a safe, orderly, and efficient manner?

Answer: After publication of the new rules on February 21, 2014, the FAA recognized the difficulty of implementing them within 60 days. The FAA therefore revised the effective date from April 2014 to April 22, 2015 to provide operators an additional year to implement procedural changes. Most of the affected operators have already adopted systems and procedures to meet the requirements of 14 CFR 135 Subpart L regulations. Any further extensions to the implementation deadlines are therefore not being considered.

It is important to note that many provisions of the rule have implementation dates beyond 2015. Equipage, such as Radar Altimeters (which are already installed and required in all Helicopter Air Ambulance helicopters engaging in Night Vision Goggle operations) and Helicopter Terrain Awareness and Warning Systems (HTAWS), is not required until April 24, 2017. Flight Data Monitoring Systems (FDMS) are not required until April 23, 2018.

The FAA has provided oversight guidance for all regulatory requirements to its inspector workforce. The FAA published Advisory Circular 135-14B, which provides guidance for all stakeholders, and promoted awareness of this resource by notifying the appropriate industry groups. In addition, Advisory Circular 120-96A, which pertains to Operations Control Centers, is scheduled to be released for public comment in May 2015. The expected publication date for Advisory Circular 120-96A is September 2015, seven months prior to the Operations Control Center implementation deadline.

THURSDAY, MARCH 19, 2015.

SURFACE TRANSPORTATION PROGRAMS

WITNESSES

GREGORY G. NADEAU, ACTING ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION

THERESE W. McMILLAN, ACTING ADMINISTRATOR, FEDERAL TRANSIT ADMINISTRATION

MARK R. ROSEKIND, ADMINISTRATOR, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

PAUL N. JAENICHEN, SR., ADMINISTRATOR, MARITIME ADMINISTRATION

Mr. DIAZ-BALART. Good morning. Let us call the subcommittee to order. This morning we will hear testimony, if I can breathe and catch my breath, on the Fiscal Year 2016 budget request and, obviously, other oversight matters from our administrators.

Again, the ranking member, Mr. Price, and I would like to welcome you and thank you for being here with us this morning. I hope I do not butcher any names here, and I apologize. With a name like Diaz-Balart I should know I should be able to pronounce names.

Again, Administrator Mark Rosekind, Ph.D. from the National Highway Traffic Safety Administration. Thank you for being here. Where are you? There you go, thank you. Acting Administrator Greg Nadeau?

Mr. NADEAU. Nadeau.

Mr. DIAZ-BALART. Nadeau. All right, thank you. From the Federal Highway Administration. Thank you, as well, sir. Acting Administrator Therese McMillan from the Federal Transit Administration. Did I get that right?

Ms. MCMILLAN. Yes, you did. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Or are you just being kind?

Ms. MCMILLAN. No, you got it right.

Mr. DIAZ-BALART. And Administrator Paul Jaenichen?

Mr. JAENICHEN. That is correct.

Mr. DIAZ-BALART. Really? Okay, thank you. Thank you.

From the Maritime Administration. Again, your names are real easy compared to mine, so I should be okay with that.

We have received your written testimony, and it will be entered into the record. Obviously, because we have a significant amount of ground to cover today and very limited time, and as I was telling the ranking member, I may have to step in and out as well. We are going to dispense with opening statements and move straight to questions.

[The information follows:]

WRITTEN STATEMENT OF
GREGORY G. NADEAU
DEPUTY ADMINISTRATOR
FEDERAL HIGHWAY ADMINISTRATION,
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
U.S. HOUSE OF REPRESENTATIVES

March 19, 2015

Chairman Diaz-Balart, Ranking Member Price, Members of the Subcommittee, thank you for the invitation to appear before you today to discuss the President's Fiscal Year (FY) 2016 Budget request for the Federal Highway Administration (FHWA) and the importance of our programs to safety and the economy.

President Obama's Budget for FY 2016 lays out his vision for a six-year surface transportation authorization to spur further economic growth and give States the certainty needed to make sound, long-term investments that will create jobs. The President's proposal reflects the Administration's commitment to achieving greater investment in our surface transportation system. The Generating Renewal, Opportunity, and Work with Accelerated Mobility, Efficiency, and Rebuilding of Infrastructure and Communities throughout America Act, or GROW AMERICA, provides a comprehensive plan to repair and modernize the currently outdated highway infrastructure on which our Nation depends to move people and freight safely and efficiently.

FHWA requests $51.3 billion for FY 2016 to maintain and improve the safety, condition, and performance of our Nation's highway system, and enable FHWA to provide effective stewardship and oversight of highway programs and funding. This request is the vital investment in our Nation's infrastructure needed to keep pace with our growing population while expanding the economy and creating jobs.

The costs of inadequate infrastructure investment are evident to all of us. Americans spend an estimated 5.5 billion hours in traffic each year, costing families more than $120 billion in extra fuel and lost time. American businesses pay an estimated $27 billion a year in extra freight transportation costs, increasing shipping delays and raising prices on everyday products. Additionally, 65 percent of our Nation's roads and 25 percent of bridges require significant repair or cannot handle current traffic demands.

Underinvestment also impacts safety. There were over 32,000 highway traffic fatalities in 2013. Such fatalities occur disproportionately in rural America, in part because of inadequate road conditions. For a Nation that is expected to have 70 million more citizens by 2050 and a significant increase in the volume of freight traveling on our highways, railroads, and aviation systems, the current investments we put into our transportation system are inadequate to address these urgent needs.

Worse still, the inability to pass a long-term surface transportation bill creates uncertainty for State and local project sponsors and inhibits their ability to plan effectively. Increasingly, we are seeing State and local officials abandon planning for the more ambitious and expensive projects that will move our national and regional economies forward. Instead, these officials are targeting available dollars on smaller preventative maintenance and repaving projects that do not address the longer term needs for additional investment in transportation infrastructure capacity and quality. State and local officials are rightly concerned about whether Congress will allow spending authority from the Highway Trust Fund to expire just months from now—precisely when the construction season should be heading into full swing. Recently, the Commissioner of Tennessee's DOT announced he was delaying $400 million in highway projects because of funding uncertainty. Similarly, the Director of the Arkansas State Highway and Transportation Department delayed $100 million in highway construction projects because of uncertainty over the Highway Trust Fund, and the Delaware State transportation commissioner delayed $600 million in transportation construction projects until greater certainty can be provided. We may not see it directly, but failure to act on a long-term bill is actually making investments in critical infrastructure more expensive—and more difficult—for all of our State DOTs.

Achieving adequate and consistent funding is only part of the solution. We must modernize how we deliver projects and maximize investments through technology and process innovations. We have made tremendous strides in that direction over the past five-and-a-half years through FHWA's Every Day Counts (EDC) innovation initiative—a partnership with State DOTs and local transportation agencies. EDC is having a measureable effect on improving safety, shortening project delivery and encouraging the use of new technologies. The result is States and local agencies saving time and money that can be directed to additional projects. Several of the process innovations, like Programmatic Agreements, were written into the Moving Ahead for Progress in the 21st Century Act, or MAP-21. Technology innovations like Safety Edge and High Friction Surface Treatments are improving safety, and Accelerated Bridge Construction (ABC) is allowing bridges to be replaced in days, not months or years. Alternative project delivery methods such as design-build, Construction Manager/General Contractor (CM/GC), and the use of alternative technical concepts allow a project owner to evaluate new innovations, receive constructability advice, and consider approaches to reduce time, cost, and overall risk in the construction of projects.

The New York State DOT replaced two bridges on I-84 during a 20-hour time period over a weekend using an ABC method. Under conventional construction methods, the project would have taken two years to build and would have required the construction of a temporary roadway and bridge to channel traffic during construction. The innovative technology resulted in estimated savings of $900,000 in construction costs and $1.37 million in user delay costs. Together, the savings represent 22 percent of the $10.2 million construction cost of the project.

Using the CM/GC method, Multnomah County, Oregon was able to take advantage of contractor innovations for the replacement of the 88-year-old Sellwood Bridge over the Willamette River that saved $10 million and reduced the schedule by 12 months.

The Florida DOT used automated machine guidance with 3D models on State Route 417 on the Orlando–Orange County Expressway project, reducing the amount of asphalt used from an anticipated 8,200 tons to 2,500 tons and saving an estimated $350,000.

These are just a few examples of how States are using EDC tools to save time and money. Across the Nation, we see a real desire to look beyond "business as usual." This does not necessarily mean inventing the "next big thing"; instead, it often means taking tools that already work and giving them a boost so more States learn about them and use them. Last fall, we held a series of regional summits to introduce our third round of EDC innovations. States are currently working with our Division Offices to decide which of those innovations best suit their needs.

FY 2016 BUDGET REQUEST FOR FHWA

The President's Budget request of $51.3 billion for FHWA in FY 2016, which is part of the proposed $317 billion over the six-year period of GROW AMERICA, would provide a sizeable boost in highway investment to address the critical needs we have across the highway network. This investment would help close what Secretary Foxx has called an "infrastructure deficit" in this country—too many miles of road in need of repair, and too many bridges old enough for Medicare. It is the type of bold investment we need to make if we are going to meet the transportation challenges of the future.

The President's FY 2016 Budget includes continued funding for a number of FHWA programs and proposes several new initiatives we believe are essential to the Nation's transportation infrastructure network.

Of all of our priorities, there is none more important than safety, and the President's Budget requests $2.6 billion for the **Highway Safety Improvement Program** to continue to significantly reduce traffic fatalities and serious injuries on all public roads. This program continues a data-driven, strategic approach that focuses on improving safety performance. Each State will continue to develop and regularly update its Strategic Highway Safety Plan that lays out strategies to address key safety problems, including bicycle and pedestrian safety. The Budget would focus $100 million of this funding on data improvement to help ensure States have the most complete and reliable highway safety data to make decisions.

The **Critical Immediate Safety Investments Program** (CISIP), for which the President requests $7.5 billion, is part of the Administration's "Fix-it-First" initiative to focus on the reconstruction, restoration, rehabilitation, preservation, and safety improvement of existing highway assets. The program will dedicate needed resources to high-priority initiatives such as bridge repair and rehabilitation, safety on non-State roads, and bridge and pavement improvements on the National Highway System (NHS).

The Budget proposes to continue using the **Transportation Infrastructure Finance and Innovation Act program** (TIFIA) to leverage Federal dollars in a time of scarce budgetary resources, facilitating private participation in transportation projects and encouraging innovative financing mechanisms that help advance projects sooner than otherwise possible. The President's Budget requests $1.0 billion for TIFIA for loan subsidies and administrative costs to assist with financing nationally- or regionally-significant transportation projects.

For a new **Multimodal Freight Investment Program**, the President requests $1.0 billion as a dedicated source of funding to improve goods movement and advance export and economic development opportunities across our Nation Funding will advance critically needed multi-modal or multi-jurisdictional projects to improve goods movement, economic competitiveness, and sustainability.

The FY 2016 Budget includes $1.0 billion for a new competitive grant program, **Fixing and Accelerating Surface Transportation** (FAST), which will be jointly administered with the Federal Transit Administration; $500 million of this funding will come from the Highway Account of a renamed Transportation Trust Fund, and the other $500 million will come from the Mass Transit Account. The program will provide incentives to States, MPOs, Tribal governments and Federal agencies to improve strategic transportation investment decision-making, further incorporate performance management into project selection, and encourage other reforms to improve strategic transportation outcomes.

The President's Budget will ensure we continue to invest in our Nation's most traveled highways with a request of $22.3 billion for the **National Highway Performance Program**, which focuses significant Federal resources on improving the condition and performance of the NHS. This network is composed of 220,000 miles of rural and urban roads serving major population centers, international border crossings, intermodal transportation facilities, and major travel destinations. Through a performance-based approach, this program will continue to maintain or improve the condition and performance of the NHS, construct new facilities on the NHS, and ensure that investments of Federal-aid funds are directed to support progress toward the achievement of specified performance targets.

The **Surface Transportation Program** (STP) request of $10.3 billion provides States and localities flexible funding for projects to preserve and improve the condition and performance on any Federal-aid highway, bridge and safety projects on any public road, bicycle and pedestrian facilities, transit capital projects, and public bus terminals and facilities, including intercity bus terminals. The flexible nature of this program allows States and localities to focus funding on priority areas and areas of greatest need.

The President's Budget also will help improve the environment and provide the public with safe transportation choices through the **Congestion Mitigation and Air Quality Improvement Program** (CMAQ) and **Transportation Alternatives Program** (TAP). With $2.3 billion for CMAQ in FY 2016, States and local governments can continue to fund transportation projects that reduce mobile source emissions and highway congestion. The President's Budget requests $847 million for TAP to support the DOT Quality of Life strategic goal by providing policies and investments that increase transportation choices and access to transportation services.

The President's request of $320 million for the **Metropolitan Transportation Planning Program** will provide resources to help metropolitan areas identify and address their transportation needs.

The President requests $1.3 billion for the **Federal Lands and Tribal Transportation Programs**, including $150 million in funding to support construction or reconstruction of large, nationally-significant transportation infrastructure assets within or providing access to Federal or tribal lands.

For the **Research, Technology, and Education Program** (RT&E), the President requests $496 million to provide for a flexible, nationally-coordinated research and technology program that will address fundamental, long-term highway research needs, significant research gaps, emerging issues with national implications, and research related to policy and planning. Research and technology solutions will improve the durability of infrastructure, reduce construction costs, prevent deaths and injuries, and minimize the adverse environmental impacts of transportation projects.

The President's Budget also requests $502 million for important programs related to **Emergency Relief**; **Territorial and Puerto Rico Highways**; **Ferry Boats and Ferry Terminal Facilities**; **On-the-Job Training**; **Disadvantaged Business Enterprises**; **Highway Use Tax Evasion**; **Performance Management Data Support**; and **Ladders of Opportunity**.

The total Administrative Expenses request of $442 million includes funding for FHWA General Operating Expenses (GOE) and Appalachian Regional Commission (ARC) administrative expenses related to the Appalachian Development Highway System. These resources are essential for FHWA and ARC to effectively perform critical oversight functions and successfully implement the programs proposed in the Budget. Recent cuts to FHWA's GOE have reduced agency resources for providing oversight, implementing measures to shorten project delivery, and advancing innovation. To address the cuts, FHWA has instituted several rounds of significant and impactful cost saving measures. However, without sufficient GOE funding as requested, FHWA's ability to manage and oversee the Federal-aid highway program will be degraded even further, especially in the areas of technical assistance, technology deployment, and accelerated project delivery.

CONCLUSION

Thank you again for the invitation to appear before you today to discuss the President's Budget request for FHWA. I look forward to working with you and other members of Congress in the weeks and months ahead to enact a robust budget that makes much-needed investments in our Nation's infrastructure.

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Gregory G. Nadeau

Deputy Administrator

Federal Highway Administration

On July 8, 2009, Gregory G. Nadeau became the 19th Federal Highway Deputy Administrator.

Since 2003, Deputy Administrator Nadeau served as the Maine Department of Transportation's (MaineDOT) Deputy Commissioner for Policy, Planning and Communication under the administration of Governor John E. Baldacci. In this role, he was responsible for state and federal governmental affairs, statewide transportation system planning, communications, freight and business services, and passenger transportation. Among MaineDOT's accomplishments during his tenure were the development of an integrated approach to transportation system planning, the publication of "Connecting Maine", the department's statewide multi-modal long-range transportation plan, and the Northeast CanAM Connections Study, a regional economic analysis of east-west transportation access from Eastern Canada to New York State administered by MaineDOT. As Deputy Commissioner, he advocated and lead efforts to approach transportation planning on a systems basis utilizing the capacity of all modes, and minimizing impact on communities and the environment through regional and community based planning.

Mr. Nadeau served as MaineDOT's liaison to Maine's congressional delegation, and was involved in numerous statewide economic development initiatives throughout his state service. He also served on the Maine Turnpike Authority's Board of Directors from 2002 to 2009.

Mr. Nadeau served as Senior Policy Advisor to Governor Angus King from 1995 to 2002, responsible for a number of policy areas including: transportation, economic development, energy and utilities, environmental protection and labor, to name a few.

From 1978 to 1990, Mr. Nadeau represented Lewiston in the Maine House of Representatives. During his tenure, he served on numerous special and standing committees including: the Standing Committees on Transportation, Appropriations and Financial Affairs, as well as House Chair of Housing and Economic Development (now known as Business, Research and Economic Development).

STATEMENT OF
THERESE W. MCMILLAN
ACTING ADMINISTRATOR
FEDERAL TRANSIT ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
U.S. HOUSE OF REPRESENTATIVES

March 19, 2015

Mr. Chairman, Ranking Member, and Members of the Subcommittee:

Thank you for the invitation to appear before you today to discuss the President's Fiscal Year (FY) 2016 Budget request for the Federal Transit Administration (FTA).

The FY 2016 Budget request marks the first year of the President's six-year $478 billion surface transportation reauthorization plan, GROW AMERICA, of which $115 billion supports our nation's public transportation system. In 2014, we saw record transit ridership – 10.8 billion trips taken on public transit - the highest annual ridership number in 58 years.

The GROW AMERICA Act and this Budget request continue the focus on three key FTA priorities: improving transit safety – FTA's highest priority; addressing the $86 billion transit asset backlog; and building system capacity to meet growing ridership demand. To that end, the FY 2016 Budget requests $18.4 billion, an increase of $7.4 billion, or 67 percent, over the FY 2015 enacted level to strengthen transit safety oversight, bring our Nation's bus and rail transit infrastructure into a state of good repair, and provide new and expanded transit systems in many communities Below are the highlights of our investment priorities for FY 2016:

SAFETY

Public Transportation Safety

The FY 2016 budget includes $23 million to provide operational support for State Safety Oversight (SSO) programs (49 U.S.C. 5329). MAP-21 gave FTA authority to establish safety criteria for all modes of public transportation and establish minimum safety standards for public transportation vehicles used in revenue operations. Keeping rail public transportation safe requires a partnership between FTA and states with SSO obligations—one in which FTA will act as a leader, facilitator, and final regulatory authority and the SSOs will serve as effective day-to-day safety regulators capable of holding transit rail systems accountable for safe operations and ensuring they comply with minimum state and federal safety standards. The proposed SSO rule reflects the flexible, scalable principles of Safety Management Systems that focus on organization-wide safety policy, proactive hazard identification and risk informed decision-making as part of risk management, safety assurance, and safety promotion (safety training and communications). FTA published the SSO Program Notice of Proposed Rulemaking (NPRM) on February 28, 2015, laying out a framework for these operations, and comments are requested by April 28, 2015.

In order to assess the strengths and weaknesses of safety operations, FTA is aggressively using its new safety authorities to examine the Chicago Transit Authority's safety program, which will soon be concluded, and to conduct a Safety Management Inspection of the Washington Metropolitan Area Transit Authority, which began earlier this month.

FTA also recently published the Final Interim Safety Training Certification requirements, as required by MAP-21 and we are working on the remainder of the rulemakings for the National and Agency Level Safety plans, and Transit Asset Management. Together, this framework will ensure safety standards are in place at each transit system across the country to protect the riding public and transit agency employees. There will be several rulemaking actions on these issues in 2015.

Emergency Relief

The FY 2016 budget requests $25 million to capitalize the Emergency Relief Program (49 U.S.C. 5324), which provides capital and operating assistance to help transit agencies restore needed public transportation services immediately following disasters.

While Congress appropriated $10.9 billion for Hurricane Sandy emergency relief efforts, these funds are only available for areas affected by Sandy. Congress did not appropriate funds for this program in FY 2013, FY 2014, or FY 2015, leaving the agency with no funds to immediately address any new disasters.

Washington Metropolitan Area Transit Authority (WMATA)

The FY 2016 budget includes the yearly payout of $150 million, authorized by the 2008 PRIIA law, to help bring WMATA's system into a state of good repair and improve the safety and reliability of its transit service. The Secretary will continue to use his authority to approve grants under this program to ensure that funds first address WMATA's most critical safety needs.

STATE OF GOOD REPAIR (49 U.S.C. 5337 & 5339)

Returning transportation assets to a state of good repair is a strategic goal for the Department of Transportation (DOT) and a high priority for FTA. Well-maintained infrastructure investments have long-term economic benefits for the nation, but those benefits are not fully realized because of years of underinvestment and neglect. This is evident in the DOT's 2013 Conditions and Performance Report to Congress, which found an $86.6 billion maintenance backlog of bus and rail assets that are in marginal or poor condition. The backlog continues to grow at an estimated rate of $2.5 billion per year with current investment levels.

For FY 2016, the budget request totals $7.6 billion to support FTA's State of Good Repair efforts, and includes $5.7 billion for State of Good Repair Grants (49 U.S.C. 5337) and $1.9 billion for Bus and Bus Facilities Grants (49 U.S.C. 5339). These programs focus on restoring and replacing aging transportation infrastructure primarily through formula-based capital investments for fixed guideway systems, buses on high-occupancy vehicle lanes, and other bus systems. The GROW AMERICA proposal includes a discretionary element to the Bus and Bus Facilities grant program (70 % formula, 30 % discretionary) which will help address bus system capital investments, such as bus fleet replacements, and intermodal and maintenance facilities.

To ensure that investments are made wisely and improve asset conditions, transit agencies must develop a Transit Asset Management plan that tracks projects funded with State of Good Repair Grants. These plans will aid in the management and reporting of the condition of capital assets, as well as enable FTA and grantees to make evidence-based investment decisions. Strategic and targeted investments focused on replacing and rehabilitating aging transit infrastructure are needed to help bring our Nation's bus and rail systems into a state of good repair. Having newer and more reliable track, signal systems, vehicles and stations will help ensure the safe and dependable transit service demanded by the American public.

ENVIRONMENTAL SUSTAINABILITY

From a transportation emissions and fuel consumption standpoint, transit sets the standard among transportation modes for environmental sustainability. For this reason, FTA strives to find ways to encourage the public to take transit as well as to make transit systems themselves more energy efficient. For FY 2016, FTA proposes $26 million in funding for Transit Research programs. These programs support research activities that improve the safety, reliability, efficiency, and sustainability of public transportation systems through investments in the development, testing, and deployment of innovative technologies, materials, and processes.

ECONOMIC COMPETITIVENESS

Urban and Rural Area Formula Grants (49 U.S.C. 5307 & 5311)

Transit systems across the country play a vital role in connecting tens of millions of Americans each day to jobs, employment training, medical appointments, family, and schools and colleges. The FY 2016 budget includes nearly $4.5 billion for FTA's Urbanized Area Formula Grants Program and $622 million for its Rural Area Formula Grants Program to provide on-going support for these riders and transit services nationwide. These programs provide both capital and, in some instances, operating assistance through predictable and dedicated formulas written by Congress that support transit agencies in urban and rural communities.

Capital Investment Grants (49 U.S.C. 5309 - New Starts/Small Starts/Core Capacity)

The FY 2016 budget requests $3.25 billion for the Capital Investment Grant program – an increase of $1.1 billion, or 53 percent, above the FY 2015 enacted level – to enable FTA to continue to partner with communities around the nation expanding transit service by undertaking major new projects or extensions to existing projects. Included in the total is $351 million for Core Capacity projects that improve the capacity of existing fixed guideway transit services in corridors that are currently over capacity, or will be in five years, and are in need of expansion to better serve riders.

Additionally, $320 million will support a new category of 'Accelerated Project Delivery and Development' for projects in the Capital Investment Grants program. This program would support projects currently in the program pipeline that were unable to receive a rating and funding recommendation at the time of the President's FY 2016 budget submittal, but potentially could receive an acceptable rating of Medium or higher prior to the end of FY 2016. This category would allow eligible projects to move forward in a timely manner, without having to wait for the next Presidential Budget cycle.

Rapid Growth Area Transit

The FY 2016 budget includes $500 million for a new Rapid Growth Area Transit Program, a discretionary program directed at fast-growing communities. The program will provide quick access to resources for bus rapid transit (BRT) services for communities across the country that are experiencing significant population growth and transit ridership growth. Such growth, while good for the economy, also strains the existing transportation system, leads to congestion, and will eventually result in poor air quality. BRT services can often be implemented in communities more quickly than other major capital investments to help get ahead of the congestion that can come from rapid population growth.

Fixing and Accelerating Surface Transportation (FAST)

The FY 2016 budget includes $500 million for a new competitive grant program jointly designed to spur major reform in the way States and metropolitan regions make transportation policy and investment decisions, and to encourage new and innovative solutions to transportation challenges. The FAST program will use competition and a sizable monetary incentive to reward long-term, systematic innovation and reform in our Nation's transportation system. FAST will be jointly administered by the Federal Highway Administration, which is also requesting $500 million in its budget.

QUALITY OF LIFE IN COMMUNITIES

FTA's FY 2016 budget request includes a total of $162 million to improve the Quality of Life in Communities. This amount includes $132 million for transportation investment planning by Metropolitan Planning Organizations (MPOs) and States (49 U.S.C. 5303/5304/5305) and $10 million for planning transit oriented development projects (Subsection 20005(b)).

The FY 2016 budget request also includes $20 million under its Human Resources and Training program (49 U.S.C. 5322), a $19.5 million increase over the FY 2015 enacted level. This will provide human resources and workforce development programs to the transit industry, including targeting outreach efforts to increase minority and female employment and training and assistance for minority business owners.

Finally, the FY 2016 budget request supports improved access to transportation services for seniors and individuals with disabilities by requesting $264 million for the Enhanced Mobility of Seniors and Individuals with Disabilities formula program (49 U.S.C. 5310). These individuals can face significant challenges, including increased poverty, isolation, and the struggle to access medical care, and the Department is committed to improving their mobility.

ORGANIZATIONAL EXCELLENCE

The FY 2016 budget requests $114 million and 580 full-time equivalents (FTEs) to rebalance FTA's workforce with its workload, complete the staffing plan for the Office of Safety and Oversight, and improve the oversight of the tens of billions of dollars funding projects under construction nationwide. FTA has operated with roughly the same staffing level – slightly more than 500 FTE -- for more than a decade while FTA program funds and requirements in SAFETEA-LU and MAP-21 have grown significantly.

CONCLUSION

In total, the President's FY 2016 budget request supports the construction, maintenance, and operation of public transit systems nationwide that improve mobility and access to jobs for millions, while expanding the capacity of our transportation networks, preserving our legacy systems, and improving the quality of life in our communities.

Thank you again for the opportunity to share the President's budget plan for public transportation with you today. I look forward to working with this Committee and am available to answer your questions.

Therese W. McMillan: Acting Administrator

Therese McMillan is currently the Acting Administrator of the Federal Transit Administration (FTA). She joined FTA as Deputy Administrator on July 2, 2009. As Deputy, McMillan assisted the Administrator in leading a staff of more than 500 in the Washington D.C. headquarters office and 10 regional offices throughout the United States, and implementing an annual budget approximating $10 billion. With the passage of a new surface transportation authorization, MAP-21, she has assumed a key role in guiding FTA's implementation of transit-related provisions in the law and overseeing the development of critical guidance.

During her tenure, Ms. McMillan has also played an integral leadership role in advancing several critical FTA priorities to improve the quality and delivery of transit services to the American public, including:

- Leading a major reassessment and reform of FTA's Civil Rights responsibilities, including new guidance for transit grantees in Title VI and Environmental Justice.
- Overseeing the restructuring FTA's grant oversight and compliance programs.
- Assisting in the development of a new, streamlined process for the New and Small Starts program, and new funding opportunities for State of Good Repair of transit assets.
- Working closely with FTA's staff across the country to ensure the timely, accurate allocation of $8.78 billion for 1,072 Recovery Act grants that created or retained over 12,500 jobs and strengthened and enhanced public transportation for working Americans and their communities.
- Representing federal transit interests on the Partnership for Sustainable Communities with fellow DOT colleagues, EPA and HUD.
- Launching a national conversation and research effort to help transit agencies adapt to changing weather patterns and natural disasters.

Prior to her appointment, Ms. McMillan was the Deputy Executive Director-Policy at the San Francisco Bay Area Region's Metropolitan Transportation Commission, where she was responsible for strategic financial planning and MTC's management of federal, state and regional fund sources for transit, highways, roadways and other modes; state and federal legislative advocacy, and public affairs and community outreach.

Ms. McMillan received her B.S. degree in Environmental Policy and Planning Analysis from the University of California, Davis (1981) and a joint M.C.P./M.S. in city planning/civil engineering science (1984) from U.C. Berkeley.

TESTIMONY OF
MARK R. ROSEKIND
ADMINISTRATOR
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

BEFORE THE
COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES
U.S. HOUSE OF REPRESENTATIVES

HEARING ON
FY 2016 BUDGET
March 19, 2015

Good morning Chairman Diaz-Balart, Ranking Member Price, and members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss the President's fiscal year (FY) 2016 Budget request of $908 million for the Department of Transportation's National Highway Traffic Safety Administration (NHTSA).

As anyone at NHTSA can tell you by heart, 32,719 people lost their lives in motor vehicle crashes in 2013. Every one of those deaths was preventable—from not wearing a seat belt, to driving aggressively, drunk, drugged, or distracted—those 32,719 lives were needlessly lost. That's unacceptable.

NHTSA is committed to using every tool available – including our regulatory and enforcement authority, our groundbreaking public awareness campaigns, our research programs, and our partnership with the States – to save lives. The President's 2016 budget request supports the Administration's GROW AMERICA Act, NHTSA's mission, and our Agency's top three priorities. These include:

- Strengthening how NHTSA identifies and recalls vehicles with safety defects;
- Bolstering our core safety programs; and,
- Emphasizing and supporting safety-related technology innovations.

Defects-Recalls System

We must strengthen how NHTSA identifies and recalls vehicles and equipment with safety-related defects. To this end, the President's request includes significant increases in people and technologies from the FY 2015 request for our vehicle defect safety programs. 2014 was a record year for vehicle recalls with nearly 64 million vehicles recalled. NHTSA collected $126 million in civil penalties, more than in the previous 43 years combined.

Our request would provide additional funding and personnel, and target those resources at areas we know require improvement. We propose to triple the defects investigation budget from $10 million to $31 million in FY 2016. We propose creating two new divisions in our Office of Defects Investigation: the Trend Analysis Division to better identify defect trends in available data and the Field Investigation and Testing Division to investigate vehicle crashes that may be connected to safety defects.

It is NHTSA's responsibility to do everything in our power to prevent deaths and injuries related to defects. The American people expect that of us. We're committed to getting it done.

Core Safety Programs

Another priority is to strengthen NHSTA's core safety programs. The Agency has some well-established and highly successful campaigns that are household names, such as 'Click It or Ticket,' 'Drive Sober or Get Pulled Over,' and more recently, 'U Text. U Drive. U Pay.' These campaigns are changing attitudes, changing how Americans drive for the better, and saving lives.

The Agency's grants to states and local governments are a foundation for our safety work across the nation. The $577 million request for the Highway Safety Grants program will allow us to provide resources to states to enforce laws against drunk and distracted driving, to continue vital occupant protection countermeasure activities, to fund high-visibility enforcement of traffic safety laws, and provide technical assistance on graduated licensing and other emerging safety issues, and to support a wide range of activities that save lives.

The $152 million requested for Highway Safety Research and Development represents a 10% increase over FY 2015. Among other things, this funding will go towards studying pedestrian and bicycle safety, as well as driver fatigue.

The Budget Request includes $14 million for the New Car Assessment Program (NCAP), known to most Americans as NHTSA's Five Star Safety Ratings. The ratings are a vital tool that drives greater innovation into the automotive fleet and offers consumers an easily identifiable and memorable way to shop for safer vehicles. More Stars. Safer Cars. This money will be used to maintain test coverage of 85 percent of the new model year vehicle fleet, as well as expand the program to include new crash avoidance technologies and other updates in the program.

We are requesting $41.7 million for crash data collection and data modernization. Funding will be used to continue establishing two new data systems, the Crash Report Sampling System (CRSS) and the Crash Investigation Sampling System (CISS) that leverage technology for data collection and coding, as well as our legacy systems Fatality Analysis Reporting System (FARS), State Data Systems (SDS), and Special Crash Investigations (SCI).

Vehicle Safety

Our third priority is strengthening our commitment to advancing innovations that deliver safety to the American consumer. The budget requests $179 million for Vehicle Safety initiatives, a 38 percent increase from FY 2015. This includes $4.1 million for the Vehicle Electronics and Emerging Technologies program, which will build upon NHTSA's ongoing research to identify and mitigate issues that may arise from the increasing use of electronics and electronic control systems in the design of modern automobiles, including cybersecurity.

The budget request would also add 111 more employees: 24 positions in Highway Safety Research and Development, 13 positions in Highway Safety Grants, and 74 positions in Vehicle Safety, of which 57 would go to the Office of Defect Investigations, more than doubling the personnel available to investigate safety defects.

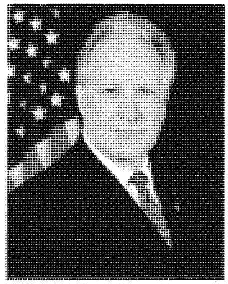
The request will also provide additional resources for our behavioral research efforts, and our work to modernize our data systems. These two priorities are essential for NHTSA to understand what's going on out on our roads. Better understanding of driving hehaviors and enhancing our ability to collect and analyze traffic safety data are essential to achieving our lifesaving mission.

Transportation touches each and every one of our lives, every day. We share the responsibility to make our transportation system safe. Together, we can deliver on the promise of safety for all Americans whether they drive, walk or ride. We have a lot to do, and I am asking for your help and the resources that will allow NHTSA to better accomplish its safety mission.

Thank you and I look forward to taking your questions.

NHTSA
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Mark R. Rosekind, Ph.D.



Mark R. Rosekind, Ph.D., was sworn in as the 15th Administrator of the National Highway Traffic Safety Administration (NHTSA) on December 22, 2014. He was nominated by President Obama and confirmed by the U.S. Senate.

Administrator Rosekind is a passionate safety professional dedicated to enhancing transportation safety for the traveling public. In his role as Administrator, Dr. Rosekind is pursuing NHTSA's core safety mission of saving lives, preventing injuries, and reducing crashes through all of the tools at NHTSA's disposal -- including enforcement authority, public awareness campaigns, support of technical innovation, and research into human behavior.

Before becoming NHTSA Administrator, Dr. Rosekind served as the 40th Member of the National Transportation Safety Board (NTSB) from 2010 to 2014. He was nominated to the NTSB by President Obama and confirmed by the U.S. Senate. He was the on-scene Board Member for seven major transportation accidents and participated in numerous NTSB public events on diverse safety topics. Dr. Rosekind advanced the agency's advocacy goals on substance-impaired driving, fatigue, fire safety, and rail mass transit.

Administrator Rosekind is an internationally recognized expert on human fatigue, credited with leading the field in innovative research and implementing programs in all modes of transportation. His work has been widely published, and his awards include NASA's Exceptional Service Medal and six other NASA group/team awards; the Mark O. Hatfield Award for Public Policy from the American Academy of Sleep Medicine; two Flight Safety Foundation honors: the President's Citation for Outstanding Safety Leadership and the Business Aviation Meritorious Service Award; and Fellow of the World Economic Forum in Davos, Switzerland.

Prior to his appointment to the NTSB, Dr. Rosekind founded Alertness Solutions, a scientific consulting firm that specialized in fatigue management, and served as the company's first President and Chief Scientist. He previously directed the Fatigue Countermeasures Program at the NASA Ames Research Center and was chief of the Aviation Operations Branch in the Flight Management and Human Factors Division. He launched his professional career as the Director of the Center for Human Sleep Research at the Stanford University Sleep Disorders and Research Center.

Administrator Rosekind earned his A.B. with Honors from Stanford University, his M.S., M.Phil., and Ph.D. from Yale University, and completed a postdoctoral fellowship at the Brown University Medical School.

Dr. Rosekind is married and has two children.

- About NHTSA Deputy Administrator David J. Friedman

USA.gov

STATEMENT OF
PAUL N. JAENICHEN
ADMINISTRATOR
MARITIME ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TRANSPORTATION, HOUSING,
AND URBAN DEVELOPMENT

THE MARITIME ADMINISTRATION'S
FISCAL YEAR 2016 BUDGET REQUEST

March 19, 2015

Good morning Chairman Diaz-Balart, Ranking Member Price, and Members of the Subcommittee. I am pleased to appear before you today, and I thank you for the opportunity to discuss the President's Fiscal Year (FY) 2016 budget priorities and initiatives for the Maritime Administration (MARAD). This budget request supports MARAD's mission to foster, promote and develop the U.S. Merchant Marine and it reflects MARAD's priorities of maintaining security and preparedness, investing in mariner training, enhancing U.S.-flag competitiveness and fostering environmental sustainability. MARAD's FY 2016 Budget Request is $406.8 million, which funds activities supporting ships and shipping, port operations, vessel operations, national security and strategic mobility, ship disposal, environmental sustainability, safety and education. A summary of the FY 2016 request is provided below.

Maritime Security Program (MSP)

For FY 2016, $186 million is requested for the MSP, which is the level of funding authorized in the National Defense Authorization Act of FY 2013, P.L. 112-239. Funding at this level will enable DOT to continue to maintain a U.S.-flag merchant fleet operating in international trade, crewed by U.S. mariners, and available to serve the Nation's homeland and national security needs.

The MSP provides operating assistance funds to a fleet of 60 commercial privately-owned, militarily useful, U.S.-flagged, and U.S.-crewed ships. The MSP fleet ensures military access to a global fleet of ships in ocean-borne foreign commerce with the necessary intermodal logistics capability to move military equipment and supplies during armed conflict or national emergency. MSP vessels have been key contributors to our Nation's efforts in Afghanistan and Iraq over the last decade, moving over 50 percent of all military cargo – over 26 million tons – to the Middle East. Since 2009, MSP carriers have moved over 90 percent of the ocean-borne cargo needed to support U.S. military operations and nation building programs in both countries. The MSP also provides critical employment for 2,400 U.S. merchant mariners, creating a reliable pool of mariners ready to support the activation of the U.S. Government's reserve sealift fleets including MARAD's Ready Reserve Force (RRF). Without MSP, there would likely be a significant reduction in the number of U.S.-flag vessels and U.S. mariner jobs. The result would be fewer U.S. mariners available to crew RRF vessels, adversely impacting surge sealift readiness.

The most significant challenge facing the MSP is declining Department of Defense (DoD) cargo due to the drawdown of operations in Iraq and Afghanistan coupled with the over 80 percent reduction in personnel and military bases overseas. Today, DoD-impelled cargos are consistent with the levels last seen in the late 1990s.

National Defense Reserve Fleet (NDRF)/ Ready Reserve Force (RRF)

MARAD manages and maintains a fleet of government-owned merchant ships in the NDRF, which includes 46 RRF vessels that are maintained in an advanced state of surge sealift readiness to complete vessel activations to support military requirements. The RRF vessels and the six NDRF school ships may also be called upon to provide relief effort and humanitarian assistance in times of national emergency. This was the case when an RRF ship was activated in late 2014 to provide support to the U.S. contribution to the medical mission to Liberia for the Ebola Virus response. Each vessel can be configured to support other emergent situations, such as the CAPE RAY which was used in the international effort to destroy the Syrian Government's declared chemical weapons, completed in August of 2014. Funding provided by a reimbursable agreement from DOD will allow MARAD to continue providing ready surge sealift support in FY 2016 in the areas of activating, operating, deactivating and special mission requirements for RRF vessels and maintaining MARAD's NDRF fleet sites.

Food Aid Reform

The President's FY 2016 Budget Request includes $25 million as a component of Food Aid reforms proposed for P.L. 480 Title II food aid that would provide flexibility to deliver emergency food where appropriate such as in conflict situations and logistically difficult crises and would allow about 2 million more people in emergency crises to be reached without additional resources. If the reform is enacted, the vast majority of P.L. 480 Title II food aid would continue to be sourced and shipped from the U.S. The additional funding would initiate a program to mitigate the impact that such reforms could have on mariner jobs. Most of the request would be devoted to provide direct stipend payments to operators of vessels in foreign trade, separate from MSP payments. These additional funds would support training programs to retain and educate U.S. mariners in critical occupations to preserve mariner employment on U.S.-flag vessels. We anticipate using what we learn in this initial year to develop the program.

Maritime Training Programs

The President's FY 2016 Budget Request continues important investments in MARAD's training programs, the U.S. Merchant Marine Academy (USMMA) and the six State Maritime Academies (SMA), to provide highly trained, USCG-credentialed officers for the U.S. Merchant Marine. These programs graduate the majority of new merchant marine officers who hold a USCG credential with the highest entry-level officer endorsement available to support our national maritime industry infrastructure. These graduates ensure our Nation has a cadre of well-educated and trained merchant mariners in the event of a contingency or national emergency, as well as to meet national security needs in support of military, emergency and humanitarian missions.

United States Merchant Marine Academy (USMMA or Academy)

The President's FY 2016 Budget Request includes $96 million for USMMA. Of this, $71.3 million will support Academy operations and $24.7 million will fund major capital improvements and repairs to the Academy's physical campus. The FY 2016 request will maintain a sufficient base budget to support mission-essential program requirements and security priority areas. Funding will enable the Academy to effectively achieve its core responsibility of providing the highest caliber academic study with state of the art learning facilities for the Nation's future merchant marine officers and maritime transportation professionals. The Academy anticipates graduating 235 licensed merchant marine officers for service in the maritime industry and the U.S. Armed Forces in 2016. Nearly all USMMA graduates receive either an active duty or reserve commission in the U.S. Armed Forces or one of the uniformed services (National Oceanic and Atmospheric Administration or Public Health Service) and provide a guaranteed source of mariners to crew government surge sealift vessels.

Over the last several years, there has been significant progress made to improving institutional management and oversight, and strengthening internal controls at the Academy. This will continue to be an area of priority emphasis in FY 2016. Additionally, Academy leadership has taken a number of actions to prevent and respond to incidents of sexual harassment and sexual assault at the Academy, including hiring a new Sexual Assault Response Coordinator, establishing an Action Plan to address sexual harassment and sexual assault, and improving oversight of the implementation of that plan. Academy procedures for reporting incidents that occur while Midshipmen are at sea training have also been updated, as well as improving campus security and establishing a 24/7 reporting hotline.

State Maritime Academies (SMA)

The request also includes $34.6 million for the SMA program, of which will fund $5 million for National Security Multi-Mission Vessel planning and design to support the replacement of the 53-year-old training vessel EMPIRE STATE, and $22 million to fund maintenance and repair costs for all federally owned training ships on loan to the SMAs. Additionally, the request includes $2.4 million to fund the Student Incentive Payment program, $3 million for operational support to each of the six SMAs, and $1.8 million for training ship fuel.

The SMAs regard the SIP program and support for their training ships as among the most important recruiting tools to encourage potential Cadets to pursue careers as merchant marine officers. MARAD anticipates approximately 660 students in the license program will graduate from the SMAs in 2016. The SMA program contributes more than two thirds of the entry-level licensed mariners trained annually that begin working in various positions within the maritime industry.

<u>Maritime Guaranteed Loan Program (Title XI)</u>

The President's FY 2016 budget request includes $3.1 million for administration of the Maritime Guaranteed Loan Program, commonly referred to as Title XI. The Title XI program encourages investment in the maritime sector and promotes the growth and modernization of the U.S. Merchant Marine and U.S. Shipyards. Title XI offers loan guarantees for shipyard modernization projects and for building vessels in U.S. shipyards. The Title XI loan guarantees enable applicants to secure long-term financing at favorable interest rates, thereby sustaining facilities for the Nation's shipbuilding and ship repair industry and promoting capacity and jobs.

The current portfolio is $1.6 billion in Title XI outstanding loan guarantees and 38 individual loan guarantee contracts, representing 21 companies covering approximately 250 vessels. The Title XI subsidy balance for new loan applicants is currently $42 million, which will support approximately $454 million in shipyard projects, assuming average risk category subsidy rates.

Ship Disposal

The FY 2016 Budget Request for the Ship Disposal Program is $8 million to support the continued priority emphasis on the disposal of non-retention NDRF vessels in the worst condition. MARAD currently has 19 obsolete vessels not yet under contract for disposal, which is a historic low. With the requested funding level in FY 2016, MARAD plans to remove up to eight additional obsolete ships through competitive vessel sales from the James River, Beaumont, and Suisun Bay Reserve Fleets (SBRF). The level of competition and available capacity, however, have decreased significantly as a result of the U.S. Navy award of recycling contracts for four aircraft carriers in FY 2014 and FY 2015. Currently, three aircraft carriers are undergoing dismantlement, with the fourth carrier scheduled to arrive for disposal in June 2015. The contracts for dismantlement of the aircraft carriers have a two-year period of performance and, as such, will reduce capacity at qualified recycling facilities, which is expected to increase MARAD's cost to dispose of ships in FYs 2016 and 2017.

MARAD is currently two years ahead of the SBRF vessel removal schedule required by the court-ordered settlement with the State of California. With 52 of the 57 vessels already removed, MARAD expects to dispose of an additional three vessels from the SBRF in FY 2015 primarily using carryover funding. The requested funding in FY 2016 will allow MARAD to dispose of the two remaining SBRF vessels. Funding in the President's FY 2016 Budget Request will also cover the costs related to risk mitigation for compliance with the National Invasive Species Act and Clean Water Act, as well as lessen environmental risks at the fleet sites and recycling facilities.

Nuclear Ship SAVANNAH

The President's FY 2016 Budget Request includes $3 million for the inactive Nuclear Ship SAVANNAH, providing for the continuation of support activities, including nuclear license compliance, radiological protection, ship maintenance and custodial care, and planning and preparation for decommissioning.

Maritime Environment and Technology Assistance

The President's FY 2016 Budget Request includes $4 million for energy and environmental technology initiatives designed to enhance maritime sustainability and affordability. The program will continue to focus on initiatives in areas such as reducing air pollution from vessels and port operations, controlling invasive species through ballast water treatment and underwater hull cleaning and inspection, improving and diversifying marine propulsion systems, and increasing energy efficiency at sea.

These items represent key policy proposals and initiatives highlighted in the President's FY 2016 Budget. We will continue to keep this Committee apprised of the progress of our program activities and initiatives in these areas in the coming year.

Mr. Chairman, thank you for the opportunity to present and discuss the President's FY 2016 Budget Request for MARAD. I appreciate the Subcommittee's continuing support for maritime programs and I look forward to working with you on advancing maritime transportation in the United States.

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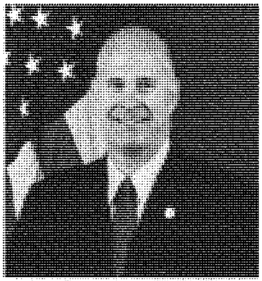
Paul N. Jaenichen, Sr

Acting Maritime Administrator



On July 15, 2014 Deputy Maritime Administrator Paul "Chip" Jaenichen was confirmed as Maritime Administrator. Acting Administrator Jaenichen has been with the U.S. Department of Transportation, Maritime Administration since July 2012 when he was appointed Deputy Maritime Administrator by President Obama.

Captain Jaenichen was a career naval officer, retiring after serving 30 years as nuclear trained Submarine Officer in the U.S. Navy. His final assignment was as Deputy Chief of Legislative Affairs for the Department of the Navy from October 2010 to April 2012. He served as Commanding Officer of USS ALBANY (SSN 753) from September 1999 to June 2002 and as Commander, Submarine Squadron ELEVEN in San Diego, California from April 2007 to September 2008. His shore tours included assignments as Director, Submarine/Nuclear Officer Distribution where he was responsible for career progression and assignment of over 5200 officers; as Officer-in-Charge of Moored Training Ship 635, one of two nuclear powered training platforms in Charleston, South Carolina, where he was responsible for initial operational training and qualification of over 1200 officer and enlisted operators annually; and as Chief, European and North Atlantic Treaty Organization (NATO) Policy Division on the Joint Staff where he was responsible for military-to-military engagement on security cooperation and involvement in coalition operations with all 26 NATO member nations.

Captain Jaenichen's hometown is Brandenburg, Kentucky. He earned a Bachelor of Science in Ocean Engineering from the United States Naval Academy and a Masters in Engineering Management from Old Dominion University. His personal military awards include the Defense Superior Service Medal, Legion of Merit (four awards), Meritorious Service Medal (three awards), Navy-Marine Corps Commendation Medal (five awards) and the Navy-Marine Corps Achievement Medal (two awards). He lives in Bowie, MD with his wife, Paula Auclair Jaenichen, who is a National Board Certified teacher.

So we'll begin with five minute rounds of questions, and, again, all of us I know that—well, I don't have to tell you gentleman, but let us allow time for our witnesses to answer those questions. Just get through my notes here.

WMATA OPERATING COSTS

Let us start with Ms. McMillan. The committee has been providing WMATA with $150 million per year authorized, right, with direction that it not defer capital improvements to off-set operating costs. The committee has been very clear about that. Now, the Washington Post reports that that is exactly what WMATA's Board is proposing. Are you familiar with the Post reporting and the statements by Board Director Downey on that issue?

Ms. MCMILLAN. I did see the article. I would say that we have been very diligent in ensuring that the $150 million made available for PRIA is, in fact, aligned with the requirements that are established there, that it be directed to capital and capital only, and very specifically, towards safety improvements.

Indeed, just last week, I reviewed with my staff the specific assignments of planned expenditures against the $150 million for this latest round this fiscal year, exactly in line with what is requested.

Mr. DIAZ-BALART. So you do not think they are going to be doing that? That they are not seriously considering delaying planned capital improvements?

Ms. MCMILLAN. The local agencies will work with their board on their priorities. I am very aware that they are extremely concerned with ensuring that their capital plan is in good working order given the constraints that all of our transit agencies, frankly, are seeing in terms of adhering to capital. Particularly, with the renewed attention to safety investment that is top of the priorities that have been communicated to me.

Mr. DIAZ-BALART. How often does the FTA check on it though? Also, have you really reinforced that diverting capital funds to operating is just not an option when we are dealing with those particular federal funds? I mean, this committee has been very clear. So how often are you in contact with them, and have you made it very clear, explicitly clear, so that there is no misunderstanding that that is not an option.

Ms. MCMILLAN. Again, with respect to the local budget for WMATA, their board oversees that, and that will include, very importantly, local funds in addition to federal funds. We have specific oversight responsibility for the federal investment as it relates to capital. By definition, the federal funds that we award to WMATA have to be used for capital. We have a regular oversight procedure in process to ensure that that is the case.

Mr. DIAZ-BALART. If they go ahead and do it, will you enforce this committee's direction and withhold funds unless it keeps its capital plan on track?

Ms. MCMILLAN. Yes. We monitor the spending of all of our transit agencies to ensure that they are adhering to all of the necessary federal requirements.

Mr. DIAZ-BALART. They have just called votes, so let me then, have a little bit more time. Let's go to the ranking member. Your witness, sir.

BEYOND TRAFFIC

Mr. PRICE. Thank you, Mr. Chairman. Welcome to all of you. I have a broad question which all of you probably will want to chime in on, and we will just get as far as we can before we have to leave.

Secretary Foxx appeared, as you know, before us a few weeks ago. We talked to him about the beyond traffic study and challenges facing the system over the night 30 years. Secretary's testimony emphasized the importance of adopting the robust, multiyear surface transportation authorization bill. Congress will need to figure out a way to finance those investments along with all their other resource needs that cross the entire scope of government. That is why we desperately need an overall budget agreement.

Let me spend a few minutes exploring the most immediate and pressing challenges facing each of your agencies over the next few years and how we might address. If you could just address this precisely as you can. What you take to be the most urgent challenges facing your sector of the transportation system? What specific programs in the Fiscal '16 request seem to address these most urgent challenges? We are, obviously, looking for specific examples. For those of you that are included in the President's GROW America proposal, if you can include in your answer what new initiatives or policy changes you think are the most important?

Ms. MCMILLAN. Well, since I have the mic I will start. Thank you Congressman Price and I am happy to answer that question. Let me answer first that beyond traffic took a critical, long-term view, so within that 30 years framework, certainly for transit, although I think it shared with a number of modes, two critical areas are the need to address the increasing demand on the system, and the need for expansion. For transit we are seeing a growing request that this option be presented at part of the portfolio with mobility across the country. Particularly with the millennial generation. They are showing much more of a preference to have options to travel.

Specific to the FY–16 budget and GROW America, we are asking for a significant increase in our capital investment grant program. This is the one that is known as our New Starts and Small Starts and Core Capacity which is specifically designed to increase the space on the transit system to meet growing demand. For fiscal year '16 we are asking for $3.2 billion. That reflects not only just expectation of the future, but real demands we are seeing from communities across the country.

The second point, and then I will turn it over to my colleagues, is state of good repair. We cannot emphasize enough that reinvestment in the existing system, which is fraying badly at the seams, is critical. We have to reinforce the foundation of our system as we move forward with any idea for expansion.

In this regard I will mention two specific things in the FY–16 budget, our State of Good Repair program, again, asks for a specific increase. We are looking to see $5.7 billion for this reinvestment need. But importantly, our Bus and Bus Facilities program which serves the real heart blood of transit throughout the country from very rural and tribal lands up through our major cities. We are requesting $1.9 billion for the Bus and Bus facilities grant. That, mostly, would be directed toward reinvestments in the existing system.

Mr. NADEAU. Mr. Ranking Member, I will take the next part of that. Echo everything my colleague just described, but first and foremost, speaking to someone who spent seven years as a deputy commissioner of transportation in Maine, we need a predictable and reliable funding source. We need a program of six years in duration that is substantially funded along the lines, as the administration has proposed, to deal with the lack of investment that we have had over the last decade or so. So predictability, the ability for DOTs and local transportation agencies to know what federal resources they can plan on and bank on and utilize as they plan out two, three, four, and six years ahead, which is what the typical planning horizon is for a state DOT.

Two priorities. We are going to face a number of critical transportation infrastructure needs over the next 30 years, as you described, Mr. Ranking Member. Ensuring the safety of our roads and bridges is number one. Number two, improving the movement of goods, services, and mobility. Particularly in the freight area where we are looking at a 40 percent increase in the next 30 years in freight movement. That is on top of what we are currently facing. Number 3 chronic congestion in a number of states in parts of our system across the country.

Specifically, in our proposal, the President's budget, and GROW America, we have a critical, immediate safety investment program which is going to address critical, immediate safety needs across the system. Interstate bridges that are structurally deficit along with rural roads, local roads, and a strategic safety initiative that is going to address the most chronic problems that immediately face states and localities. I could go on, but I know my time is about up.

Mr. DIAZ-BALART. The Ranking Member's time is up, but I think if Mr. Cuellar does not mind if we could take another, maybe, 20 seconds each, if you can just try to address each issue.

Mr. JAENICHEN. If I would, there are three areas I would like to address. The first is, as Administrator Nadeau mentioned, we anticipate a 45 percent increase in freight by 2045. Because 65 percent of all of the imports and exports move through our port system here in the United States, we are concerned about congestion. We are concerned about the first and the last mile.

Currently, the only way to get federal funding to ports is through the Transportation Investment Generating Economic Recovery, and also through what is proposed in this GROW America which includes a multi-modal freight improvement program. It would be $1 billion in FY–16 plus $1.25 billion for TIGER, that is important.

The second issue is my concern for the U.S. Flag Fleet trading internationally. In the last three years we have lost 25 percent of the fleet. In our FY–16 budget is a program called the Maritime Security Program. It includes the $186 million that is authorized, and I am concerned because it employs 2,400 mariners. With the decrease in preference cargo, that program is under stress.

Mr. DIAZ-BALART. Let me cut you off there. Mr. Rosekind, can you try to address it very briefly?

Mr. ROSEKIND. Sure. I just saw we have three priorities we are focused on. Our defect recall system, supporting our core safety programs, which are critical for the states, and then really nurturing technology innovation.

For GROW America, two big things. Authorities, we are looking for imminent hazard authority, and really supporting safely the automation development.

Mr. DIAZ-BALART. Thank you. Mr. Cueller, I knew you would not mind giving a few more minutes to the ranking member, so now you are recognized. Thank you for your patience.

GROW AMERICA

Mr. CUELLAR. Yes, sir. Thank you, Mr. Chairman, ranking member. I want to direct your attention to, I guess one of your handouts or GROW America, and I just have a couple questions.

I want to focus on freight, and I just want to make sure that when you look at freight that this is from one of the handouts somewhere else. I mentioned this to the Secretary and it was before us, as I look at the freight lines, and I am a big supporter of what you all are doing for freight. My only concern is you do not go down to the border on your emphasis.

Let me give you my hometown of Laredo. Laredo is only 250,000 people, but it handles 45 percent of all the trade between the U.S. and Mexico. When you look at total trade it is LA, New York, Laredo. I emphasize, LA, New York, and Laredo. But as I look at this, I see that, for example, I represent San Antonio, your emphasis starts from San Antonio, which is 150 miles north, and trade does not jump in from the border 150 miles over. So I would ask, and the Secretary said he would send somebody to sit down with this, I would like to go into details as to freight quarters to make sure they start off at the port of entries which are the land ports.

Eighty-eight percent of all the goods and people that come in are land ports. Sea ports are very important, but I want to make sure you all look at land ports. When you emphasize your ports I assume that you mean sea ports and land ports also, which it starts at the middle of the bridge itself, land port.

I say that because people, the only time they talk about the border is put more National Guard or Border Patrol, more fences, but when it comes to investment they do not look at that. So I would ask, again, and Secretary said he is going to send somebody, I would ask you all, I would like to sit down because I am a supporter of what you are all doing on freight, but I want to make sure it starts at the point of origin and not 150 miles away from the border.

Mr. NADEAU. Understood, Congressman, and your point is well taken. We absolutely recognize and work very hard to work with our colleagues on both the southern and northern borders. Federal Highway has been tasked by the Secretary to lead the department's efforts in terms of border planning for the Secretary's office.

As a matter of fact, I think this week the joint working group on U.S.-Mexican border issues is meeting in Mexico to work on border planning. Resources are going to be needed to address the capital needs at the border. We are particularly focused on ensuring that there is maximum mobility is maintained and enhanced as freight grows. So we are happy to sit with you and work on those, and as we work on the national freight strategy, along with the primary freight network, those issues are certainly on the table.

Mr. CUELLAR. Otherwise, you have a bottleneck at the border.

Mr. NADEAU. Understood.

Mr. CUELLAR. I took Chairman Bill Schuster and I want to take the ranking member and the Chairman down, but when you handle 12,000 to 13,000 trailers a day, and you do not have that movement there is a bottleneck. I just want to make sure that we are supportive of what you all are doing, just start at the point of origin, and do not jump a 150 miles away from the border. I have never seen a truck jump 150 miles. I can tell you that for a fact.

Mr. NADEAU. I would concur with that observation, sir.

Mr. CUELLAR. Thank you so much, thank you.

Mr. DIAZ-BALART. Thank you, Mr. Cuellar. We are going to have to, as you see, we have two minutes until the votes are closed. Of course, it will take a little bit longer than that, so I am going to ask you for your patience, and thank you so much for, again, being here.

Also, Mr. Culberson has agreed, since it looks like I will have to go to the Budget Committee for a vote, Mr. Culberson has agreed to chair when we come back. Thank you, sir. I'm very grateful for that. With that, we will take a break, and we will see you all in a little while. Thank you so much.

[Recess.]

NS SAVANNAH

Mr. CULBERSON. Thank you very much. The hearing will reconvene. Our chairman is over in the Budget Committee meeting and will return as soon as he is able. I appreciate very much your testimony today and appearance before the subcommittee. And I wanted, if I could, to start with Administrator Jaenichen.

As you know the budget requests another $3 million in funding for the storage of the NS Savannah. When is the mandated deadline for dealing with this ship and what is the current cost for complete disposal?

Mr. JAENICHEN. Thank you for your question. The $3 million a year pays for the safe storage. That is still a program that we take care of in accordance with the Nuclear Regulatory Commission. The vessel was refueled in 1971. It goes for 60 years before it has to be fully decommissioned, so it has until 2031. Our current estimate to complete the decommissioning is about $120 million.

Mr. CULBERSON. It was first decommissioned in——

Mr. JAENICHEN. 1971 was when the reactor was actually removed; however, there are still some components that were exposed to ionizing radiation and so there is some low-level equipment that has potential radioactivity, which would have to be removed as part of the decommissioning process.

Mr. CULBERSON. Have you calculated an inflation factor that you believe is reliable in order to help you estimate the cost of disposing of the Savannah at the mandated deadline?

Mr. JAENICHEN. We have, and we do that on an annual basis in a report that we provide to the Nuclear Regulatory Commission. We actually make a calculation every year to be able to do that, so that does include inflationary values.

FIXING AND ACCELERATING SURFACE TRANSPORTATION

Mr. CULBERSON. Thank you, sir.

Administrator Nadeau, the President's budget includes $500 million in fiscal year 2016 for a new competitive grant program for Fixing and Accelerating Surface Transportation. If it is funded, what types of projects would be included and how would projects be evaluated and selected for funding?

Mr. NADEAU. And which program?

Mr. CULBERSON. $500 million for a competitive grant program for Fixing and Accelerating Surface Transportation.

Mr. NADEAU. The FAST Program.

Mr. CULBERSON. Yes the fast track program.

Mr. NADEAU. Yes. It is designed really to enhance capacity. I would like to quote Lincoln. He said, "If I had 8 hours to chop down a tree, I would spend the first 6 hours sharpening my ax." Sort of along those lines where these dollars would be available to help fund modal planning organizations as an example, to assist them in developing their capacity to plan, to collaborate with broader jurisdictions, to do more regional planning in order to ensure that jurisdictions are capable of making project selections based on that type of analysis and that type of collaboration, particularly at the local level. Also this is needed to develop systems to collaborate with state DOTs to ensure that the process of planning that is required under the Federal Aid Highway Program and under FTA that those jurisdictions are collaborating effectively with one another.

So I think in the time we have to discuss it, I would sum it up as the ability to have local and state jurisdictions collaborate more effectively and do a better job of investing the dollars that obviously are so difficult to combine.

NEW STARTS

Mr. CULBERSON. Thank you very much. Mr. Price?

Mr. PRICE. Thank you. Ms. McMillan, I want to very quickly ask you to follow up on what you said. You and everyone else for that matter stressed the impact of growth, the need to accommodate growth, and the demand, of course, is especially severe in our nation's cities looking to build out or start transit systems.

The budget that you have submitted as you say does attempt to address this. Could you bring it down to numbers at least to the extent of comparing the number of new starts and continuing new starts to the ones that would be recommended for fully funded grant agreements, what those numbers would look like under present funding levels versus the numbers in your budget? And whatever you would like to say about the demand you are dealing with.

Ms. McMILLAN. Thank you very much, Congressman, for that question. In terms of the Capital Investment Grant program in fiscal year 2015 we requested $2.5 billion for the Capital Investment Grant Program which included, both the new starts projects as well as the smaller small starts projects and core capacity. We have seen the pipeline grow 43 percent from 37 to 53 projects. Importantly, 27 percent of those projects are in the smaller cities, not just the big urban areas. So the pipeline itself is growing significantly, which is why we have asked for $3.2 billion in fiscal year 2016, reflecting again the fact that the pipeline has grown that much in terms of projects that are ready to pursue commitments at the federal level.

[The information follows:]

CAPITAL INVESTMENT GRANTS

FTA has seen a steady rise in the demand for projects seeking Capital Investment Grant funding and a significant increase of projects requesting to enter project development since the passage of streamlined Capital Investment Grant program requirements in MAP-21. The FY 2016 Annual Report includes 44 projects in project development and engineering seeking construction grant agreements, a 75 percent increase in the number of projects since MAP-21 took effect.

FTA's FY 2016 budget recommendation for the Capital Investment Grant program seeks to address the growth in demand in several ways:

1. The FY 2016 request is part of our GROW AMERICA reauthorization proposal to provide higher consistent funding levels from Congress for the Capital Investment Grant program.

2. The FY 2016 request would help complete our payments to existing Full Funding Grant Agreements (FFGA) and Small Starts projects as early as possible. This would help make room for the large number of projects advancing through the program that will need funding in future years. Five of the nine FFGA projects would complete their project payments one year early as a result of the $15 million accelerated payment, and all nine recommended Small Starts projects would complete their payments in FY 2016.

TIGER

Mr. PRICE. All right. I am going to move on to another question, but I do want you to elaborate that for the record, if you will, both what the numbers look like and also to the extent you could make it specific projects. Let us know what is at stake here in this budget request.

Speaking of demand and a pipeline, we need to talk about TIGER, I think. It is a unique program. The funds provide critical assistance for communities to advance projects that are multi-institutional, otherwise challenging to fund through existing programs. It is a very, very popular and competitive program, certainly of interest to my district where funds have helped to make a multimodal union station in Raleigh. Yet while DOT has been able to fund hundreds of critical infrastructure projects over the last few years, in each of the last 5 years as I understand, less than 10 percent of the grant applicants have received funding.

So here is the question for each of you involved in this: How does this program work for you and your agency? What is your role in evaluating applications, the administrative process? Based on your experience, what is the demand look like to you at present and prospectively? And can you just give us again some examples of projects that might not have advanced without the help of TIGER funds?

Mr. JAENICHEN. Ranking member Price, I will go ahead and start with your question. On the maritime side, we have significant oversubscription to the program. Through the six rounds of TIGER thus far, we have been able to grant 40 projects for about $500 million. We know that the number of requests that have come in, we have been able to award about a nickel for every dollar that has been requested. So we know that it is a program that is very good.

Some examples of projects: The Port of Miami had a rehabilitation of a bridge and an intermodal connecting yard. That was a $45 million project. They were actually funded at $22.7 million as part of their TIGER grant. They probably would have had to wait to be able to complete that project without that federal funding.

Another example is Jacksonville, Florida, another intermodal container yard that is adjacent to the port. That was a $30 million program, and the project received a $15 million TIGER grant.

About 40 percent of the port grant recipients are for urban projects where we can do about an 80/20 with a federal to another money match. We see most of the projects are actually putting in more money, so we are actually seeing a lot of extra dollars from the state and the local levels. They are actually being supplemented with the federal funding we are seeing. So the program has been very effective.

Ms. MCMILLAN. Very briefly, one thing that I can do, Congressman, is actually supplement the list that I am going to put together for the Capital Investment Grant Program with TIGER applicants. Transit generally has been very well represented in TIGER. What we have seen is the ability of TIGER to be catalytic in leveraging state and local funds for transit projects. TIGER rarely makes up the bulk of the funding for the projects. It is a draw really for getting other local funds and, in fact, on occasion leveraging federal funds. For example, the Wave Streetcar in Fort Lauderdale was able to expand its footprint that was funded under a small starts program by utilizing TIGER funds and effectively also bring to bear local commitments.

Mr. NADEAU. And I could add if you would like, Mr. Chairman, or add something to the record. Shall I proceed?

Mr. CULBERSON. Yes, please.

Mr. NADEAU. Thank you, Mr. Chairman and Mr. Ranking Member. Just a couple of quick things on your earlier part of the question on roles essentially in administrating the TIGER process from a modal perspective. The modes are very involved in evaluating and rating applications during the initial phase of the process. Then we work very directly with our division offices who work directly with the recipients. As you said, demand is 15 times more than we had in available resources. But we work very closely, directly, with the applicants to ensure that they are administering the projects as per the agreements. Thus far in the case of Federal Highway, we have done 177 projects for rounds 1 through 6, totaling about $2 billion. These are projects that otherwise might have been difficult to advance because generally speaking, if you won a TIGER competition, you have made a compelling case for not being able to advance that project unless this type of federal assistance and infusion became a reality.

One example, near and dear to your heart, is in the city of Ashville. The population about 83,000, so the center of the region in the western part of the state. A $14.6 million grant, which represented about 50 percent of the project cost, was awarded to complete a six-mile network for pedestrian and bicyclists. This is an extremely important asset to a community that is in the center of an economic region, as it provides a transportation asset and also as an amenity the community can use for economic development purposes. It is likely that this project would not have been completed without this type of infusion of capital.

One last example in the state of Mississippi. The Tri-County Initiative that was called the Three-County Roadway Improvements Initiative, was a $17.8 million project. Because it was a rural grant, there was no local match. These are fairly poor counties and communities that depend heavily on basically 41 miles of roadway and 18 bridges in rural Mississippi. The roadway improvements were made possible by the availability of this grant.

So a couple of good examples, a bike-ped example, a rural highway and bridge example, projects that probably were on the boards for a long time. Certainly it made the step in terms of federal eligibility, so for projects that come that far but do not get done is likely because the resources simply are not there. And as my colleague pointed out, the TIGER grant becomes a catalyst to make these projects happen. Thank you.

BUS AND BUS FACILITIES

Mr. CULBERSON. Thank you very much. Mr. QUIGLEY.

Mr. QUIGLEY. Thank you, Mr. Chairman. Ms. McMillan, the CTA I am proud to say a 100 year old transit system that carries more passengers per year than Amtrak. We appreciate your work, the FTA and the staff, for core capacity money. It was very, very helpful, helped me through the environmental process. It is an extraordinary asset to us.

But let me jump over to my bus folks at Pace, the transit agency. One of the concerns not just for them, but for other transit agencies in their situation, is that even for a purchaser, a construction contract of less $3,000, they have a very onerous process to go through. Currently, agencies like Pace in Chicago cannot buy buses and other equipment via the GSA list of approved purchases without this process. Would the FTA be supportive of allowing these agencies to purchase items like buses, support vehicles, equipment, bus parts, and communications technology off the GSA schedule?

Ms. MCMILLAN. Thank you for the question, Congressman, and we have also heard from our smaller bus properties that—we need to explore some flexibility with respect to procurement. Certainly, maintaining the federal stewardship, but making it possible for them to have more creative ways for their smaller orders to be able to access options. We are looking at what these options would be and exploring what we could do within our existing administrative authorities versus what might need some changes. So we would be happy to follow up with your office on conversations we are having in this regard.

PEDESTRIAN SAFETY

Mr. QUIGLEY. We would appreciate that. Mr. Administrator Rosekind, how are you?

Mr. ROSEKIND. Good, good.

Mr. QUIGLEY. I think the good news is the number of people killed in our nation's roads has fallen off pretty dramatically in recent years, but the number bicyclist and pedestrian deaths is on the rise. As you drive through my neighborhoods, you see those bikes that people have chained and spray painted commemorating the unfortunate deaths of a bicyclist. Nearly 17 percent of Illinois traffic fatalities are now bicyclists and pedestrians. Establishing pretty simple safety performance measures for non-motorized transportation like DOT has done for motorized will prioritize roadway designs. That is why we were involved in authorizing such language.

Can you give us an update on your progress toward the bike and pedestrian safety performance measures, and are you running into any specific challenges that we can help you with, your timeline perhaps?

Mr. ROSEKIND. Thank you, and I am going to give you the big number, which is in 2013, 32,719 people lost their lives on our roadways. And, yes, when you look at pedestrians and bicyclists, those numbers make up about 5,500 of those people.

Yes, we have highlighted pedestrian safety in our state grant program to emphasize pedestrian and bicycle safety, again the full range including our education programs as well as the assessment. So the one thing that we can all do is actually accelerate exactly what you are talking about. I think the plan has been laid out, and now the time is just to make sure that the funding and the programs get implemented to save those lives.

Mr. QUIGLEY. If the funding is what you need, what is your time line?

Mr. ROSEKIND. I think it has already been raised here, which is the states are looking at not just annual but multi-year programs for these sorts of things. One of their challenges with getting chunks of money, is that they are not able to plan and consistently fund these programs.

Our grant programs go to these state specific safety elements, and literally, that is where the rubber meets the road, so that is where they have their challenge basically to keep them funded and consistently being implemented.

Mr. QUIGLEY. I appreciate that. Thank you, Mr. Chairman. I yield back.

Mr. CULBERSON. Thank you very much. Mr. Valadao.

PORT CLOSURE IN CALIFORNIA

Mr. VALADAO. Thank you, Chairman, and welcome.

Mr. Jaenichen, I think I am pronouncing that correctly.

Mr. JAENICHEN. That is correct.

Mr. VALADAO. Earlier this year, there were negotiations that stalled, and about nine months where there was a slow down at the ports. Those obviously had a huge—I do not know how to really emphasize how big of an impact this was to so many in my district, from the area that I represent in California, large ag producers, citrus, almonds, pistachios, all these goods that are exported. Especially on the citrus side because it is a perishable product, and for some of our dairy and beef, there was a huge impact.

With that much time, and even the shutdown over the weekend, there has been a huge impact. I know negotiations have been settled now, but there are still a lot of ships out there that are still waiting because of the backlog. Is there anything that can be done to help expedite that backlog? Extension of hours?

I think something has been done in the past. Have you looked into doing anything to help expedite the backlog?

Mr. JAENICHEN. Thank you for the question, Congressman. One of the things the Administration was very interested in is that contract negotiations were in progress, and with the assistance of Labor Secretary Perez, we were able to get to an agreement.

That agreement is in principle right now. Both sides still have to ratify the agreement. Their caucus on the labor side is not going to happen until the end of the month. We will see as that goes through.

We monitor on a daily basis the number of ships that are both being serviced in the ports, the ones that are at anchor and going to the ports, and then remaining offshore, typically outside the mission control area.

We have seen that drop off since the tentative agreement, it has been cut in about half. The best estimate right now is about three months to clear the backlog.

We recognize there are some challenges. The Federal Maritime Commission is actually looking at congestion to identify solutions. We know it is identified in beyond traffic as well, with the 45 percent increase in freight that is coming, we are going to have to work on these congestion issues, especially on the West Coast. We know that Los Angeles and Long Beach, for example, is 40 percent of our containerized traffic.

We are continuing to monitor the situation. We typically do not get involved in the Federal Government in terms of the management and the labor to be able to work those issues. We do know they are actually being worked on.

Mr. VALADAO. There is no way to extend the amount of hours that the ports are open? That is not under your jurisdiction?

Mr. JAENICHEN. That is not, sir. The Federal Maritime Commission looks at congestion, and if there are additional charges for demurrage in terms of delays, that is all worked through the Federal Maritime Commission.

Mr. VALADAO. All right. Thank you. Mr. Nadeau, The High Risk Rural Roads Program was originally established with the goal of reducing the rate of serious injuries and fatalities on two lane roads.

A dedicated funding source of $90 million was geared towards safety improvement projects. However, MAP–21 significantly altered the program, and DOT's interpretation of the change has prevented much needed investments in safety improvements on rural roads.

With the majority of highway fatalities occurring on rural roads, what can be done to improve safety on all rural roads?

Mr. NADEAU. Thank you for that question, Congressman. Under the President's budget proposal and the GROW America Act, we are doing a significant amount to address rural safety. The Critical Immediate Safety Investments Program, CISI, for short, focuses in a number of ways on addressing safety needs on non-state owned roads, which obviously and by definition includes local roads and often rural roads.

Given the rate of fatalities that occur on rural roads, it is absolutely a concern and priority for that area.

In terms of the budget proposal, 25 percent of the CISI Program has been geared to what we call the "systemic safety initiative," and what that overall program is doing in addition to identifying specific dollars. What we are after is identifying where crashes have occurred but also where crashes are likely to occur.

The data driven approach to safety initiatives is to identify where those locations are, take the resources that we are directing for that specific purpose, in addition to the general formula dollars that state DOTs receive under the National Highway Performance Program in STP dollars, and focus strategically on where those likely concerns are going to be on the system and make investments there before the crashes occur.

ACCELERATED PROJECT DELIVERY

Mr. VALADAO. Thank you very much. That is all I have. Thanks, Chairman.

Mr. CULBERSON. Thank you very much. Ms. McMillan, I wonder if I could ask about the $320 million additional dollars you have asked for in the President's budget for additional projects that are not yet approved but might be that you expect to achieve a rating of medium or higher before the conclusion of fiscal year 2016.

Particularly in light of the very difficult budget circumstances we find ourselves in this year with every Subcommittee on Appropriations, if you could, talk to us about why you felt the additional funding was necessary rather than try to deal with this through cost savings, for example?

I had the privilege last session of chairing Military Construction and VA subcommittee, and the military construction accounts, which face a lot of similar challenges that you face, they were often able to find substantial bid savings and cost savings through reductions in costs of projects.

Could you talk to us about why you thought it was necessary to ask for another $320 million, why not use bid savings, cost savings, and what type of cost savings you might anticipate FTA could find this year?

Ms. MCMILLAN. Let me speak first to the intent of what we were trying to achieve with the Accelerated Project Delivery Program.

A couple of observations. One, we have a dynamic process insofar as project sponsors are always working to provide us with information to get their projects ready so they can move them forward. We were mindful that the way that budget cycles happen generally, if we do not make a recommendation for a project to move forward in a particular budget year, they then have to wait until the next budget year to proceed.

There were some projects that were close to being able to be rated. We wanted to create some space so we could keep those moving so that projects could potentially get a funding agreement within this fiscal year, and deliver the benefits to the public that we wanted to see.

Mr. CULBERSON. Why not try to find some of that money in either bid savings, cost savings, elsewhere in the agency, or with other projects?

In a typical year, what kind of bid savings are you generally able to achieve, or cost savings?

Ms. MCMILLAN. When we make our awards in a particular year, we are not in a position really to close out the project until it is completely done. There will often be some periodic recoveries to the program, but they are not anything that is predictable. It really depends on the economic circumstances, how soon the projects get done, how they are wrapped up, and whether there are savings in the end.

In this particular case, we were trying to create some certainty for projects that would like to get an award.

Mr. CULBERSON. Sure, I understand. In a given year, how does FTA find cost savings, for example, or identify additional funds that you have been able to save money on a particular project and then have the ability to sweep up and use elsewhere where needed?

Ms. MCMILLAN. We can get back to you with some specifics. It really depends, I think, on a project by project basis. For our discretionary programs, we are careful to make sure that the project purposes are fully accounted for, and then determine whether and if there is any returns to a particular program.

It is important in our case that each of the categories are tracked on a specific basis, and we could return to you with how we manage that program.

Mr. CULBERSON. To your knowledge and your experience, the FTA typically does not achieve cost savings year to year?

Ms. McMillan. I think it is a matter of whether the project sponsors themselves with a particular project may have cost savings, and again, it depends on the particular program. It is usually project specific with respect to our discretionary programs, and it varies depending on the projects and the sponsors. There is no pattern that I could speak to right now.

Mr. Culberson. Right. Are you aware of cost savings that FTA has achieved in the past?

Ms. McMillan. There are some projects themselves may experience cost savings, and if those cost savings are realized, then for example in our New Starts Program, if there is cost savings achieved at the end of the process, they were returned to us based on our share of the Federal contribution. It really is a function of individual projects, and again, we could get back to you with experiences we have had on that and how we track it.

Mr. Culberson. Thank you very much.

[The information follows:]

ACCELERATED PROJECT DEVELOPMENT & DELIVERY

The Accelerated Project Development and Delivery category includes funding for two categories of projects:

- Approximately $120 million is for New and Small Starts projects currently in the pipeline that were unable to receive a rating and funding recommendation at the time of the President's FY16 budget submittal, but potentially may become ready for a construction grant prior to the conclusion of FY2016. The purpose of this funding category is to allow CIG projects the potential to advance to construction grant agreements when they are ready, rather than making them wait for the next federal budget cycle to be completed. By advancing projects more quickly, an opportunity exists to advance the projects more quickly and thereby minimize cost escalation and possible financing costs. An example of the potential cost saving benefit of accelerating projects is the Portland Milwaukie LRT project. The transit agency constructing the Portland Milwaukie LRT project provided a letter to FTA in 2010 stating that an increase in the annual payment of New Starts funding from $100 million to $150 million per year would shorten the payout schedule by four years and save roughly $135 million in financing costs over the life of the project. The Accelerated Project Development and Delivery category would provide projects in the pipeline the potential to advance to construction grant agreements when they are ready, rather than making them wait for the next federal budget cycle to be completed. By advancing to construction sooner, the projects may lower their financing costs.
- Approximately $200 million of this is for Accelerated Project Development work such as planning, for projects in the program pipeline located in communities that have found it challenging to advance local resources for this purpose.
    - Not less than $75 million of the $200 million would be for a newly proposed subsection under Section 5309 that would set aside funding for areas under 200,000 in population (small urban and rural areas) seeking to implement corridor or regional based bus service with premium features such as use of advanced technologies, branding, and other amenities, that could meet a set of streamlined evaluation criteria. The purpose of this funding category is to help communities that have limited local resources to advance planning work for eligible CIG projects.

Mr. Price.

Mr. PRICE. Just to clarify this last answer, the Federal Government in the vast majority of cases is not paying for these entire projects?

Ms. MCMILLAN. That is correct.

Mr. PRICE. It is a cost saving arrangement.

Ms. MCMILLAN. Correct.

Mr. PRICE. Where overall savings are achieved, there would be a recoupment perhaps, but on a pro rata basis?

Ms. MCMILLAN. That is correct.

Mr. PRICE. All right. Let me continue also on this $320 million proposal, this Accelerated Project Development and Delivery. As I understand, $120 million of that is for new and small start projects that were not rated at the time of the budget submission. That is the category you are addressing.

Ms. MCMILLAN. Yes.

Mr. PRICE. Then there is $200 million for projects that have found it challenging to advance local resources. I think we know what that is all about. A lot of that is rural and small communities, and in fact, you are setting aside $75 million within that for bus service in such communities, as I read it.

Ms. MCMILLAN. Yes.

Mr. PRICE. The report I asked you for earlier about the overall list of new starts and small starts, you can perhaps augment it with a listing of particular projects that are in this in between state, that are likely to receive an acceptable ruling, you think, or there is a good chance of that, and therefore, would benefit from that first category of funding.

While I am at it, just a couple of additional elaborations. The budget proposal includes a $15 million increase above current payment schedules for each project in construction. That is the kind of proposal that catches one's eye. I would like to know what the rationale for that is, why that is regarded as important.

Then finally, the question of corridor and regional bus service for small and rural communities. That is a new authority. I wonder if you could particularly describe the components of this proposal and why it ought to be part of the CIG Program rather than the existing transit formula program for small communities.

Ms. MCMILLAN. We will get you the list of projects that might take advantage of the $120 million target for projects that might be able to get to ratable and fundable status, and I am happy to do that.

[The information follows:]

ACCELERATED PROJECT DELIVERY PIPELINE

The Accelerated Project Development and Delivery category includes $120 million for New and Small Starts projects currently in the program pipeline that were unable to receive a rating and recommendation at the time of the President's FY 2016 budget submittal, but potentially could receive an acceptable rating of *Medium* or higher prior to the conclusion of FY 2016. Projects continually change as they progress through the development process and FTA encourages CIG project sponsors to submit information for evaluation and rating on an on-going basis throughout the year. Therefore, FTA cannot predict which specific projects will become eligible for this funding category. However, FTA proposed this funding category to enable projects in the pipeline the potential to advance to construction grant agreements when they are ready, rather than making them wait for the next budget cycle to be evaluated and rated and receive a funding recommendation.

With respect to the provision for the rural projects, one of our observations is that the current small starts' bus criteria is pretty limiting, and sometimes will not allow for smaller projects in smaller communities or rural communities to actually meet that criteria. For example, demonstrable passenger service during the weekends, even though the real growth is during the weekdays.

The ability to look at modifying our criteria to encourage and meet these bus projects in smaller communities and rural communities is the reason that we wanted to include that as part of the Accelerated Project Development Program.

With respect to adding additional funding for those already that have construction agreements, that is simply to be able to minimize financing costs over these multi-year projects, to get them done quickly and manage our pipeline better by getting them out and making space for the ones that are coming behind them.

Mr. PRICE. Is the implication of that request that you have really stretched your previous budgets very, very far, perhaps "thinly" is the word, and that you think this infusion of funds for each of these projects on an uniform basis would actually achieve some efficiencies, achieve some desirable results in terms of seeing the projects through to completion?

Ms. MCMILLAN. Yes, particularly the reduction of financing costs, if we can get these projects done more quickly, and aid that in terms of accelerating the Federal payments, that helps overall in terms of managing the project costs.

Mr. PRICE. It would be helpful also to have a number on that, if you can provide one. I know that is a complicated question. To the extent that we are talking here about an infusion of a marginal amount of funds that then would have great payoff's as you see it, in terms of the project completion around the country, and maybe saving project costs. It would be useful to have that elaborated.

Ms. MCMILLAN. Thank you. We will follow up.

[The infomation follows:]

ACCELERATED PROJECT DELIVERY COST SAVINGS

Accelerating CIG payments to projects under construction grant agreements can lower financing costs incurred on these projects. An example is the Portland Milwaukie LRT project. The transit agency constructing the Portland Milwaukie LRT project provided a letter to FTA in 2010 stating that an increase in the annual payment of New Starts funding from $100 million to $150 million per year would shorten the payout schedule by four years and save roughly $135 million in financing costs over the life of the project. The Accelerated Project Development and Delivery category would provide projects in the pipeline the potential to advance to construction grant agreements when they are ready, rather than making them wait for the next federal budget cycle to be completed. By advancing to construction sooner, the projects may lower their financing costs.

Mr. PRICE. Thank you.

FOOD AID REFORM

Mr. DIAZ-BALART. Thank you, Mr. Price. Let me first again apologize to the witnesses for not being able to be here before. My presence was required for a vote in another committee. Thank you, Mr. Culberson, for chairing, and thank you, Mr. Price, for your understanding.

Let me go to Administrator Jaenichen, if I may. Once again, the budget proposes a new food aid program. By the way, I understand the rationale behind it, but as you know, Congress every year, pretty much rejects it; as far as I know these proposals have not been endorsed by the U.S. maritime industry. Is this the same proposal? Have you worked on it with the industry and with others to see if it can have any greater chance of succeeding. In other words, or is it the same proposal, just thrown out one more time?

Mr. JAENICHEN. Thank you for the question, Mr. Chairman. The first thing then, the fiscal year '16 budget is a proposal for Food Aid Reform for 25 percent flexibility in local and regional purchase. As part of that program we include $25 million, and Maritime Administration budgets $24 million of that to support the potential impact on the vessels that would be affected by those reforms. And there would be an additional $1 million that will be supporting retraining of the mariners who potentially are affected.

I will tell you that we are also taking a look, and we are talking very closely with the maritime industry, to see if there is support for that, we are in constant communication with the Department of Agriculture, and also with the U.S. Agency for International Development to see if there are other ways that we might be able to get to some kind of agreement, to be able to have the maritime industry support.

Mr. DIAZ-BALART. Let me ask you—of the 24 that you mentioned, it is my belief it says it will be used to provide direct stipend payments to operators. Now, what are we paying them to do? How much are we dealing with? How many years? I mean what is that actually going to—? What does that mean, and what are we going to be paying them to do and for how long?

Mr. JAENICHEN. The program that would be envisioned would be an enduring program. A part of the U.S. Flag Fleet's viability is based on the government-impelled preference cargo that is available for them to carry. Without that preference cargo, their viability is essentially not as good as it would be without that cargo.

We see that this would be a program to be able to bridge the gap to some point. It would not be forever, but it would be for a period of time until they can transition to some other types of cargo which they can be commercially viable to carry.

Mr. DIAZ-BALART. So that seems it is almost like a subsidy?

Mr. JAENICHEN. Yes.

Mr. DIAZ-BALART. And so, which is required. And, by the way, I understand the merits, the reason why you are trying to do this, as far as at least, you know, on some other aspects of it, so you need the $24 million precisely because the reforms are making it less viable. So it is kind of an interesting thing.

You want to reform, the reform causes the industry to be less viable, and then you had to get taxpayers' money to keep them afloat, in essence, which is, I do not know if that passes the straight-faced test out there. In other words, if you do not do the reform, they are viable, you are doing a reform that makes it nonviable, and then therefore, you had to put taxpayer money to keep them afloat. I understand why that does not seem like a really good idea.

Mr. JAENICHEN. Mr. Chairman. One of the things that I would say, from a standpoint of the U.S. Flag trading internationally, is that group of ships and operators is under extreme pressure. Part of it is our own doing. A combination of our tax laws, and various other things in terms of protection and indemnity insurance, that causes the cost to operate under U.S. Flag to be significantly higher than their competitors who are able to fly on either a foreign flag, or a flag of convenience.

Now what I can tell you, is the preference cargoes that are available both on the Department of Defense side, and on our other civilian agencies have decreased over time. In fact, we are down to the levels, pre-1990, and so as a result of those levels, those operators are challenged. We do have a requirement, we are a maritime nation, and we need to make sure that we are not a maritime-dependent nation; and so that U.S. Flag Fleet viability is important.

Those ships are important not just for the ships but also for the mariners. Those mariners are also the same mariners that provide the crewing for our federal government reserve sealift ships, which support the Department of Defense global projection to be able to support our whole plans, so we have to have both. So it may appear as a commercial issue but it is also a security issue.

Mr. DIAZ-BALART. No. I get that. I get that. But this reform, and again as I tell you, I understand the reason for the reform, but this reform then creates—again, you are talking the decreased cargo, I get it. I agree with you. This would further decrease the cargo.

Mr. JAENICHEN. That is correct, Mr. Chairman.

Mr. DIAZ-BALART. Right. All right. With that, if no further questions. Ranking Member Mr. Price, do you have anything you want to add?

SURFACE TRANSPORTATION AUTHORIZATION

Mr. PRICE. Just one final question, which is admittedly a big one. But I would appreciate at least brief comments from each of you on this, having to do with the impact of short-term surface extensions. The authorization question, in other words.

The current authorization for Surface Transportation Programs, as you know all too well, expires on May 31st. There seems to be no clear consensus on how to finance the infrastructure needs of the country. We are probably, therefore, looking at another short-term extension until those issues can get worked out.

There have been 10 short-term extensions, 10, since the last major Surface Transportation Authorization Bill. So I would appreciate comments from each of the three of you, where this is relevant, on what impact these short-term extensions have on your programs? What programs in your jurisdiction face the biggest challenges? How in particular does it affect long-term planning, or disrupt the construction of highway projects? And how does it affect highway safety, the programs that are administered by the states?

Mr. NADEAU. Thank you. I will start off, Mr. Ranking Member. I referenced earlier, the most significant impact that short-term extensions have is the inability for state DOTs and local transportation agencies, to predict and plan. Back when I was at the state level and had the responsibility for planning, we put together a two-year work plan, and we drew from a six-year work plan, which drew from a 20-year long-term plan.

The ability to predict your sources of revenue was critical in efficiently planning and deploying a capital work plan. So, short-term extensions are costly in the inability of programs to do just that, and if you are essentially doing projects on an ad hoc basis, you are doing them inefficiently. And the inability to predict those resources means you are not executing, in many cases, longer-term, multi-year projects.

One last point which kind of illustrates the inefficiency that I am talking about; in just four states, Tennessee, Arkansas, Delaware and Georgia, all four of those state DOTs, chief executive officers, have essentially curtailed projects for moving on, and they collectively total about $1.2 billion. I can assure you there are many more states who are in the process, right now, of deciding what projects they are not going to be able to advance, based on the federal uncertainty that these extensions predict.

Not to mention the obviously, looming, once again, shortfall in the Highway Trust Fund that we will be facing, and essentially experience what we experienced last year, in terms of last-minute critical actions to prevent the shortfall, and proceed into cash management strategies. So, to me, that is the most critical issue in terms of uncertainty and the inability for state and local agencies to act.

Ms. MCMILLAN. Congressman, I would add; the picture that sometimes is not stressed enough, concerns regarding smaller rural operators. All of the states and territories manage funds, federal funds to rural recipients that total 1,300 throughout the country. In addition to that, 100 tribal nations receive funds from us. In those cases, sometimes 80 percent of their budgets are the federal dollar.

And very importantly, they also use it for operations. Lack of certainty, and lack of availability of funds, has a very direct input, and their ability simply to get service out on the road, too often, constituents that need it in very critical ways. And so, in addition to the major capital programming uncertainty that our big operators share, our rural recipients face unique challenges in this uncertain environment.

Mr. ROSEKIND. I want to go with the big numbers. 2013, 32,719 lost their lives; half of them were not wearing seatbelts. For 15 years one-third of traffic related deaths have been related to alcohol-impaired driving crashes. We know we have programs that are implemented throughout the country that work. So we are seeing nationally rates of 87 percent of people wearing their seatbelts; our latest survey since 2007, and a 30 percent drop of people on the road with alcohol in their systems. We know these programs work, how does the funding really affect these programs?

The perfect example is the states. They have annual multi-year programs, and when they only get their money in chunks, it means the programs either do not get implemented or are implemented partially. Every one of those actions translates basically into somebody potentially being hurt or killed because the program is not implemented. So for us, that is what those cycles mean. Thank you. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Go ahead.

Mr. CULBERSON. Thank you. To follow up, of course it is—I am speaking from my own district and I know throughout the State of Texas, there is very strong opposition to that, if you have gas tax increase. I understand the dilemma that you face, and that the Congress faces with the revenue stream; Mr. Price is correct to ask the question.

It would be marvelous if we could resolve this, but there is very strong opposition, I know throughout the State of Texas, to a gas tax increase, and I know that each one of us reflect our districts, and lack of reauthorization I think is the reflection of the will of the country. That there are just enough members in Congress that have districts and constituents that are opposed to have the tax increase that it kind of puts us at loggerheads.

And I would also encourage all of you—the Highway Department, particularly, to look at innovative ways to build big, expensive highway projects. In West Houston, we were successful in expanding the Katy Freeway and getting it approved as the nation's first, and I think the only one, so far, Mr. Chairman, and I know David certainly mentioned this before, too, that the expansion of 1–10 in West Houston, a 23-mile project, the largest expansion of a freeway project in the history of Texas, was done in record time, five years and three months, without any additional Federal dollars. Without any earmarked money because we were able to use the—there is a provision in Federal Law that allows local toll lanes to be operated on Interstate freeways.

So we applied for it, and I was able to get the approval with the help of the Subcommittee, and thank you, guys, for the time when I was here before, to get the approval of the Federal Highway Administration to allow locally operated toll lanes to be built on an Interstate freeway. And the Harris County Toll Road Authority was able then to inject additional funds into that project.

And we held Town Hall Meetings, so people in my district supported it. They recognized it was a user fee that would accelerate the construction of the project and allowed it to go from 8 lanes to 22 lanes in five years and three months. And that was a local initiative that the public understood and supported, and it is a tremendously successful project. It has made dramatic improvement in the economic vitality of West Houston. Our economy is very strong anyway, but it really made a difference.

So I mention it to you because even though we were faced with this reality of very strong opposition to the increase of the gas tax, we can find creative ways using the existing authority in the law, and I hope we will expand it to allow the use of, for example, toll lanes on the Interstate freeways. That is something the public supports. In a district, even as conservative as mine, they understand that that money is necessary when they can see where the money is being spent makes a dramatic improvement, and they see it built in record time.

It is a great project. One that I would encourage the Subcommittee Members, and certainly you, should have a chance to come down and look at it, and let us try to replicate it around the country in light of the problems we face in funding or reauthorization of the Highway Bill.

Mr. NADEAU. I would very much enjoy that opportunity, Congressman, and I appreciate the opportunity to highlight that at USDOT and specifically the Federal Highway Administration, back in 2010, we rolled out an initiative called, Every Day Counts. It is a partnership of state DOTs and local transportation agencies, and importantly the private sector. In the Federal-Aid Highway Program, and the same is true with my colleagues' programs, the private sector is a big partner in delivering projects efficiently.

Basically, due to the implementation of a number of things, the presidential dashboard, concurrent review practices that the Secretary discussed when he was here and importantly, provisions in MAP–21 that streamlined accelerated delivery processes. Process innovation, in terms of the environmental side, we have worked very hard with states to streamline that process.

The Tappan Zee Bridge was discussed also when the Secretary was here. Eleven months from concept, to record a decision, which is extraordinary for a $5.5 billion bridge project. What we are trying to do is make that a more standard practice and not just the exception to the rule.

From 2010 to today, the time it takes to complete an environmental impact statement on our programs has gone from 79 months to 45 months on average. And that is a lot of hard work by states and local jurisdictions working with us to essentially practice, the current review practices that you have discussed.

Mr. CULBERSON. It can really make a difference. This was the Harris County Toll Road Authority. It was not a private endeavor. This is the local government and the Toll Road Authority has been very successful. And I will just say in conclusion, that you are exactly right. Our Infrastructure Director in Harris County for many years, a gentleman named Art Storey, who was a model public servant, he used to say, if we just give him half the money in half the time, he will do twice the work. Thank you.

Mr. NADEAU. Thank you, sir.

Mr. DIAZ-BALART. Well on that note; and you are absolutely right. I mean, obviously, we are going to have to be creative. And it is us, it is the Authorizing Committee, it is Congress, in general, and it is also the Administration. And we are all going to have to work on that.

Thank you for your time, and again for your patience. And thank you for the work you do in your capacities. I know that I have a number of questions for the record. I am sure that other members of the Subcommittee will as well.

So I ask all of you, please, that if you and your staff would work expeditiously to get those questions answered, cleared and returned within 30 days, it would be helpful. The answers will help us, obviously, craft the funding recommendations for the FY16 Bill. So with that, unless Mr. Price, you have something to add.

Mr. PRICE. No.

Mr. DIAZ-BALART. With that then, I look forward to seeing you, all of us, again on the morning of the 24th, when we once again meet with Secretary Julian Castro. And with that, we will adjourn the Subcommittee. Thank you very much. I appreciate that.

Surface Transportation Programs
Fiscal Year 2016 Questions for the Record
Chairman Mario Diaz-Balart
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Diaz-Balart #1

Transportation Research Center Lease

The Transportation Research Center in East Liberty, Ohio provides NHTSA access to world class testing facilities that rival those of the automakers. NHTSA's lease for this facility is under an extension and I understand you will be evaluating options for maintaining this important research capability.

Question: Can you provide an update on your plans to secure a long-term lease for the Vehicle Research & Testing Center?

NHTSA Answer: With delegated authority from General Services Administration (GSA), NHTSA extended the current lease for our Vehicle Research and Test Center (VRTC) until September 30, 2018. This term was the longest that the lease could be extended without considering other possible locations. The lease extension allows GSA the time necessary to complete the required contracting actions to issue a long-term lease with a facility that meets NHTSA's needs. NHTSA has provided GSA with all requested information, and GSA is currently conducting market research.

Mr. Diaz-Balart #2

Transportation Research Center Lease

Question: NHTSA has spent many years and millions of dollars outfitting the East Liberty property and benefits from sharing the location with other users. Aside from the lease payment, what additional costs would be associated with switching properties and how are those costs factored into the leasing decision?

NHTSA Answer: Moving to a new facility could require the agency to assume some costs that we have not incurred because of cost-sharing agreements we have with the current manager of the property, the Transportation Research Center (TRC). TRC invests approximately $5.5 million per year on capital improvements to upgrade and maintain the facilities. These costs are spread among all users, including NHTSA. In addition, the facilities are available to the government on an "as-needed" basis and payment is made consistent with this level of access. Not having to be responsible for full-time access costs saves the government considerable amounts of money.

Another set of potential costs are associated with the disruption of moving. In the case that VRTC is relocated, some very experienced staff may not be able to relocate to a new facility necessitating their replacement. In addition to the loss of experience, the move itself will be disruptive to several research projects that are put on hold while a move that may take several months is completed. There also would be some direct financial costs associated with moving equipment and furniture.

NHTSA has conveyed these concerns to GSA. Our presumption is that GSA is factoring in these additional costs as they determine the best value for the American public.

Mr. Diaz-Balart #3

Transportation Research Center Lease

Question: I would think that there are very few properties that meet the requirements for hosting a world-class auto testing facility. Can you give specifics on what are some of those requirements?

NHTSA Answer: One major requirement for NHTSA is to maintain access to world class testing facilities similar to those used by automotive suppliers and manufacturers and at a reasonable cost. Another requirement is that the testing facilities have room for potential growth since the needs for the agency may change over time including the ability to add additional space for vehicle preparation and testing. In addition, any facility should have capabilities that allow the agency to conduct critical safety research, including research that covers defects investigations, advanced emergent technologies, electronics reliability and cyber security.

Mr. Diaz-Balart #4

Drug Impaired Driving

I am concerned about NHTSA-sponsored surveys of impaired driving which may violate people's privacy. In the past, road-side survey sites have collected blood-alcohol data without consent, and have co-located with law enforcement in a way that may intimidate drivers.

Question: Can you describe what roadside surveys NHTSA is funding in 2015 and 2016, and what steps you are taking to protect the privacy of drivers?

NHTSA Answer: Alcohol-impaired driving crashes claimed 10,076 lives in 2013, accounting for nearly one-third of all traffic deaths. Roadside surveys are the most accurate and reliable means to get information about the extent of drug and alcohol use by drivers in traffic. NHTSA has conducted a National Roadside Survey (NRS) approximately every 10 years and has no plans to conduct a NRS in 2015 or 2016. Officials from the State of Washington asked NHTSA to conduct pre- and post- roadside surveys in their State to assess the effect of legalization of marijuana on the prevalence of drug and alcohol use by drivers. The pre-legalization survey was conducted in June 2014, and a second post-legalization survey is planned for June 2015. With a 50 percent increase in marijuana use by drivers indicated in the NRS, more research is needed to understand its prevalence and identify effective countermeasures.

NHTSA takes great care to protect the privacy of participants in these roadside surveys. The surveys are strictly voluntary and anonymous. All methods and protocols are reviewed and approved by an independent Institutional Review Board (IRB) for the Protection of Human Subjects. This IRB approval process is designed to ensure that subjects of federally-funded research are treated with dignity, respect, and courtesy, that their participation is voluntary, that there is no coercion, and that volunteers give informed consent to participate.

While conducting the 2013-2014 NRS, we became aware of concerns expressed by a few community members with regard to privacy issues and quickly took action to address them by making a number of adjustments to survey protocols. For example, previously a passive alcohol reading was taken from the air at the driver's window as the researcher explained the survey to the driver so that special safety precautions could be taken in case someone in the vehicle had been drinking. After becoming aware of privacy concerns, passive alcohol readings were taken only if and after the driver signed a consent form. (Oral fluid and blood were always collected after the driver signed a consent form.) In another example, the presence of uniformed police officers at the site is essential for the safety of both participants and researchers. However, responding to concerns, officers were situated at a greater distance from the researchers to ensure that participants' decision to volunteer would not be affected by the presence of the officers. In addition to these steps, we placed additional large signs, including mobile electronic signboards, in the roadway in advance of the survey site to alert drivers that a voluntary and paid survey was ahead. NHTSA has not received complaints in a subsequent roadside survey using the modified protocols, and in fact the voluntary participation rate has been high.

Mr. Diaz-Balart #5

Drug Impaired Driving

On a related note, GAO recently published a report on the challenges of protecting the public from drug-impaired driving. One particular challenge is a lack of public awareness about the danger of driving while on prescription medications. GAO also found that NHTSA initiatives have not adequately addressed this issue and they recommended that your agency do more.

Question: What are you doing to address this apparent gap in NHTSA's public awareness mission, and what resources are you requesting to help better educate the public in 2016?

NHTSA Answer: As the GAO noted in this report, NHTSA has a robust program to research drug impaired driving, and to provide tools to local law enforcement agencies to identify and combat drugged drivers, including those using prescription drugs. However, we can do more to bring public awareness about the danger of drugged driving. To address GAO's recommendation, NHTSA is currently working on a communications plan that will include educational messages for the public about the effects of prescription drugs on driving performance. The agency will develop and finalize communications material in plain language and distribute it to partners to ensure that critical program messages reach the public. NHTSA will also provide training materials to the medical community and pharmacists on the potential impairing effect of prescription drugs on driving performance and the need to counsel patients on the risks. NHTSA has requested an additional $10 million in FY 2016 to extend our understanding of the extent and consequences of drugged driving. This research will provide the underpinning for our efforts to develop additional targeted countermeasures.

Mr. Diaz-Balart #6

Security Program Performance Measures

MARAD has made some changes to its performance measures between the submission of the FY15 budget and the FY16 budget.

Question: Why did MARAD eliminate the table in Exhibit 3-dash-2 showing the number of ship operating days enrolled in the MSP program that were actually operating in US foreign commerce and available for DOD requirements?

MARAD Answer: While MARAD still tracks operating days for ships in the Maritime Security Program (MSP), MARAD believes that a more suitable indicator for performance is the measures for ship capacity for roll-on/roll-off (RO/RO) and container ships as these track whether we are able to meet DOD requirements for capacity necessary for sealift readiness. In regard to ship operating days in a fiscal year, the target has remained unchanged since FY 2006. As a requirement for full MSP payments, ships are required to operate in U.S. foreign commerce for a minimum of 320 days each fiscal year. If all 60 MSP ships operate 320 days each fiscal year, the minimum requirement or target is 19,200 days. During Fiscal Year 2014 the number of actual operating days for all 60 ships was 22,050 days. The total for FY 2013 was 21,794 days.

Question: Why did MARAD change the targets for ship capacity to reflect the actual capacity?

MARAD Answer: This change was to avoid confusion about DOD requirements for the MSP. The U.S. Transportation Command (USTRANSCOM) has established that an MSP fleet of 60 ships is needed to meet DOD sealift capacity needs. Whether the vessels in the program are exceeding targeted capacity performance measures does not impact the DOD requirement for a 60-ship fleet and the associated U.S.-citizen mariners who crew the vessels. In recent years there has been an increase in RO/RO and containership capacity as carriers added larger capacity vessels to their U.S.-flag MSP fleets to accommodate commercial requirements. However, DOD operational plans dictate the need for certain types of vessels, in addition to capacity. Having an appropriate mix of militarily useful vessels is crucial to meeting DOD operational needs.

Mr. Diaz-Balart #7

Security Program Performance Measures

Question: If all of Defense is taking a hit under the sequester law, why should the MSP program be fully funded when all others can't?

MARAD Answer: The MSP is unique in that a reduction to the MSP annual payment could require MARAD and USTRANSCOM to select ships for termination from the MSP in order to fully fund the remaining ships not selected for termination. The carriers could be unable to sustain their existing business models. The reduction of vessels could result in the loss of the entire string of U.S.-flag vessels (ships operating in a specific port-to-port service) in a cascading effect whereby more ships would leave U.S. registry and mariner jobs would be lost. Most significantly, DOD would also lose assured access to worldwide logistics networks and intermodal facilities that existing MSP operators currently provide resulting in increased risk to DOD operational plans.

Mr. Diaz-Balart #8

New Starts Funding

FTA's New Starts account has an ambitious request for fiscal year 2016, and I wanted to better understand the specifics of your request.

Question: What was the methodology for deciding on an extra $15 million for each signed full funding grant agreement?

FTA Answer: FTA has seen a steady rise in the demand for projects seeking Capital Investment Grant funding and a significant increase of projects requesting to enter project development since the passage of streamlined Capital Investments Grant program requirements in MAP-21. These events coupled with a high demand, oversubscribed program led FTA to consider options and advantages of further expediting projects already under Full Funding Grant Agreements (FFGA) to earlier completion. Therefore FTA is recommending an extra $15 million for each signed FFGA for two reasons:

- To help accelerate the payment of federal funds to better match cash flow needs on the nine construction projects, each of which exceed $1 billion in total project cost.. Therefore, each of them is incurring sizeable financing costs that can potentially be lowered if additional federal funding can be provided sooner.
- To help complete FTA payments on the FFGAs sooner to make room for the large number of projects advancing through the program that will need funding in future years.

Question: How much money will be saved, both local and Federal, over the life of each project? And what is the aggregate savings for this group of projects in the budget?

FTA Answer: The accelerated payment of $15 million in FY 2016 would reduce the remaining amount owed to each of these projects. While it will not appreciably shorten the payout schedule for each project, it would free up capacity in the program overall in the out years. Our GROW AMERICA reauthorization proposal includes sizeable increases in the Capital Investment Grant program in part to sustain the accelerated payments on existing FFGAs in future years, not just in FY 2016.

Question: How much time will we shave off each payout schedule, thus freeing up the project pipeline?

FTA Answer: The accelerated payment of $15 million in FY 2016 would shorten the payout schedules of five of the nine projects under FFGAs. These five projects—San Francisco Third Street Light Rail, San Jose Silicon Valley Berryessa Extension, Honolulu High Capacity Transit Corridor, Charlotte Blue Line Extension, and Portland Milwaukie LRT—have accumulated shortfalls in their scheduled FFGA payments due to automatic budget cuts that took place in 2013. The budget cuts caused the payout schedules for these projects to be extended by one year. The $15 million accelerated payments in FY 2016 would restore these projects to their original FFGA payout schedule completion dates. Our GROW AMERICA reauthorization proposal includes sizeable increases in the Capital Investment Grant program in part to sustain the accelerated payments on existing FFGAs in future years, not just in FY 2016.

Question: Are you suggesting the full funding grant agreement payout methodology is flawed?

FTA Answer: FTA must manage the growing demand for Capital Investment Grant funds around the country with the funding that has been available from Congress on an annual basis. Therefore, when establishing FFGA payout schedules, we have had to regularly consider how much any one project can expect to receive in a single year from the program, rather than match our payments to the construction expenditures the sponsor will be incurring. Such considerations are driven by funding available and appropriations or other budget limitations such as sequestration. We believe this methodology is sound and a realistic reflection of the funding levels received from Congress to date. With higher consistent funding levels from Congress for the program as we are recommending in the FY 2016 budget and GROW AMERICA, FTA would have more options when considering how we develop payout schedules for future projects.

Mr. Diaz-Balart #9

Local Hiring Pilot

DOT recently announced that for one year it will permit FHWA grantees to use hiring preferences in highway contracting that have been previously prohibited because they limit competition.

Question: FHWA manages tens of billions of dollars in contracts every year, and I am concerned that these preferences could cause major cost increases. Do you plan to put any limits on the size of the pilot in case it does in fact increase costs?

FHWA Answer: There is no limit on the size of the pilot; however, the length of the pilot is limited to one year from the date of publication of the Notice (March 6, 2015). The DOT retains discretion to extend the Pilot.

Mr. Diaz-Balart #10

Local Hiring Pilot

Question: Can you explain what goals DOT is trying to accomplish with hiring preferences, and how you plan to measure whether or not the pilot was a success?

FHWA Answer: Local hiring provisions are intended to ensure that the communities in which projects are located benefit from the jobs that result from their investment of their funds, particularly for workers in low-income areas. Transportation plays a critical role in connecting Americans and communities to economic opportunity. The choices that are made regarding transportation infrastructure can strengthen communities, create pathways to jobs, and improve the quality of life for all Americans. Transportation investments and policies can improve access to jobs, education, and goods movement, while providing construction and operations jobs. As such, the DOT believes that local and other geographic-based hiring preferences are essential to promoting Ladders of Opportunity for the workers in these communities by ensuring that they participate in, and benefit from, the economic opportunities such projects present.

Each project approved as part of the pilot requests the applicant to provide certain information to DOT regarding the effects of the relevant contracting requirements on competitive bidding. This information includes comparisons of bids received for the projects utilizing the relevant contract requirements to other projects of similar size and scope and in the same geographic area not utilizing such requirements. If a reduction in the pool of bidders is evident, applicants will be asked to explain the potential offsetting benefits resulting from the use of the requirement. Applicants will also describe and quantify how the proposed contracting requirement would lead to increases in the effectiveness and efficiency of Federal funding for the project(s). DOT will assess the methods and evaluation proposed by the applicant to determine if it meets the intent of the pilot before the application is approved as part of the pilot program.

Mr. Diaz-Balart #11

Local Hiring Pilot

Question: How do you plan to measure whether competition is harmed and how long will it take you to make that determination?

FHWA Answer: DOT will review the information provided by the applicants (discussed in the response above) to evaluate the impacts on competition. In reviewing this information, DOT will be guided by the standard established in the 2013 opinion for the Office of Legal Counsel. This standard provides DOT "[m]ay reasonably conclude that a state or local bidding requirement that constricts the pool of potential bidders is nonetheless consistent with [competition] because the requirement advances the purposes of competitive bidding and thus does not *unduly* limit competition. In making that judgment, [DOT] may permissibly weigh whether the bidding requirement promotes the efficient and effective use of federal funds in the short or long run, or otherwise safeguards the integrity of the competitive bidding process." We have not yet established a timeline to make this determination, but will do so as expeditiously as possible after the conclusion of the pilot program.

Mr. Diaz-Balart #12

Local Hiring Pilot

Question: After the first year, do you plan to suspend the pilot until you've had a chance to evaluate it?

FHWA Answer: Currently, the pilot is in place for only one year unless the DOT decides to extend the one-year period.

Mr. Diaz-Balart #13

Disadvantaged Business Enterprise and On-the-Job Training Grants

FHWA continues to allocate the maximum authorized amount for Disadvantaged Business Enterprise and On-the-Job Training grants, even when it squeezes FHWA's other oversight responsibilities.

Question: What are your performance metrics for these programs? Do you track disadvantaged businesses served to see if they have increased their revenue? Or do you track how many trained workers get jobs?

FHWA Answer: Program success is monitored primarily at the FHWA Division Office level. Prior to allocating funds, FHWA reviews the planned used of funds and requires all programs to submit performance metrics that State DOTs and Division Offices will use to evaluate the program's success. Metrics for the DBE Supportive Services (DBE/SS) programs include: the number of firms receiving services; whether the participants were successful in obtaining work on federally-assisted contracts, either as prime or subcontractors; whether, as a result of the training, the State DOT increased the dollar amount of the participants' prequalification; and whether the firms established partnerships or joint ventures. Metrics for the On-the-Job-Training Supportive Services (OJT/SS) programs include: the number and racial/ethnic/gender breakdown of those individuals participating and completing the program; the number and type of trainings completed by participants; and whether the recipients were accepted into apprenticeship programs or received employment as trainees on federally-assisted contracts or on State or local contracts. The State DOTs are required to submit, either quarterly or semi-annually, reports for both the DBE/SS and OJT/SS programs, in addition to an annual report to FHWA. Should the State DOT not meet the proposed metrics, FHWA will require future programs to be revised and/or service providers substituted prior to distributing funding for the following fiscal year (FY).

The FHWA is developing a mechanism for electronic data collection to better monitor program success on a national level for both programs.

Mr. Diaz-Balart #14

Disadvantaged Business Enterprise and On-the-Job Training Grants

Question: These grants have a 100% federal cost share. Is there any evidence of state or private co-investment that results indirectly from these funds?

FHWA Answer: In FY 2014, 27 out of 50 State DOTs with supportive services programs chose to contribute State funds and/or to allocate flexible Federal funds which they could have used to support other programs. These contributions ranged from $500 (Virgin Islands DOT) to $2.9 million (Florida DOT). The FHWA does not track private investments.

Mr. Diaz-Balart #15

Disadvantaged Business Enterprise and On-the-Job Training Grants

Question: There are several federal programs designed to support disadvantaged workers and small businesses. How does DOT coordinate with what is already being done elsewhere?

FHWA Answer: The FHWA is committed to working closely with the Office of Small and Disadvantaged Business Utilization through their SBTRCs (Small Business Transportation Resource Centers), which are located throughout the nation. The SBTRCs provide technical and financial assistance to small businesses, including DBEs, in their respective regions. The FHWA encourages State DOTs to leverage resources by working in partnership with SBRTCs in their area, in order to provide a structured process for DBEs to receive firm-specific guidance toward becoming competitive within the construction marketplace.

With respect to the OJT/SS program, FHWA encourages State DOTs to establish partnerships with other State agencies (such as State departments of labor and State departments of education), local government agencies, industry, trade organizations, unions, community colleges, State workforce development boards, and other educational institutions with developed and accredited training and job placement programs. The FHWA finds that programs that leverage resources from other agencies and stakeholder groups are more successful in placing participants who have completed the program.

FHWA has also established five regional workforce centers to provide technical assistance to help facilitate partnerships and strengthen transportation career pathways at the state and local levels.

Mr. Diaz-Balart #16

Disadvantaged Business Enterprise and On-the-Job Training Grants

Question: FHWA has discretion over how much of its annual contract authority to allocate to these programs. How do you justify prioritizing these grants over hiring, employee training, and IT maintenance without clear evidence that they are working?

FHWA Answer: FHWA has evaluated the OJT and DBE programs to determine the appropriate funding levels. We actually need more funding for OJT and DBE, not less, and GROW AMERICA seeks to build on these programs. OJT and DBE are vital programs that provide disadvantaged populations a gateway into the transportation community. In fact, the FY 2016 budget proposes an additional $30 million in job training as part of the Ladders of Opportunity program to ensure that our Nation has a highly skilled and diverse transportation workforce. Any reduction to funding levels would have a negative impact on these important programs. Taking funding from OJT or DBE for administrative needs wouldn't solve the problem—it would simply shift it to another area.

Mr. Diaz-Balart #17

Performance Measures

MAP-21 establishes a new performance regime for federal highway programs which includes national goals as well as performance measures. Unfortunately, regulations to establish requirements are taking longer than originally anticipated.

Question: What has been the source of the delay, and, realistically, what would you anticipate being implemented in 2016?

FHWA Answer: The FHWA has been diligently working to finalize the performance management rules as quickly as possible. The FHWA published proposed regulations for public comment for 5 of the 6 rulemakings needed to implement highway elements of MAP-21's planning and performance management requirements—

- Performance measurement for safety;
- Statewide and metropolitan planning;
- Highway Safety Improvement Program (HSIP);
- Performance measurement for bridges and pavements; and
- Asset management.

At the request of the public we have extended the comment period for each of these proposals in order to ensure full public participation in this complex undertaking.

A recent GAO report recognized that the deadlines for the rulemakings may have been ambitious given the extent to which MAP-21 transformed surface transportation programs and the length and complexity of the rulemaking process. The new MAP-21 requirements cover a number of performance areas that vary in maturity levels. In some cases we have had to establish the new methods, standards, and data sources necessary to implement a credible national program. In addition, all States and Metropolitan Planning Organizations (MPOs) will need to comply with these new requirements. For these reasons, we have worked through many proposed implementation options carefully considering the effect on these and other impacted entities. Additionally, the Department felt strongly about engaging the public early in rulemaking process. Right after the President signed MAP-21 into law, the Department began a series of stakeholder engagements using a variety of communication media, in which nearly 10,000 people participated.

During 2016, FHWA anticipates that all twelve measure areas will be finalized and implementation will begin. This includes State DOTs and MPOs working to establish targets. In addition, the October 1, 2016 performance report, required by MAP-21, will be submitted to FHWA, to enable us to begin to tell a national transportation performance story.

Mr. Diaz-Balart #18

Performance Measures

Question: Ultimately, grantees will identify targets for performance and then regularly report on their progress. When do you anticipate having enough grantee data to evaluate what FHWA is achieving with respect to national goals?

FHWA Answer: Assuming that all twelve measure areas are finalized in late 2016, State DOTs will begin establishing targets for the performance measures within 1 year. If this occurs, States would first report to FHWA in 2016, and then every year (for HSIP-related measures) or 2 years (for the pavement and bridge measures) thereafter. In addition, States would submit data to national data sources for performance areas beginning in 2017. Using these national data sources, FHWA should have sufficient data to begin to assess national performance in 2018.

Mr. Diaz-Balart #19

Performance Measures

Question: GAO recently reported that grantees are worried about data and cost challenges. What is FHWA doing to assist grantees with compliance, and how much are implementation costs likely to be both for your agency and the grantees in 2016?

FHWA Answer: The FHWA is working in four areas to assist with implementation in regards to data and cost challenges:

Training and education - FHWA has a suite of training (8 courses) under development to assist States and MPOs with implementing the performance management provisions in MAP-21. Training includes target setting, data integration and analysis, pavement analysis and bridge analysis, each with a data component to help State DOTs identify how to more efficiently collect and utilize all available data for performance management decision-making. The total expenditure for this training to date, not including deployment, is approximately $3.0 million.

Transportation Performance Management (TPM) Technical Assistance Program - Over the next 5 years, FHWA will expend approximately $1.75 million to deploy a technical assistance program that will:

- provide a means for States, MPOs, and transit agencies to assess their capability to carry out a performance based program;
- provide technical resources that will help guide States and MPOs to increase their capability;
- conduct up to 24 workshops and peer exchanges to provide on-site technical assistance;
- encourage FHWA partners to assess their readiness/progress implementing TPM best practices; and
- facilitate stakeholder collaboration in the development of various TPM products/services (e.g. guidebooks, workshops, trainings).

Acquisition of data source - FHWA has acquired a national data set of average travel times for use in performance measurement. This data set is being made available to States and MPOs to use for their performance management activities. The data set is updated monthly and access is free to State DOTs and MPOs. The cost of providing this data set and technical assistance to date is $2.2 million per year.

Guidance development - FHWA is also identifying areas of guidance that will assist grantees with implementation efforts. It is estimated that this guidance development and implementation assistance will cost approximately $0.5 million.

The benefit/cost analysis estimated the 10-year undiscounted cost for grantees to implement the first and second performance measure rulemakings to be $263.1 million (capital and labor costs). The estimated costs for the third performance measure rulemaking will be released with the Notice of Proposed Rulemaking.

Mr. Diaz-Balart #20

Accelerated Bridge Construction

Mr. Nadeau, I understand you were able to recently attend the national Accelerated Bridge Construction conference hosted by FIU in Miami. Thank you for participating. I understand that roughly 27% of the nation's 60,000 bridges are deemed deficient and in need of repair or replacement. Given our limited resources, it's imperative that the best construction and maintenance techniques are used.

Question: What is the department's plan to prioritize greater focus on service-life design, and incentivize states to adopt design and construction practices? Is there an opportunity for FHWA to focus on these techniques so that our longer-term construction and maintenance costs go down? As I understand, FHWA has a program called long term bridge performance program (LTBPB). What has been the impact of this program? How is FHWA working with stakeholders, including research universities, to enhance the long term performance of our bridges?

FHWA Answer: Numerous FHWA research and technology programs and activities provide resources and incentives to bridge owners to support the use of technology and innovations in bridge design and construction practices. Some of our efforts are highlighted below.

Long Term Bridge Performance Program
The FHWA Long Term Bridge Performance (LTBP) Program was created to develop a comprehensive, scientific database of bridge condition and performance information that can be used to improve future bridge design and inform asset management decision-making. This Program has already created a number of initial benefits, and it is positioned to assist bridge owners and the Federal government to make more-informed decisions regarding investment in bridges into the future.

An initial benefit has been creation of a group of representatives from each State transportation agency to help guide the program. This group is reaching consensus in development of protocols to standardize the type and methods of collection of bridge performance-related data on a national basis. While standardizing data collection in accordance with these protocols is critical to the successful collection of the LTBP data, we envision that these protocols also will be used by bridge owners to assess bridge condition when more in-depth monitoring is required.

Another benefit has been creation of the RABIT™ Robotic Assisted Bridge Inspection Tool, an autonomous robotic system used to collect performance data on concrete bridge decks in a more efficient, safe, and detailed manner. We have communicated with States on the success of this tool and how they can use it to assess concrete bridge deck condition and to provide critical information pertinent to repair and/or replacement decisions.

On a related and longer-term impact, the LTBP Program has created the Bridge Portal, a web-based application that bridge owners can use to make better decisions for managing their bridge assets and to better understand the impacts of expanding freight traffic. FHWA's work with the

State Coordinators and the several contractors and universities involved with this Program is helping to establish an important knowledge and expertise base for dealing with the long-term performance of the Nation's bridges.

Every Day Counts and Second Strategic Highway Research Program (SHRP2)
FHWA also has other partnerships to improve bridge conditions and performance. We are working with the American Association of State Highway Transportation Officials (AASHTO), Transportation Research Board (TRB), universities, and industry began focused efforts on technology deployment of Service Life Design (SLD) and Accelerated Bridge Construction (ABC) techniques and strategies for adoption by State DOTs, local agencies, and other bridge owners. These deployment efforts are being carried out through the FHWA Every Day Counts (EDC) initiative and the second Strategic Highway Research Program (SHRP2).

Two of the leading ABC technologies—Prefabricated Elements and Systems (PBES) and Slide-in Bridge Construction (SIBC)—are being used nationwide to significantly reduce project construction time and costs. FHWA also is currently promoting another EDC innovation, Ultra-High Performance Concrete Connections (UHPC), to provide a simple, durable connection for PBES elements with improved long-term performance.

In SHRP2, FHWA supports two efforts. First, we are marketing "Innovative Bridge Designs for Rapid Renewal" - a toolkit with recommended design standards and examples of complete prefabricated bridge systems for highway bridges. We are also emphasizing "Service Life Design for Bridges" as a means to provide longer service life by design through durable and state-of-the-art materials, construction techniques, and utilization of emerging technologies that are ideally suited for a bridge. To facilitate the deployment of products from these two SHRP2 projects, FHWA is offering implementation assistance to State DOTs, metropolitan planning organizations (MPOs), local agencies, and others.

Accelerated Innovation Deployment Demonstration program
The Accelerated Innovation Deployment Demonstration program provides funding as an incentive for State DOTs, MPOs, and local agencies to accelerate the implementation and adoption of innovations such as PBES, SIBC, and UHPC. To date, three States (Alabama, Indiana, and Michigan) received incentive funding to demonstrate SIBC, and two States (Alabama and Iowa) received incentive funding to demonstrate PBES technologies.

Surface Transportation Programs
Fiscal Year 2016 Questions for the Record
Full Committee Ranking Member Nita Lowey
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Ms. Lowey #1

DADSS Research Program

Question: The DADSS research program – a cooperative research agreement between NHTSA and the Automotive Coalition for Traffic Safety -- holds the promise to help significantly reduce or truly end drunk driving. The research effort is designed to develop a technology which would quickly and unobtrusively determine if a driver is at or above the illegal limit of .08 BAC. Please provide an update on the DADSS program. What milestones have been reached to date and what steps is NHTSA taking to hasten the technology development?

NHTSA Answer: The agency is committed to using all tools available to reduce the alcohol-impaired motor vehicle crashes. These crashes contributed to 10,076 fatalities in 2013, representing 31 percent of total motor vehicle traffic fatalities in the United States, and costing Americans an estimated $199 billion in 2010. One of the most innovative tools is the Driver Alcohol Detection System for Safety or DADSS research program. As part of a cooperative agreement with NHTSA, the Automotive Coalition for Traffic Safety (ACTS), comprised of 15 automakers, has completed desk-top prototypes of two different technological approaches for measuring blood alcohol levels – touch-based and breath-based. NHTSA has significantly hastened the development of this technology by providing 72 percent of the total $25 million investment in DADSS research over the past seven years with automakers providing the remainder. In 2016, NHTSA expects that research vehicles incorporating both technological approaches will be complete. Based on current research and the requested level of funding, industry will be able to consider whether to voluntarily integrate these technologies into their respective vehicle fleets when the cooperative agreement ends in 2018.

Ms. Lowey #2

Ignition Interlocks

Question: Ignition interlocks, used for convicted drunk driving offenders, have been proven to reduce drunk driving recidivism, particularly when the laws apply to ALL convicted drunk driving offenders. What else can we do to get more states to pass these life-saving laws? And what can be done to ensure that all-offender ignition interlock laws are implemented more effectively? Please provide a list of the States that have ignition interlock laws? How many States have received ignition interlock incentive grants? Why haven't other States been eligible to receive such incentive grants?

NHTSA Answer: Today all States allow or require ignition interlock use for those convicted of driving while intoxicated (DWI) compared to just eight States in 2006. Over the same time period the number of interlocks in use grew from about 100,000 in 2006 to over 300,000 in 2014. NHTSA encourages States to enact laws requiring all DWI offenders to use alcohol-ignition interlocks, including first offenders. NHTSA published Model Guidelines for State Ignition Interlock Programs and provides direct technical assistance to States to help them establish and strengthen ignition interlock programs.

The "Moving Ahead for Progress in the 21st Century Act" (MAP-21) requires States to enact and enforce a mandatory law that requires all individuals convicted of DWI to be limited to driving only motor vehicles equipped with ignition interlocks in order to receive a grant. The plain language of the statute sets a very straightforward requirement that interlock use must be required for all convicted of DWI. Unfortunately, many States include exemptions in their laws that allow offenders to avoid interlock use. Under the statute, these States do not qualify for a grant. As a result, in fiscal year 2015, 12 States applied and four States (Connecticut, New Mexico, Washington, and Arizona) received grants.

In response to the limited number of grants, in the GROW AMERICA Act, the Administration proposes some changes to the statutory requirements to increase opportunities for receiving a grant. Specifically, the proposal would expand eligibility for the ignition interlock grant program by allowing States with employer or rural exemptions in their interlock laws to be eligible if the DWI offenders are required to participate in a 24/7 intensive supervision program.

We believe that a combination of the agency's ongoing technical assistance to State interlock programs and additional refinement to the MAP-21 requirements will enable more States to qualify for these grants.

Ms. Lowey #3

Seat Belt Use

Question: NHTSA's efforts to increase seat belt use have been quite successful, thanks to the efforts of many around the country and programs such as Click It or Ticket. The budget justifications point to a rather modest goal of achieving a national belt use rate of 88 percent in 2016. A "stretch" goal of a 90 percent belt use rate seems more appropriate, particularly since nearly 20 states have use rates at or above 90 percent. What steps can the agency take to achieve it?

NHTSA Answer: The national effort to increase seat belt use has been very successful with Click It or Ticket and incentive grants for primary enforcement seat belt laws. While 19 States have seat belt use rates at or above 90 percent, we are taking steps to achieve higher seat belt use in States with lower seat belt use rates. NHTSA is examining data to identify which States and regions would benefit from additional efforts on seat belt use, and is reaching out to both traditional and non-traditional partners to identify new and innovative strategies to increase seat belt use. We have also sponsored program assessments in these States to offer guidance on how to achieve improvements in seat belt use. We hope to achieve higher seat belt use across the nation with these additional steps along with Click It or Ticket.

Ms. Lowey #4

Highway-Railroad Grade Crossing Safety

Question: Another traffic safety area that I am concerned about is highway-railroad grade crossing safety. Last month, there was a tragic crash between a vehicle and a Metro-North commuter train at a highway-railroad grade crossing in my district. This tragic crash took the lives of the car driver and five passengers on the train. How can State DOTs utilize their highway safety funds to improve safety at grade crossings? And would a high visibility enforcement campaign, similar to NHTSA's seatbelt and impaired driving campaigns, be helpful in educating the public about the dangers of entering active grade crossings?

NHTSA Answer: A data-driven approach provides the best opportunity to effectively target the appropriate safety countermeasures to the most critical locations and provide the largest return on investment for highway-rail crossings. States develop hazard index formulas to determine where the biggest risks are at crossings in their State. In addition to the $220 million in funding provided nationally by the Railway-Highway Grade Crossing Safety Program under 23 U.S.C. 130 (commonly referred to as *Section 130 funds*), States may also be able to access funding to enhance safety at roadways approaching crossings through the Highway Safety Improvement Program (HSIP) under 23 U.S.C. 148 (commonly referred to as *Section 148 funds*). The use of HSIP funds is driven by the collaborative, data-driven Strategic Highway Safety Plan in each State. These plans identify those areas where available safety funding can make the biggest difference in saving lives, and railroad-highway grade crossing safety representatives are part of the plan development. U.S. DOT has partnered with Operation Lifesaver, Inc., which supports high visibility enforcement campaigns

Surface Transportation Programs
Fiscal Year 2016 Questions for the Record
Ranking Member David Price
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Price #1

Vehicle Recalls

Last year, the National Highway Traffic Safety Administration (NHTSA) recalled more than 60 million vehicles due to safety defects with ignition switches and airbags. It was the largest number of recalls in a single year since the agency began collecting data nearly fifty years ago.

Question: In a number of cases, NHTSA has been criticized for being slow to act. What changes have been made to NHTSA's oversight procedures to ensure that defects are identified as quickly as possible? What has the agency done to ensure that automobile manufacturers act? What more could, and should, be done?

NHTSA Answer: We must strengthen how NHTSA identifies and recalls vehicles and equipment with safety-related defects. As it stands, resources – including people, technology, and authority – present challenges to NHTSA's efforts in this area. We have to address these issues through multiple mechanisms, such as seeking more people, new technologies, and increased authority.

NHTSA is actively pursuing both technological innovations and process improvements to enhance our ability to identify defects as quickly as possible. Much of NHTSA's technological improvement efforts focus on data warehousing improvements through the Corporate Information Factory. This technology will provide NHTSA with improved document management and data mining capabilities which, among other things, will facilitate the identification of defect trends. NHTSA is also completing its own internal review of processes and will begin implementing process and organizational enhancements this year.

The agency has been aggressive in using all of its existing authorities to hold manufacturers accountable. In the last year,

- Honda paid two maximum $35 million penalties, a total of $70 million, for failing to report deaths, injuries and certain warranty claims over the period of a decade;
- General Motors (GM) paid a maximum $35 million civil penalty as a result of findings from NHTSA's timeliness investigation regarding the Chevrolet Cobalt and the automaker's failure to report a safety defect in the vehicle to the federal government in a timely manner;
- Hyundai paid a $17.35 million civil penalty as a result of the manufacturer failing to report a safety-related defect in a timely manner; and
- NHTSA penalized Graco $10 million for failing to timely recall millions of car seats, up to $7 million of which it will spend on specified actions to advance safety.

In addition, Honda, GM, Hyundai and Graco have all agreed to unprecedented NHTSA oversight requirements outlined in Consent Orders. Our actions are pushing these manufacturers to significantly raise the bar on their safety obligations, and help us determine if there is cause for additional actions.

On February 20, we also began levying fines on Takata at a maximum rate of $14,000 a day until Takata lives up to its obligations under the law. In addition, we issued an order that will force Takata to preserve evidence that may be necessary in our investigation and helpful in any private action.

While we are taking all actions allowed under the law to hold manufacturers accountable, it is clear that the law does not currently provide our agency with sufficient authority and resources to hold bad actors fully accountable. That is why we are requesting new authorities in GROW AMERICA, including maximum fines of $300 million, authority to prohibit the rental, sale or lease of a motor vehicle with a defect, imminent hazard authority, and reduced obstacles to enforce recalls against bankrupt companies. We are also requesting to nearly triple the defects investigation program budget and to more than double the staff positions in the President's fiscal year 2016 budget.

The budget request includes an increase of more than 300% for the Office of Safety Defects Investigation. This includes 28.5 FTE to hire additional engineers and investigators.

Question: What activities will these additional resources allow you to conduct?

NHTSA Answer: Currently the Office of Defects Investigation (ODI) is staffed with 51 people, too few given the volume of data that must be examined. It is not possible for 8 people to assess the nearly 80,000 consumer reports received in 2014, or for 16 investigators to adequately examine every potential safety defect in nearly 270 million vehicles registered in 2013 (the most current available data). The President's Budget request provides for an additional 57 positions, which more than doubles the personnel available to attend to this important work. In addition to increasing the number of screeners and investigators, the request also includes the creation of two new offices:

- The Trend Analysis Division will focus on efforts to review safety data and identifying near term and potential future risks associated with emerging technologies.
- The Field Investigation and Testing Division will provide NHTSA with staff to conduct investigations of specific vehicles involved in a fire, crash, or other situation involving an alleged defect.

The President's Budget also requests an additional $21.6 million in program funds to enable ODI to improve its effectiveness and meet growing challenges to identify safety defects quickly through three major initiatives:

- Expand and improve business intelligence of a data mining and analytical tool used by defect screeners and investigators.

- Increase the number and quality of safety defect complaints and awareness and responsiveness to recalls, through a consumer outreach campaign.
- Improve the quality and efficiency of defects investigations with additional contractor support and new equipment.

Mr. Price #2

Distracted Driving

Distracted driving is an emerging safety threat, and the rapid adoption of mobile communication technology in the last decade has significantly increased the threat. Current national policies and actions to address distracted driving rely significantly on the findings of naturalistic driving studies (NDS).

Question: One challenge to NDS is that these studies do not measure the cognitive distraction that can occur when drivers use phones while behind the wheel. Are there other research methodologies that could better and more fully inform our understanding of the nature and impact of distracted driving?

NHTSA Answer: NHTSA recognizes the importance of using a range of complementary methods to fully understand the causes, effects and risks associated with all forms of distraction while driving. Objective measurement of the degree of driver attention – or inattention – is very challenging. Because no single research method is able to fully inform us about this important aspect of driver performance, scientists must consider several sources of evidence, including experimental and naturalistic studies, for the best understanding.

Experimental studies are very useful to provide insights on what could happen behind the wheel if drivers are subject to certain cognitive distractions while performing driving tasks. However, experimental studies often leave questions about the relevance of the test conditions to actual driving conditions. Naturalistic studies are still needed to examine this perspective.

Recently, there has been greater emphasis on connecting cognitive distraction with cognitive neuroscience research that examines the limits of brain functioning and multitasking. This research promises fresh insights that could lead to new techniques for measuring distraction. However, as with simulator studies, this method does not provide the crash risk associated with cognitive distraction in the real world.

Mr. Price #3

Infrastructure Challenges at Maritime Academies

Question: The United States Merchant Marine Academy teaching vessel is over 50 years old. Please describe the challenges this presents, as well as any other pressing capital needs at the Merchant Marine Academy in Kings Point.

MARAD Answer: The training ship at State University of New York Maritime College, the T/S EMPIRE STATE, is 53 years old and will reach the end of its service life in 2019. Some of the challenges that come from using a ship this old are associated with operations and maintenance and some are associated with the mission of the vessel and the quality of training that can be provided using antiquated systems. In order to comply with new training standards and environmental as well as safety regulations there are often costs to comply with them. Some of these new training standards and regulatory changes will require modifications to the ships. At a certain point it may be less expensive to replace the ship than to repair it. However, MARAD has not yet made that determination. Additionally, the cost of operating the vessel typically goes up each year as replacement parts are difficult if not impossible to acquire and as outdated equipment with low efficiency is kept in service. The Administration's 2016 request includes a $5 million request to fund short-term planning activities, including study of requirements alternatives, cost-tradeoffs, cost analysis, schedule, acquisitions strategy, and vessel design; and long-term planning activities, including study of program delivery strategy and production timetables for the incremental replacement of the current academy training ships.

Over the course of several decades, the physical plant at the Merchant Marine Academy in Kings Point, New York has deteriorated. This administration has already spent over $100 million for necessary capital improvements. All six dormitories and the main dining facility have been renovated; the pier and the training ship have been replaced; the water and electric infrastructure are being upgraded; and renovations are planned for all four main academic buildings and laboratories. The President's Fiscal Year (FY) 2016 Budget Request includes $24.7 million for these needed capital improvements at the Academy. Additionally, a comprehensive Capital Improvement Program annual report was submitted to Congress on March 31, 2015 that includes the Academy's capital needs through Fiscal Year 2020.

Mr. Price #4

Infrastructure Challenges at Maritime Academies

Question: What do you anticipate the total design cost to be for these replacement ships? Does the Maritime Administration intend to assist with ship construction costs?

MARAD Answer: The total vessel cost has not yet been determined. MARAD is analyzing the opportunities and efficiencies of a common schoolship design and developing a concept design from which to base a rough order of magnitude cost estimate. Results of this work are scheduled to be completed by May 31. In addition, the Administration's 2016 request includes a $5 million request to fund short-term planning activities, including study of requirements alternatives, cost-tradeoffs, cost analysis, schedule, acquisitions strategy, and vessel design; and long-term planning activities, including study of program delivery strategy and production timetables for the incremental replacement of the current academy training ships. The current fleet of seven training ships are owned and maintained by DOT/MARAD and loaned to the State Maritime Academies. Historically, ship construction costs have been borne by the federal government as federal assets. However, the States do contribute substantively to the outfitting, maintenance and operations of the vessels. In addition to training cadets at the State Maritime Academies, the multi-mission vessel could also be readily deployed to support national security, humanitarian assistance and disaster relief missions. Additionally, the six SMAs produce highly skilled U.S. Coast Guard licensed officers in the U.S. Merchant Marine to support America's economic, defense and security requirements. Every year between 200 -250 SMA and USMMA graduates enter the U.S. Navy's Strategic Sealift Officer Program as Reserve Officers.

Mr. Price #5

Infrastructure Challenges at Maritime Academies

Question: Please comment on the level of interest in the program. Are there particular states or communities that appear to be leading the way?

MARAD Answer: The concept of the National Security Multi-mission Vessel (NSMV) is widely supported by all the State Maritime Academies (SMAs) and other Federal agencies that are dependent on the skills and quality graduates that come from these academies. The SMAs and the U.S. Merchant Marine Academy support the need and the approach of a purpose-built vessel to replace the ageing training ships they currently use. However, the NSMV is in its early development as described in earlier responses and MARAD will continue to work with the SMAs and well as other federal agencies. Similarly, the Administration and the leadership within the Department of Transportation and the Department of Defense recognize the importance of annually producing highly skilled U.S. mariners to support the economic and security interests of the Nation. In addition to the SMA support we are finding generally that shipyards and States that contain them are supportive.

Mr. Price #6

Infrastructure Challenges at Maritime Academies

Question: Are there additional incentives, other than the existing deployment grants, that could help engage communities in the use of ICM?

MARAD Answer: The Department has successfully used—and continues to use—a wide variety of incentives and strategies to encourage the adoption and deployment of ITS technologies across the country. As a result, ITS solutions have been successfully deployed in cities and rural areas and in transportation management centers across the country, as well as by the private sector. The Department seeks to integrate proven ITS technologies into the daily activities of transportation agencies, so that the technology considerations are integrated into normal business processes, from the initial planning process to project development and through the everyday operations and maintenance of the transportation system.

Deployment is more likely to be achieved when a full range of incentives is applied over the course of the ITS Research and Development lifecycle, from pilot demonstrations and program grants, to Knowledge and Technology Transfer (KTT) activities such as technical assistance, training, and guidance. Conducting KTT is a very important role for Federal agencies in incentivizing ITS deployment. KTT includes: training, technical assistance, guidance documents, and peer to peer exchanges. Training courses have been shown to be effective in answering some of the questions of state and local agencies about ITS technologies that may have impeded decisions to implement. Reducing the uncertainty about the risks and benefits of ITS is key to promoting adoption. In addition, delivering practical guidance and direct technical assistance on how to plan, analyze, and implement these technologies through guidance documents and state of the practice manuals or handbooks assists in standardizing procedures and creating a community of practice that will encourage deployment. These efforts should include mechanisms for peer exchanges, whether in-person or virtual, as research has shown that peer influence is an important factor in the decision to deploy ITS.

The FHWA Every Day Counts (EDC) partnership with State DOTs demonstrates how focused KTT is critical to influencing adoption of ITS technologies. Additionally, the Department recently developed an ITS Deployment Incentives Report that was prepared through a collaborative process within and outside of the Department:
http://www.its.dot.gov/itspac/Dec2014/DelploymentIncentives_Report.pdf

Mr. Price #7

Federal Transit Administration Research

Question: What are some of the challenges sequestration cuts are posing for FTA? Please provide examples of impacted research, including efforts that are not advancing as anticipated, as well as research efforts that the agency is unable to undertake.

FTA Answer: The Administration strongly believes that sequestration is an avoidable crisis that should be solved before it puts the brakes on our improving economy. As a reminder of the overall impacts on FTA programs in 2013, FTA alone had to find approximately $655 million in cuts halfway through the year. The cuts included $545 million from emergency funds appropriated for Hurricane Sandy recovery and resiliency and almost $100 million from the Capital Investment Grant program that funds New Starts and Small Starts. The balance of the $10 million in cuts came from research, administrative expenses, and WMATA PRIIA grants.

Any reduction to research funding will impede FTA's efforts to improve the safety, reliability, efficiency and sustainability of public transportation through much needed transit research. These activities include safety research; support of industry development of asset management practices; research and demonstrations of promising technology and practices for transit operations and facilities; and improving transit connectivity with local communities.

In order to not repeat this avoidable crisis, the Administration submitted a budget that reverses sequestration cuts on domestic and defense investments.

Mr. Price #8

Integrated Corridor Management

The Integrated Corridor Management (ICM) Program, authorized under MAP-21, has already accelerated awareness of the ICM concept through research and demonstration, outreach and guidance, workshops, and training activities.

Question: I understand that the agency identified eight Pioneer Sites to plan, design, model, and demonstrate the benefits of ICM. Please outline the results of the ICM pioneer site demonstrations in San Diego, CA, Minneapolis, MN, and Dallas, TX. What are some of the potential benefits that the agency has identified? Are there ongoing demonstrations occurring in these sites or any of the other identified sites?

In November 2013, the agency announced the availability of ICM Deployment grants for governments and their partners to initiate or continue ICM development.

FHWA Answer: The USDOT initiated research at eight Pioneer Sites in 2005 to explore the potential for ICM to transform transportation corridor performance. Three sites, San Diego, CA, Minneapolis, MN, and Dallas, TX, undertook analysis, modeling and simulation (AMS) to explore whether applying transportation management strategies such as ramp metering, congestion pricing, signal optimization, transit priority, and enhanced traveler information to a transportation corridor in a truly active and integrated manner, could improve mobility, reliability, and the environmental impacts of transportation corridors.

Findings from all three sites suggest that ICM will increase reliability, and reduce travel time, delays, fuel consumption, and emissions in transportation corridors. Further, the benefits of ICM appear to scale with demand, and may be especially meaningful under scenarios that can unexpectedly constrain supply, such as traffic incidents. ICM consistently, if moderately, improved overall travel times in all three Pioneer Site corridors, with improvements increasing nearly tenfold under conditions of high demand and severe traffic incident. ICM improves the reliability of transportation corridors, with improvements ranging from 2 percent to 23 percent under all operational scenarios evaluated. The AMS effort demonstrated that ICM is highly fiscally-beneficial, with all three sites experiencing net positive returns on the estimated cost of ICM. Benefits outpaced implementation costs of ICM within the first year, and continued to generate returns that far outpaced management and operations costs over the life of the system.

The USDOT selected two corridors – US-75 in Dallas, TX and I-15 in San Diego, CA – to demonstrate the nation's first ICM systems as part of the ICM Initiative. The sites began actively deploying their systems in spring 2013 and are now completing a two-year operational period. An independent evaluation team is employing before-and-after analysis techniques to assess the effects of ICM on corridor performance, evaluate optimum combinations of ICM strategies under different operating conditions, and determine the role of traveler behavior. The final report is due in early 2016.

In November 2013, the agency announced the availability of ICM Deployment grants for governments and their partners to initiate or continue ICM development.

Mr. Price #9

Integrated Corridor Management

Question: What is the status of this program? Have grants been awarded, and if not, when will awards be made?

FHWA Answer: On February 24, 2015, FHWA announced that thirteen cities/regions were selected for ICM Deployment Planning grants capped at $200,000, with 20% additional match required by awardees. The ITS Joint Program Office has allocated money to the Federal Highway Administration (FHWA) Division Offices, which are in the process of completing the partnership agreements necessary to obligate funding to the States and initiate the projects. We anticipate that all grants will be finalized over the course of the spring and summer.

Mr. Price #10

Integrated Corridor Management

Question: Does the agency have sufficient resources to deploy the grants and conduct analysis and evaluation?

FHWA Answer: The current *ITS Strategic Plan 2015-2019* provides the option to spend discretionary research dollars on programs to further adoption of ICM. The President's FY 2016 Budget Request does not request dedicated funding to further deploy ICM and conduct evaluations. However, States and local agencies may choose to use their formula funding from FHWA/Federal Transit Administration (FTA) resources on ICM deployment. If existing ITS infrastructure is in place that enables real-time data gathering and active control, then the addition of an ICM system would cost on the order of $10 to $15 million per corridor.

Mr. Price #11

Integrated Corridor Management

Question: Please comment on the level of interest in the program. Are there particular states or communities that appear to be leading the way?

FHWA Answer: The Department estimates that there are nearly 300 corridors across the country which could benefit from implementation of ICM solutions. Level of interest is high based on evidence both actual (33 proposals received for the ICM Deployment Planning Grants for "up to 10" awards offered initially) and anecdotal (number of requests for information, training, and technical assistance). Since the initiation of the ICM research program, a robust knowledge and technology transfer program was established to accelerate the movement from research to deployment. A National Cooperative Highway Research Program domestic scan was executed in June/July of 2014 to bring a number of interested deployers to Dallas to better understand their lessons learned in the pilot demonstrations. ICM and Active Transportation Demand Management (ATDM) activities have been highlighted by the National Operations Center of Excellence (NOCoE) as a solution that is ready to be implemented now. Several private sector companies provide commercial integrated corridor management components as part of their package of traffic management center software solution

California has one of the two active demonstration sites (San Diego I-15) and has a "Connected Corridors" initiative to develop ICM or ICM-like deployments and was also a recipient of two of the thirteen ICM Deployment Planning Grants; one each in the Contra Costa region and the Los Angeles/ San Gabriel region. Additionally, Texas (which has the other live demonstration site in Dallas, and two additional original pioneer sites) and New York were the other states that received two grant awards each. Seven other states had regions or cities that rounded out the 13 selected recipients and could also be considered leaders based on their award of the grants. Thirteen other "qualified" applications were turned down simply because funds budgeted for ICM deployment planning grants were reached, but their qualified proposals put those 13 ahead of other jurisdictions should they chose to use other State or Federal resources available to them.

Mr. Price #12

Integrated Corridor Management

Question: Are there additional incentives, other than the existing deployment grants, that could help engage communities in the use of ICM?

FHWA Answer: The Department has successfully used—and continues to use—a wide variety of incentives and strategies to encourage the adoption and deployment of ITS technologies across the country. As a result, ITS solutions have been successfully deployed in cities and rural areas and in transportation management centers across the country, as well as by the private sector. The Department seeks to integrate proven ITS technologies into the daily activities of transportation agencies, so that the technology considerations are integrated into normal business processes, from the initial planning process to project development and through the everyday operations and maintenance of the transportation system.

Deployment is more likely to be achieved when a full range of incentives is applied over the course of the ITS Research and Development lifecycle, from pilot demonstrations and program grants, to Knowledge and Technology Transfer (KTT) activities such as technical assistance, training, and guidance. Conducting KTT is a very important role for Federal agencies in incentivizing ITS deployment. KTT includes: training, technical assistance, guidance documents, and peer to peer exchanges. Training courses have been shown to be effective in answering some of the questions of state and local agencies about ITS technologies that may have impeded decisions to implement. Reducing the uncertainty about the risks and benefits of ITS is key to promoting adoption. In addition, delivering practical guidance and direct technical assistance on how to plan, analyze, and implement these technologies through guidance documents and state of the practice manuals or handbooks assists in standardizing procedures and creating a community of practice that will encourage deployment. These efforts should include mechanisms for peer exchanges, whether in-person or virtual, as research has shown that peer influence is an important factor in the decision to deploy ITS.

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Surface Transportation Programs
Fiscal Year 2016 Questions for the Record
Congressman Mike Quigley
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Quigley #1

Bicycle and Pedestrian Safety

The number of people killed on our nation's roads has fallen dramatically in recent years, but the number of bicyclist and pedestrian deaths is on the rise. Nearly 17 percent of Illinois traffic fatalities are now bicyclists and pedestrians.

Establishing simple safety performance measures for nonmotorized transportation, like DOT has already done for motorized transportation, will prioritize roadway designs that are safe for all users.

That's why I authored language, included in this year's cromnibus, calling on DOT to implement a bike and pedestrian performance measures.

Question: Can you give me an update on your progress towards the bike and pedestrian safety performance measure? Are you running into any challenges? What is your timeline?

FHWA Answer: FHWA is working to finalize regulations to implement the performance management requirements of 23 U.S.C. 150 to carry out the Highway Safety Improvement Program (HSIP). FHWA has received over 13,000 letters to the docket on the Notice of Proposed Rulemaking (NPRM) and 99% of those letters advocate for the addition of a non-motorized performance measure. FHWA is taking all comments to the docket under serious consideration as we develop the final rule. In addition, FHWA has closely reviewed the language in the explanatory statement that accompanied the 2015 Consolidated and Further Continuing Appropriations Act. I can assure you that the issues identified by Congress and through the rulemaking process will be fully addressed in the final rule, which is anticipated this fall.

Mr. Quigley #2

Bicycle and Pedestrian Safety

Question: How has Secretary Foxx's initiative on bicycle and pedestrian safety effected development of the performance measure?

FHWA Answer: Safety is the Department's highest priority and Secretary Foxx has put a special emphasis on pedestrian and bicycle safety. As we previously noted, we cannot disclose what we are doing in the Safety Performance Measures final rule regarding non-motorized performance measures. However, the final rule will support the Secretary's priorities.

The Secretary launched a new bicycle/pedestrian safety initiative, "Safer People, Safer Streets." The initiative has two key components: 1) the Mayors' Challenge and 2) road safety assessments. Over 200 cities signed up for the Mayors' Challenge and a portion of these cities participated in a Mayors' Summit at USDOT in March. Over the next year, these cities aim to make improvements in one or more of seven Challenge Activities. Before June 1st, every State will have completed a pedestrian/bicyclist safety assessment. Modal field offices – including FHWA, NHTSA, FTA, FMCSA, and FRA – are collaborating to convene and lead the assessments. The Office of the Secretary also established a multi-modal Pedestrian and Bicycle Safety Action Team of the Safety Council that meets regularly to support these two activities and coordinate other efforts to improve pedestrian and bicyclist safety.

We also note that, in addition to the "Safer People, Safer Streets" initiative, FHWA has many activities underway to promote the safe use of non-motorized transportation including:

- Efforts to support flexibility in the design of pedestrian and bicycle facilities, as follow-up to the Bicycle and Pedestrian Facility Design Flexibility Memorandum.
- Initiation and implementation of the Bicycle-Pedestrian Count Technology Pilot Program.
- Development of a Handbook for MPO Pedestrian and Bicycle Planning.
- Update to pedestrian and bicycle guidance and regulations.

Mr. Quigley #3

Bicycle and Pedestrian Safety

Question: What is the bicycle and pedestrian HSIP spending per non-motorized fatalities compare to the HSIP spending per motorized fatalities.

FHWA Answer: The purpose of the HSIP is to achieve a significant reduction in fatalities and serious injuries on all public roads. In determining how to use HSIP funds, States use a comprehensive, data-driven approach to safety focused on achieving outcomes in terms of lives saved and serious injuries avoided for all road users. In their annual reports, States provide information for all projects obligated with HSIP funds in the past year. Each project is assigned to an improvement category, one of which is to improve the safety of pedestrians and bicyclists. While a project may cover multiple improvement categories, States assign each project to only one category and are encouraged to choose the category that aligns with the primary purpose of the project.

Based on information in the annual HSIP reports, from 2009 to 2012, $122.2 million in HSIP funds were spent on projects where the coded primary purpose category was to improve the safety of pedestrians and bicyclists. There were 20,754 non-motorized fatalities during that 4-year time period, which calculates to an average HSIP spending per non-motorized fatality of approximately $5,900. Similarly, from 2009 to 2012, $6.3 billion in HSIP funds were spent on all other HSIP project categories, and there were 113,581 motorized fatalities during that 4-year time period. Therefore, the average HSIP spending per motorized fatality for 2009 to 2012 was approximately $56,000. Again, the calculation of the HSIP spending for non-motorized users includes only projects where the *primary* purpose of the project was to improve pedestrian and bicycle safety and likely underestimates the funding expended on non-motorized safety improvement. Pedestrians and bicyclists benefit from many other highway safety improvement projects such as intersection safety improvements and shoulder widening. HSIP spending on explicit pedestrian and bicycle projects has increased by 2.7 times from 2009 to 2014, compared to overall HSIP spending which increased by 1.7 times during the same time period.

Mr. Quigley #4

Bicycle and Pedestrian Safety

Question: How many states sub allocate a portion of their HSIP to MPOs? What portion of HSIP funding is suballocated to MPOs?

FHWA Answer: FHWA does not maintain this type of information. HSIP funds are administered by the State DOTs in many different ways. Some States distribute a portion of HSIP funds to the MPOs based on a formula (e.g., Pennsylvania, Massachusetts). Other States set aside a portion of their HSIP funds for local agencies which are administered by the MPOs (e.g. Arizona, New Jersey); in other instances, HSIP funds are administered centrally via a competitive application process (e.g. Alaska) or formula distribution. However, all highway safety improvement projects must be included in the applicable regional or statewide transportation improvement program in accordance with the planning requirements under 23 U.S.C. 134 and 135.

Mr. Quigley #5

Bicycle and Pedestrian Safety

<u>Question:</u> How many states have "Toward Zero Deaths" policies, and is there difference between their safety policies and/or trends in both motorized and non-motorized fatalities and serious injuries?

<u>FHWA Answer:</u> FHWA does not maintain information on the number of States or cities that have adopted zero programs such as Toward Zero Deaths (TZD) or Vision Zero. However, in November 2014, FHWA conducted a comprehensive scan of each State's Strategic Highway Safety Plan (SHSP). The SHSP is developed through statewide coordination and identifies the emphasis areas a State will focus on to reduce fatalities and serious injuries for all road users. Based on this scan, TZD was supported in close to forty SHSPs. In the same review, more than 75 percent of the States included pedestrian and/or bicycle safety or non-motorized users as a priority in their SHSPs, and many of those same States also supported TZD.

FHWA has not conducted an analysis of the relationship between TZD policies and trends in motorized versus non-motorized fatalities and serious injuries. However a 2012 University of Minnesota research study funded by FHWA indicated that States that have a mature TZD program have experienced an accelerated reduction in overall roadway fatality rates (see http://www.ruralsafety.umn.edu/research/documents/12-39t.pdf).

Mr. Quigley #6

Bicycle and Pedestrian Safety

Question: Currently there is not a standard definition for serious injuries. Is there any effort to standardize that term? If so, is it based on property damage or actual injury to the person?

FHWA Answer: FHWA is currently in the process of establishing a national definition for serious injuries.

In order to implement the transportation performance management requirements of MAP-21, FHWA issued a Notice of Proposed Rulemaking (NPRM) on June 9, 2014, to establish measures for State departments of transportation (State DOT) and MPO to use to carry out the HSIP. These performance measures assess the number of serious injuries and fatalities and the rate of serious injuries and fatalities per vehicle mile traveled on all public roads.

In the NPRM, FHWA recognized there are many disparities between States' definitions of serious injuries and the coding convention used to report them. These discrepancies have long been recognized as an impediment to collecting and analyzing data at the national level, and may make it difficult to measure progress toward the national goal of "significantly reducing fatalities and serious injuries on all public roads." In our proposed approach to standardizing the definition of serious injury, FHWA worked closely with NHTSA and focused the definition on actual injury to the person, rather than property damage.

FHWA proposed the definition and attribute for "serious injuries" as: a "suspected serious injury (A)" as identified in the latest edition of the Model Minimum Uniform Crash Criteria (MMUCC). The MMUCC definition of a suspected serious injury (A) is any injury, other than fatal, which results in one or more of the following:

- Severe laceration resulting in exposure of underlying tissues, muscle, organs, or resulting in significant loss of blood;
- Broken or distorted extremity (arm or leg);
- Crush injuries;
- Suspected skull, chest, or abdominal injury other than bruises or minor lacerations;
- Significant burns (second and third degree burns over 10 percent or more of the body);
- Unconsciousness when taken from the crash scene; or
- Paralysis.

Because not all States currently use the MMUCC definition of "suspected serious injury (A)," FHWA also proposed a transition period for States to adopt and report serious injuries using the MMUCC definition.

FHWA received many comments on the NPRM, including comments on the proposed serious injury definition. We are taking all comments to the docket under serious consideration as we develop the Final Rule, which is anticipated in September 2015.

Mr. Quigley #7

Reducing Procurement Red Tape (PACE Priority)

The list of requirements that a public transit agency needs to comply with, even for a purchase or construction contract of less than $3,000, is unnecessarily onerous.

By placing endless regulations on a process to ensure that federal money is spent on the best priced goods and services, the FTA actually ends up inflating the prices that transit agencies pay.

Currently, transit agencies, like PACE in Chicago, cannot buy buses and other equipment via the General Services Administration's list of approved purchases--which increases their bus purchase cost and the length of time it takes to buy them.

Question: Would the FTA be supportive of allowing public transit agencies to purchase items like buses, support vehicles, equipment, bus parts, and communications technology off the GSA schedule?

FTA Answer: FTA would not object to allowing public transit agencies to purchase equipment off the GSA Supply Schedule, provided that: 1) there is the necessary statutory authorization and GSA permits it; 2) vendors comply with all applicable requirements under Chapter 53 of Title 49 US Code (e.g., Buy America, Bus Testing, Americans with Disabilities Act, and submitting Disadvantaged Business Enterprise goals); and 3) the number of qualified vendors on the schedule is sufficient to meet the Common Grant Rule's price and competition requirements.

Mr. Quigley #8

Impact of Short Term Extension

The current authorization for surface transportation programs will expire on May 31st. With no clear consensus on how to finance the infrastructure needs of the country, we are probably looking at another short term extension until those issues can get worked out.

As you well know, there were 10 short term extensions after the last major surface transportation authorization bill.

Question: What's the impact of these short term extensions on states, localities, and businesses?

FTA Answer: The inability to pass a long-term surface transportation funding bill creates uncertainty for local project sponsors and inhibits their ability to plan effectively. Since 2009, our surface transportation programs have been operating under short-term extensions 11 times, including a two-day lapse in March 2010. In addition, there have been 21 continuing resolutions (CR), forcing all our transportation programs to operate under a CR for 39 of the last 77 months, not to mention a 2 and one-half week stretch where the government was shutdown. Governors, mayors, city and county councils cannot plan because they do not know whether the Federal program and payments will be suspended – again – in just a few months' time.

Mr. Quigley #9

Impact of Short Term Extension

Question: Can you tell us about the cost and efficiency impact these short term extensions have on the federal government?

FTA Answer: Short-term extensions have a similar impact on the Federal Government in that they create uncertainty and the inability to plan effectively. They also make it difficult to provide technical assistance to grantees because of the uncertainty of whether a program or statute will continue or be abruptly changed significantly. That makes it difficult to provide consistency to grantees that are trying to plan projects based on program rules or regulations.

Mr. Quigley #10

Pay-to-Play (SELPA)

Corruption in government remains one of the biggest concerns to both me and my constituents. One of the most egregious examples of this is the process by which businesses essentially trade campaign contributions for lucrative government contracts. However, efforts in my home state of Illinois and elsewhere to combat this type of "pay-to-play" have been undermined by the FHA threatening with-hold federal funding.

Question: What benefit does the FHWA see in protecting this system?

FHWA Answer: We recognize that State laws aimed at avoiding "pay-to-play" are intended to prevent the trading of campaign contributions for lucrative government contracts. We share your concern about Federal-aid highway funds being spent in an ethical manner. The objection to using pay-to-play provisions on Federal-aid highway projects has been that these provisions restrict competition in prohibiting certain contractors from being award contracts. In August of 2013, the Office of Legal Counsel (OLC) issued a new legal opinion clarifying the legal requirements for competition under 23 U.S.C. 112. In particular, this opinion provided that DOT "[m]ay reasonably conclude that a state or local bidding requirement that constricts the pool of potential bidders is nonetheless consistent with [competition] because the requirement advances the purposes of competitive bidding and thus does not *unduly* limit competition. In making that judgment, [DOT] may permissibly weigh whether the bidding requirement promotes the efficient and effective use of federal funds in the short or long run, or otherwise safeguards the integrity of the competitive bidding process." On March 6, DOT announced the establishment of a pilot program under which various contracting requirements that have been prohibited for concerns about competition may be utilized on Federal-aid highway contracts to determine whether such requirements meet the new standard in the OLC opinion. These requirements may include pay-to-play provisions. Additionally, the Administration's GROW AMERICA proposal would amend section 112 of title 23 to clarify that States may enact laws that prohibit "pay-to-play" without violating Federal-aid highway contracting requirements.

Mr. Quigley #11

Pay-to-Play (SELPA)

Question: If you're not willing to fight pay-to-play, what are your agencies doing to ensure the greatest level of transparency possible, and what are you doing to combat corruption?

FHWA Answer: As mentioned in the previous response, the Administration's GROW AMERICA proposal would amend section 112 of title 23 to clarify that States may enact laws that prohibit "pay-to-play" without violating Federal-aid highway contracting requirements.

Mr. Quigley #12

Pay-to-Play (SELPA)

Question: This Congress, I will be reintroducing the State Ethics Law Protection Act (SELPA) with Senators Durbin and Kirk, which would specifically forbid the FHA from withholding funds. What is the FHA's stance on SELPA?

FHWA Answer: The Administration has not taken a position on the State Ethics Law Protection Act (SELPA) bill.

Mr. Quigley #13

Impact of Short Term Extension

The current authorization for surface transportation programs will expire on May 31st. With no clear consensus on how to finance the infrastructure needs of the country, we are probably looking at another short term extension until those issues can get worked out.

As you well know, there were 10 short term extensions after the last major surface transportation authorization bill.

Question: What's the impact of these short term extensions on states, localities, and businesses?

FHWA Answer: Since 2009, there have been 11 short-term authorization extensions, including a two-day lapse in March 2010. In addition, there have been 21 continuing resolutions (CR), forcing all our transportation programs to operate under a CR for 39 of the last 77 months, not to mention a 2 and one-half week stretch where the government was shutdown. These continuous disruptions create significant uncertainty for State and local governments, slowing investments in critical highway and bridge projects. Numerous States have recently delayed projects due to the current uncertainty in Federal funding:

- Arkansas has withdrawn a total of 61 projects with an estimated construction value of $162 million from 2015 bid openings.
- Delaware has put on hold $600 million in transportation projects.
- Georgia has delayed 329 projects with an estimated value of $715 million.
- Tennessee has delayed 33 projects totaling over $400 million in job-creating infrastructure investments.
- Wyoming has delayed 18 construction projects worth about $28.5 million.

Many other States—including Colorado, Connecticut, Mississippi, Montana, Nebraska, Nevada, Pennsylvania, Vermont, and West Virginia—have expressed concern that continued funding uncertainty will result in delays of valuable infrastructure investment.

In addition to project delays and cancellations, Federal funding uncertainty will affect the types of projects that States undertake. Federal spending provides, on average, over 21 percent of total highway spending, and over 43 percent of spending on capital investment projects. Without the assurance that Federal funding will be available, States will be forced to focus spending on system preservation and maintenance projects, while foregoing the large-scale highway investments that have the greatest impact. In addition to the negative effects this will have on our Nation's highway safety and mobility, job creation and economic growth will also be negatively affected.

These impacts to highway infrastructure investment will be felt by the transportation industry and communities nationwide. Construction project delays will reduce the number of projects during the upcoming construction season, which will result in less work for companies and fewer jobs in the transportation construction industry. Fewer projects—particularly large-scale capital investments—will hurt economic growth and force communities to make due with outdated and insufficient highway systems.

Mr. Quigley #14

Impact of Short Term Extension

Question: Can you tell us about the cost and efficiency impact these short term extensions have on the federal government?

FHWA Answer: The level of effort for many tasks related to funding calculations, distribution, technical assistance, and legislative/policy support is the same regardless of the duration of highway legislation. For each short-term funding bill during a fiscal year—whether an authorization extension or a continuing appropriations resolution—substantial time and effort must be devoted to make the funding calculations and distribute the funds to States and programs. The result is the multiplying of work compared to when there is full-year funding under a multi-year authorization act and a full-year appropriations act at the beginning of the fiscal year; this consumes staff resources that could be used more productively to accomplish other tasks related to program funding and oversight.

FHWA field personnel also are affected as they cannot engage in long-term planning. Without longer-term funding in place, field staff may have to defer mission-critical travel and other activities related to project oversight until a full-year appropriations bill and a multi-year authorization are in place.

The recent short-term extension has funded FHWA's general operating expenses (GOE) at a level insufficient to maintain normal agency operations. The funding and related staffing cuts have negatively impacted the agency's ability to effectively manage and oversee the Federal-aid Highway program, and continued short-term extensions will only exacerbate this problem.

Severe funding constraints have already forced FHWA to reduce highly valued services such as technical assistance, technology deployment, and traditional hands-on outreach to States, cities and regional entities. While the agency should be expanding its efforts in freight and performance management to align with MAP-21 requirements, reduced GOE funding is limiting FHWA's efforts in these areas. Without additional funding, FHWA will no longer be able to fully support our State and local partners in their innovation efforts in the areas of accelerated project delivery, safety, and congestion reduction through the EDC program.

Without an increase to GOE funding, FHWA's ability to effectively manage and oversee the Federal-aid Highway Program will be diminished even further. FHWA's partners and stakeholders will begin to experience degradation in the quality of FHWA's program delivery and technical assistance and FHWA will only be able to offer limited support for key initiatives (performance management, accelerated project delivery, bridge safety, and emergency relief).

Surface Transportation Programs
Fiscal Year 2016 Questions for the Record
Congressman David Joyce
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Joyce #1

Funding for Transit in Areas with Slow Population Growth and Workforce Development for Transit

The FY 2016 budget includes $500 million for a new Rapid Growth Area Transit Program, a discretionary program directed at fast-growing communities. The program will provide access to resources for bus rapid transit (BRT) services for communities across the country that are experiencing significant population growth and transit ridership growth. Such growth, while good for the economy, also strains the existing transportation system, leads to congestion, and will eventually result in poor air quality. BRT services can often be implemented in communities more quickly than other major capital investments to help get ahead of the congestion that can come from rapid population growth.

Some transit providers have an issue where they have trouble getting federal grants because their service area's population is not growing like other cities.

Transit providers across the country often have trouble filling mechanic and technician jobs because the lack of qualified people in the work pool. There is a dearth of transit workforce development programs for these types of jobs.

Question: Acting Administrator McMillan, as you know, funding has been allocated in the Administration's budget for the Rapid Growth Area Transit Program which is meant for communities experiencing fast-growing populations. In Northeast Ohio, we have the Greater Cleveland Regional Transit Authority, or the RTA, which does an excellent job servicing Cleveland and the surrounding area. Although our transit ridership is growing at a rate higher than the national average, unfortunately, Cleveland is not an area where the population is currently expanding. Just as important as growing our transit, is taking care of our current transit assets such as RTA's bus fleet and rail infrastructure. What is the Administration's vision for maintaining our current transit infrastructure in areas where the population is not rapidly expanding?

FTA Answer: We believe that assuring that our existing transit systems are in a state of good repair is extremely important and have made this a point of emphasis for the Federal Transit Administration in recent years. That is why in our GROW AMERICA proposal, the Federal Transit Administration's State of Good Repair formula program, which provides important support to recapitalize existing rail transit systems, would grow by 165 percent, from about $2.2 billion in FY 2015 to about $5.7 billion per year beginning in FY 2016.

Likewise, the GROW AMERICA proposal would increase our Bus and Bus Facilities program by almost four times, from $427 million in FY 2015 to about $1.94 billion beginning in FY 2016. This will allow for much more rapid investment in recapitalizing bus systems. The proposal would also provide for reestablishing a discretionary grant program for 30 percent of total bus funding to allow for investment in larger scale projects that are difficult to fund using a formula to allocate funds.

In addition, we have been working to implement the requirements for a national Transit Asset Management (TAM) system by transit agencies, which was included in the Moving Ahead for Progress in the 21st Century Act (MAP-21). TAM systems will help transit agencies develop better information on their capital needs and better prioritize their investment needs.

The Department's 2013 Conditions and Performance Report identified an $86 billion backlog in transit asset recapitalization needs, highlighting the very needs identified in the question.

Mr. Joyce #2

Funding for Transit in Areas with Slow Population Growth and Workforce Development for Transit

Question: One of the foremost problems facing many industries is work force development. I believe there are a lot of high quality jobs that go unfilled because of the lack of trained candidates. This is also true for the transit industry, where there is a lack of technicians and mechanics to fill job openings. MAP-21 provides funding for management training through the National Transit Institute, but no such program exists for mechanics and technicians that I am aware of.

On a national basis, we need to do a better job investing in people who can fill these jobs. Does the Federal Transit Administration have any plans to develop such a program that would train people for mechanic and technician jobs, or to engage in a joint program with the Department of Labor?

FTA Answer: The Administration recognizes that the transportation industry needs highly skilled, trained technicians to build, maintain, and repair new generations of transit vehicles, such as electric and hydrogen fuel-cell buses and components. A serious gap exists in the skilled transit workforce—estimated to be 5,000 to 6,000 workers due to an aging workforce, the rise in new technologies, and the need for additional training.

That is why the Administration created a new $20 million per year Ladders of Opportunity Program proposed in GROW AMERICA to help fund and support innovative workforce development programs that carry out transit-focused workforce efforts, particularly at the regional and/or national level.

More recently, FTA provided a total of $10 million to conduct pilot workforce development programs to address emerging labor needs in the transit industry. Recent studies and discussions with the industry show a growing need for a trained workforce in areas such as alternate fuel and hybrid drive technology and facilities; electronic processes, new on-board communication technologies; safety enhancements; computer programming and software development, and other topics.

Just last year FTA solicited proposals for another $9 million in funding for Workforce Development under a Ladders of Opportunity initiative. This opportunity, authorized under Section 5322 of MAP-21, solicits proposals that promote innovative nationally and regionally significant public transportation workforce development models/programs. Programs that invest in America's economic growth and help build ladders of opportunity into the middle class for American workers. FTA received 50 proposals late last year and is in the process of evaluating them. FTA plans to announce selections in late spring/early summer of 2015.

Surface Transportation Programs
Fiscal Year 2016 Questions for the Record
Congressman John Culberson
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Culberson #1

The president's budget for the Federal Transit Administration (FTA) requests $114 million for administrative expenses. This level of funding would be an $8.5 million increase over the current enacted level.

Question: Administrator McMillian, as you know the fiscal year 2015 appropriations bill that has been signed into law provided funding for FTA to add an additional 32 FTEs. Given that increase, I was surprised to see the request in the FY16 budget for an addition 50 FTEs. Would you explain why these additional staff are needed and what exactly they would do if brought on board by FTA?

FTA Answer: Staffing has not kept pace with the significant growth in program funding and new requirements mandated by Congress in surface transportation legislation like SAFETEA-LU and MAP-21. This includes new programs, new regulations, and new guidance such as:

- New transit safety authority – a brand new effort involving standing up a new office with staff, new regulations, inspections, and a new grant program.
- The budget will increase safety staffing by 10 FTEs, bringing total safety staffing in our Safety Office to 40 FTEs compared to 30 in FY 2015.
- New state of good repair requirements – setting up a new formula grant program and writing new asset management regulations
- New capital investment grants program – setting up the new core capacity program and writing new guidance and regulations.

Even grant-making has grown significantly while staffing has remained relatively stable. For example, in FY 2014 FTA awarded 275 more grants than in FY 2006 with roughly the same staffing and resources. The 8% increase in administrative expenses in the President's Budget will allow FTA to fill at least 50 more positions to help balance its workforce with its new responsibilities and requirements.

Mr. Culberson #2

Highway Trust Fund Solvency/Funding.

Administrator Nadeau, the Highway Trust Fund is expected to run out of money for surface transportation programs by the end of May. The highways account is looking at a cumulative shortfall of $10 billion in 2016 and $21 billion in 2017 while the transit account is supposed to receive about $5 billion annually in revenues and interest almost every year from 2014 to 2025.

In Texas, we see a great return for federal investment in highways. Transit is another story. Since fiscal year 2002, the FTA has awarded Houston METRO over $1 billion in funding for rail. For $1 billion in federal funding, plus millions in local funding – Houston METRO has built a grand total of 23.7 miles of light rail.

In Texas, many of our roads and bridges have exceeded their intended lifespan and are in need of extensive rehabilitation. In addition, DOT estimates that 16.6 percent of the bridges in Texas are "functionally obsolete" and 2.6 percent of the bridges in Texas are "structurally deficient." According to the Texas Department of Transportation (TxDOT), we are about $4 billion a year short of $10.8 billion that is needed annually for highway investment. There are more Texans on the road than ever before – our highways are congested and crumbling, and the state needs to know whether there will be reliable and consistent federal funding for highways.

Question: What would happen to funding for the highways account if the current allocation of 20 percent of the gas tax for mass transit was reduced?

FHWA Answer: The funding of both highways and transit needs from the Highway Trust Fund has a positive impact on our Nation's ability to safely and efficiently transport people and goods. Greater utilization of transit systems means more cars are off the road, resulting in reduced congestion. Although the portion of highway fuel taxes distributed to the Mass Transit Account does not directly fund highways, ultimately investments in transit systems lead to greater mobility on our Nation's highways.

Most highway fuel tax revenues go to the Highway Account. For example, the Federal gas tax is 18.4 cents per gallon. Of that amount, 15.44 cents goes to the Highway Account (84 percent), 2.86 cents to the Mass Transit Account (15.5 percent), and 0.1 cents goes to the Leaking Underground Storage Tank Trust Fund (0.5 percent). Even if 100 percent of current Highway Trust Fund revenues were provided to the Highway Account, we would still be under-investing in highways. Providing 100 percent of the highway fuel taxes to the Highway Account would still not even cover current highway program spending levels.

While spending levels from the Highway Account currently exceed incoming revenues, the President's GROW AMERICA proposal provides a funding solution that would increase investment in highways and bridges without diverting revenues from the Mass Transit Account. The President's GROW AMERICA proposal increases investment in our Nation's highway and bridge infrastructure. Under this reauthorization proposal, outlays from the Highway Account are estimated to be $316 billion from Fiscal Year 2016 to Fiscal Year 2021. This spending level outpaces anticipated incoming Highway Account revenues by $106 billion. The President's pro-growth business tax reform would add $117 billion to the Highway Account, allowing it to be fully funded during the six-year GROW AMERICA reauthorization period.

Surface Transportation Programs
Fiscal Year 2016 Questions for the Record
Congressman David Jolly
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Jolly #1

Autonomous Vehicles

Question: With the growing interest in vehicle automation, what will be the impact on public transportation in the US? What specific plans does the Federal Transit Administration have to ensure that public transportation can take advantage of emerging technologies in the area of connected and autonomous vehicles?

FTA Answer: The impact on public transit will be positive and could be enormous. For instance, different levels of vehicle automation and capabilities may be introduced and integrated with existing public transportation infrastructure and resources to provide enhanced mobility choices (such as real-time first/last mile service) around cities and possibly wider geographic areas.

Automation in buses and other forms of public transit enable major improvements in mobility through more efficient service (better and more service for less operating cost). It also promotes safety performance through reduced crashes resulting in fewer deaths, injuries and property damage.

Mr. Jolly #2

University-based Research

Question: Is there a need for a university-based clearinghouse and research center of excellence to provide objective evaluation, education, and research on the topic? Is the Federal Transit Administration a partner in the University Transportation Centers (UTC) program?

FTA Answer: Yes. There is great need for such a university-based clearinghouse and research Center of Excellence. Such a center would provide enormous value to FTA and the transit industry. Under the current authorization, FTA does not have funding to support UTC's, so its participation is limited. At present, however, FTA continues to stay involved wherever a UTC's work involves transit research.

Surface Transportation Programs
Fiscal Year 2016 Questions for the Record
Chairman Mario Diaz-Balart and Congressman David Jolly
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Diaz-Balart and Mr. Jolly #1

Life Cycle Cost Analysis (LCCA)

On February 20, 2015 the Federal Highway Administration issued a proposal (80 FR 9231) for the development of an asset management plan in accordance with the National Highway Performance Program (NHPP) provisions of MAP-21. These provisions require states to include Life Cycle Cost Analysis (LCCA) in their asset management plans.

In the proposal, LCCA is defined for the first time ever by FHWA as a "network level" analysis for estimating the cost of an entire class of highway and bridge assets. However, the only definition of LCCA used in MAP-21directs that the requisite analysis takes place at the "project segment level" (see: 23 USC 503(b)(3)(D)). In addition, in TEA-21 Congress previously defined LCCA as a "project level" cost analysis.

Moreover, for the past 15 years in guidance and other publieations, the FHWA Office of Asset Management has consistently advanced the concept that LCCA is a "project level" analysis used to evaluate the long-term economic efficiency between competing design options.

Question: Why did FHWA depart from statute and its own guidance on asset management to fashion a new definition of LCCA that specifically excludes project level analysis?

FHWA Answer: In developing the asset management plan notice of proposed rulemaking (NPRM), FHWA considered the language in MAP-21 and current processes and techniques used to develop State asset management plans. In the NPRM, FHWA did not specifically exclude project level LCCA, but applied LCCA beyond the project level to the network level in order to address the asset management requirements in MAP-21. Asset management plans would focus on networks and include investment strategies to guide which categories of actions (preservation, rehabilitation, reconstruction, etc.) should be programmed to achieve and maintain a desired state of good repair over the lifecycle of assets within the network, at the least possible cost.

The FHWA has addressed both network level and project level asset management in the past, including in the 2010 report, "Beyond the Short Term - Transportation Asset Management for Long-Term Sustainability, Accountability, and Performance."

Mr. Diaz-Balart and Mr. Jolly #2

Life Cycle Cost Analysis (LCCA)

Question: MAP-21 demands that state asset plan management plans include "strategies leading to a program of projects" that help to achieve targets for the condition and performance of the National Highway System. How can this be accomplished when the FHWA proposal prohibits states from applying LCCA to specific projects?

FHWA Answer: The Asset Management Plan NPRM does not prohibit States from applying LCCA to specific projects. The final product resulting from an asset management plan is a set of network-wide investment strategies to improve or preserve the condition of the assets and the performance of the NHS. These investment strategies would be used by State DOTs to select projects. However, actual selection of individual projects is part of the planning process, not asset management. After projects are selected, State DOTs could then conduct a project level LCAA to select the most appropriate design alternative.

TUESDAY, MARCH 24, 2015.

HOUSING AND URBAN DEVELOPMENT PROGRAMS

WITNESS

HON. JULIAN CASTRO, SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. DIAZ-BALART. We are going to call the meeting to order. Today we are very pleased and honored to welcome back Secretary Julian Castro from the Department of Housing and Urban Development again to discuss the fiscal year 2016 budget request.

The goal today is to, frankly, dive a little deeper into the specifics of what HUD is requesting for each of the different programs in 2016.

Mr. Secretary, we appreciate your testimony today as we take a closer look again at the fiscal year 2016 request, and we do have your written testimony, obviously, and it has been entered into the record.

[The information follows:]

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

Written Testimony of Julian Castro
Secretary of U.S. Department of Housing and Urban Development (HUD)
Hearing before the Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations
on
"FY 2015 Budget Request for the Department of Housing and Urban Development"
Tuesday, March 24, 2015

Thank you, Chairman Diaz-Balart and Ranking Member Price, for this opportunity to discuss how HUD's fiscal year 2016 budget proposal follows the roadmap the President has laid out for jumpstarting our economy through educating, innovating, and building. This Budget targets our investments to the families and geographies that need them the most, and puts Americans back to work.

HUD's Budget is an essential component of the President's vision of investing in the things we need to grow our economy, create jobs, increase skills training and improve education, while continuing long term deficit reduction. Our request makes critical investments to speed economic growth — growing neighborhoods of opportunity through Choice Neighborhoods and providing access to credit through FHA, and also reverses the effects of sequestration.

Overall, the President's Budget provides $49.3 billion for HUD programs, an increase of $4 billion above the 2015 enacted level. This spending is offset by projected receipts of $8.3 billion. Increases are provided to protect vulnerable families, reverse the effects of sequestration, make significant progress toward the goal of ending homelessness, and support community-centered investments, including funding to revitalize neighborhoods with distressed HUD-assisted housing and concentrated poverty. To build evidence of what works, State and local public housing authorities are offered program flexibilities in exchange for designing and rigorously evaluating innovative programs and policies.

The fiscal year 2016 HUD Budget:

Supports the Mortgage Market and Provides Access to Credit: The Administration projects that the Federal Housing Administration (FHA) will insure $204 billion in mortgage loans in 2016, including mortgages for new home purchases and refinanced mortgages that significantly reduce borrower payments. FHA's loss mitigation program minimizes the risk of financially struggling borrowers going into foreclosure, and last year, FHA helped more than 477,000 families avoid foreclosure. The Budget also includes $60 million for housing and homeowner counseling through HUD.

Provides Ladders of Opportunity for Anybody Willing to Work Hard and Play by the Rules. The Budget provides $250 million for Choice Neighborhoods to continue to transform neighborhoods of concentrated poverty into opportunity-rich, mixed-income neighborhoods. This funding level will be used to revitalize HUD-assisted housing and surrounding neighborhoods through partnerships between local governments, housing authorities, nonprofits, and for-profit developers. Preference for these funds will be given to designated Promise Zones—high-poverty communities where the Federal Government is working with local leadership to invest and engage more intensely to create jobs, leverage private investment, increase economic activity, reduce violence and expand educational opportunities. To further support Promise Zones, the Budget includes companion investments of $150 million in the Department of Education's Promise Neighborhoods program and $29.5 million in the Department of Justice's Byrne Criminal Justice Innovation Grants program, as well as tax incentives to promote investment, jobs and economic growth.

Supports Strategic Infrastructure Planning and Investments To Help Make America a Magnet for Jobs
HUD is committed to ensuring that its core community and housing development work contributes to more and better transportation choices; promotes equitable, affordable housing; helps communities address the lingering neighborhood impacts of the foreclosure crisis; and aligns federal policies and funding to remove barriers to local collaboration. The Budget provides $2.8 billion for the Community Development Block Grant (CDBG) formula program, and proposes reforms to better target CDBG investments to address local community development goals.

Protects the Vulnerable Recipients of HUD Rental Assistance and Makes Progress on the Federal Strategic Plan to End Homelessness. The Budget includes $21.1 billion for the Housing Choice Voucher program to help about 2.4 million low-income families afford decent housing in neighborhoods of their choice. This funding level supports all existing vouchers and fully restores the sequestration funding cuts by adding 67,000 new vouchers to the program. The Budget also includes $10.8 billion for the Project-Based Rental Assistance program to maintain affordable rental housing for 1.2 million families, and provides $6.6 billion in operating and capital subsidies to preserve affordable public housing for an additional 1.1 million families.

The Budget provides $2.5 billion for Homeless Assistance Grants, $345 million above the 2015 enacted level. The increased funding will enable HUD to maintain existing projects, fund the increased competitive renewal demand for Continuums of Care in fiscal year 2015, and create 25,500 beds of permanent supportive housing for chronically homeless persons to reach the goal of ending chronic homelessness in 2017. In addition, the Budget includes 15,000 rapid rehousing interventions for households with children, which will support the goal of ending child, family and youth homelessness by 2020.

Puts HUD-subsidized Public and Assisted Housing on A Financially Sustainable Path. Public housing authorities (PHAs) house over three million families. To bring our rental housing system into the 21st century and continue to address the $26 billion in public housing capital needs, this Budget includes proposals that would facilitate the conversion and preservation of additional Public Housing and other HUD-assisted properties under the Rental Assistance Demonstration (RAD). At the same time, the Budget provides $50 million for a targeted expansion of RAD to Public Housing properties in high-poverty neighborhoods, including designated Promise Zones, where the Administration is also supporting comprehensive revitalization efforts.

Improves the Way Federal Dollars are Spent. The Administration continues to seek legislation to modernize the Housing for Persons With AIDS (HOPWA) program to better reflect the current case concentration and understanding of HIV/AIDS and ensure that funds are directed in a more equitable and effective manner. The Budget's $332 million investment in HOPWA, in combination with the proposed modernization, will assist local communities in keeping individuals with HIV/AIDS housed, making it easier for them to stay connected to treatment, and therefore improving health outcomes for this vulnerable population.

The Budget also provides $100 million for the evidence-based Jobs-Plus program, a proven model for increasing public housing residents' employment and earnings. Through Jobs-Plus, public housing residents will receive on-site employment and training services, financial incentives that encourage work and "neighbor-to-neighbor" information-sharing about job openings, training, and other employment-related opportunities.

In addition, the Budget proposes expansion of the Moving-To-Work demonstration program to up to 15 high-capacity PHAs over the next three years through a competition. The Moving-to-Work program provides local PHAs with program flexibility to make local decisions about how to operate their programs and test innovative uses of Federal dollars to enhance tenant outcomes. MTW PHAs have implemented a range of policies designed to preserve and increase the overall affordable housing inventory, achieve administrative efficiencies and increase earnings for low-income families.

Invests in Research and Support to Make HUD and its Grantees More Effective. The American economy of the future requires a federal government that is efficient, streamlined, and transparent. This Budget once again calls for the flexible use of resources through the Transformation Initiative, which the Department will use to invest in technical assistance to build local capacity to safeguard and effectively invest taxpayer dollars; conduct innovative research, and evaluations of program initiatives and demonstration programs so we can fund what works and stop funding what doesn't.

The Budget also continues to invest in focused upgrades to the IT infrastructure to improve service delivery and to better track and monitor our programs.

Consistent with the previous three years, HUD's fiscal year 2016 Budget is structured around the five overarching goals the Department adopted in its new Strategic Plan 2014-2018. These goals reflect the Department's—and my—commitment to 'moving the needle' on some of the most fundamental challenges facing America. Indeed, every month, I hold *HUDStat* meetings on one or more of these goals, to assess progress and troubleshoot problems in order to: 1) ensure that HUD is as streamlined and effective as possible in the way that we administer our own programs and partner with other federal agencies; and 2) hold our grantees accountable for their expenditure of taxpayers' hard-earned dollars.

Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers

This Administration entered office confronting the worst economic crisis since the Great Depression. And while the largest factors contributing to this crisis were market driven, the American people have turned to Congress and the administration for leadership and action in righting our nation's housing market. HUD remains firmly committed to working together with communities and individuals to cope with these unprecedented challenges. This Budget drives economic growth by increasing access to credit and strengthening the FHA.

In fiscal year 2016, HUD is requesting $400 billion in loan guarantee authority for the Mutual Mortgage Insurance Fund, and $30 billion in loan guarantee authority for the General and Special Risk Insurance Fund. The need for this investment is clear as FHA has stepped up in recent years to address the unprecedented challenges wrought by the housing crisis, playing an important countercyclical role that has offered stability and liquidity throughout the recession. While a recovery of the housing market is currently underway, FHA continues to act as a crucial stabilizing element in the market, and to assure ongoing access to credit for qualified first-time, low-wealth or otherwise underserved borrowers. However, FHA's expanded role is and should be temporary.

Responding to the Market Disruption

The Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA) continue to have a significant impact on the nation's housing recovery. The activities of the Federal Government are critical to both supporting the housing market in the short term and providing access to homeownership opportunities over the long term, and doing both in a way that minimizes risks to taxpayers.

The fiscal year 2016 Budget request will enable FHA to continue its mission of providing access to mortgage credit for families with low and moderate wealth, and to play an important counter-cyclical role in the continued stabilization and recovery of the nation's housing market. In January, HUD announced a 50 basis points reduction in the FHA mortgage insurance premium, which will allow nearly 250,000 first-time homeowners to buy a home over the next three years. It is estimated that FHA borrowers will save up to $900 per year, benefitting an estimated 2-3 million families over the next three years. Also, due to aggressive and necessary action over the last six years, FHA's value has improved $21 billion in the last two years, and remains on a very strong trajectory.

The Budget also includes a request for the FHA Administrative Fee that will assist FHA in performing critical Quality Assurance work by funding important Information Technology investments and contract administration. This modest fee on lenders will be applied only prospectively, and these funds will make it possible for FHA to continue to increase access, helping to place homeownership within the reach of more Americans.

Redoubling Efforts to Keep Homeowners in their Homes

While there is work still to be done, HUD is proud of the progress this Administration has made in tackling ongoing foreclosure challenges. As part of the Administration's commitment to help responsible homeowners stay in their homes, we have actively sought to use our current programs and authorities to make homeownership sustainable for millions of American families. This Budget supports homeowners, present and future, through increased housing counseling opportunities, for example. In fiscal year 2016, HUD is requesting $60 million in Housing Counseling Assistance, to improve access to quality affordable housing, expand homeownership opportunities, and preserve homeownership, all of which are especially critical in today's economic climate. With this funding, HUD estimates that 2,400 HUD-approved counseling agencies employing an estimated 8,000 certified housing counselors, will assist a total of 2 million renters and owners. HUD-approved counselors help clients learn about purchasing or refinancing a home; rental housing options; reverse mortgages for seniors; foreclosure prevention; loss mitigation; preventing evictions and homelessness; and moving from homelessness to a more stable housing situation.

Goal 2: Meet the Need for Quality, Affordable Rental Homes

In an era when more than one-third of all American families rent their homes and over 7.7 million unassisted families with very low incomes spend more than 50 percent of their income on rent and/or live in substandard housing, it remains more important than ever to provide a sufficient supply of affordable rental homes for low-income families – particularly since, in many communities affordable rental housing does not exist without public support. HUD's 2016 Budget maintains HUD's core commitments to providing rental assistance to some our country's most vulnerable households as well as distributing housing, infrastructure, and economic development funding to states and communities to address their unique needs. Overall, 84 percent of HUD's total 2016 budget authority requested goes toward renewing rental assistance for current residents of HUD-subsidized housing, including public housing and HUD grants to homeless assistance programs, and to some limited, strategic expansion of rental assistance to specific vulnerable households.

HUD's core rental assistance programs serve some of the most economically vulnerable families in the country. In these programs, including Housing Choice Vouchers, Public Housing and Project Based Rental Assistance (PBRA): 75% of families are extremely low-income (below 30 percent of area median income) and an additional 20 percent are very low-income (below 50 percent of area median income). Although worst case housing needs decreased to 7.7 million in 2013 from the record high of 8.5 million in 2011, these needs are still a national problem. Housing needs have expanded dramatically during the past decade and were exacerbated by the economic recession and associated collapse of the housing market, which reduced homeownership through foreclosures and increased demand for renting."

Preserving Affordable Housing Opportunities in HUD's Largest Programs
This Budget provides $21.1 billion for HUD's Housing Choice Vouchers program, which is the nation's largest and preeminent rental assistance program for low-income families. For over 35 years it has served as a cost-effective means for delivering safe and affordable housing in the private market. This 2016 funding level is expected to assist approximately 2.4 million families and support new incremental vouchers for areas of high need, for targeted populations. After the loss of voucher opportunities for vulnerable families in sequestration, this Budget restores voucher leasing opportunities through targeted add-backs, with funding for approximately 67,000 new units of housing. Approximately 37,000 vouchers ($277 million) are targeted to new vouchers for PHAs based on an allocation method that captures relative need. Additionally, approximately 22,500 new vouchers ($177.5 million) are added for families, veterans and Native American families experiencing homelessness through a competitive allocation of vouchers to PHAs that partner with their local Continuum of Care to identify families. Importantly, these vouchers are modeled on the successes of the HUD-Veterans Affairs Supportive Housing Vouchers (VASH) program, and may be extended to veterans regardless of discharge status in support of the goal to end veteran homelessness. Also, approximately 5,000 vouchers ($37.5 million) will support victims of domestic and dating violence, and approximately 2,500 new vouchers ($20 million) will support the Family Unification Program, also allowing youth aging out of foster care to use a voucher for five years after aging out (increased from 18 months.)

The Budget also provides a total of $6.6 billion to operate public housing and modernize its aging physical assets through the Public Housing Operating ($4.6 billion) and Capital ($2 billion) funds, a critical investment that will help over 1.1 million extremely low- to low-income households obtain or retain housing. Similarly, through a $10.8 billion request in funding for the PBRA program, the Department will provide rental assistance funding to privately-owned multifamily rental housing projects to serve over 1.2 million families nationwide.

Rebuilding our Nation's Affordable Housing Stock
Over the last 75 years, the Federal Government has invested billions of dollars in the development and maintenance of public and multifamily housing, which serve as crucial resources for some of our country's most vulnerable families. Despite this sizable Federal investment and the great demand for deeply affordable rental housing, we continue to see a decline in the number of available affordable housing units. Unlike other forms of assisted housing that serve very similar populations, the public housing stock is nearly fully reliant on federal appropriations from the Capital Fund to make capital repairs. Funding and regulatory constraints have impaired the ability for these local and state entities to keep up with needed life-cycle improvements. The most recent capital needs study of the public housing stock, completed in 2010, estimated the backlog of unmet need at approximately $26 billion, or $23,365 per unit. Funding for the Capital Fund has been insufficient to meaningfully reduce public housing's backlog of repair and replacement needs or even meet the estimated $3 billion in annual accrual needs. Under the strain of this backlog, and without financing tools commonly available to other forms of affordable housing, the public housing inventory has lost an average of 10,000 units annually through demolitions and dispositions.

- *Rental Assistance Demonstration*
  To help address the backlog of unmet capital needs and to preserve this critical source of affordable housing, HUD is continuing to implement the Rental Assistance Demonstration (RAD), a program which enables PHAs to convert public housing to the Section 8 platform. In addition to the public housing stock, the RAD program targets certain "at-risk" HUD legacy programs. Prior to RAD, units assisted under Section 8 Moderate Rehabilitation (MR) were limited to short-term renewals and constrained rent levels that inhibit the recapitalization of the properties, and units assisted under Rent Supplement (RS) and Rental Assistance Program (RAP) had no ability to retain long-term project-based assistance beyond the current contract term. As a result, as their contracts expired, these projects would no longer be available as affordable housing assets.

  Conversion to Section 8 rental assistance, as permitted under RAD, is essential to preserving these scarce affordable housing assets and protecting the investment of taxpayer dollars these programs represent. Long-term Section 8 rental assistance allows for state and local entities to leverage sources of private and public capital to rehabilitate their properties. While the Department expects and continues to process Public Housing conversions of assistance without additional subsidy, HUD requests $50 million in 2016 for the incremental subsidy costs of converting assistance under RAD for very limited purposes. Such funding will be targeted *only* to public housing projects that are: 1) not feasible to convert at current funding levels, and 2) located in high-poverty neighborhoods, including designated Promise Zones, where the Administration is supporting comprehensive revitalization efforts. The Department estimates that the $50 million in incremental subsidies will support the conversion and redevelopment of approximately 25,000 public housing units that would not otherwise be feasible to convert and sufficiently stabilize over the long term without incremental subsidies, while helping to increase private investment in the targeted projects.

  In addition to the funding request, the proposed legislative changes to RAD are designed to allow for maximum participation by those PHAs and private owners whose current funding levels are sufficient for conversion. This includes, for example, elimination of the 185,000 unit cap, which will allow for a greater portion of the Public Housing stock that can convert at no cost to the federal government to participate in the demonstration.

Goal 3: Use Housing as a Platform for Improving Quality of Life

Stable housing provides an ideal platform for delivering a wide variety of health and social services to improve economic, health, and broad-based societal outcomes. For some, housing alone is sufficient to ensure healthy outcomes, while others require housing with supportive services to assist with activities of daily living or long-term self-sufficiency, as well as proximity to crucial services. HUD's fiscal year 2016 Budget acknowledges this reality by making critical investments in housing and supportive services, and partnering with other federal agencies to maximize resources and best practices. Moreover, these investments will save money in the long term, by avoiding overuse of expensive emergency and institutional interventions.

Preventing and Ending Homelessness
Nowhere is the relationship between housing and supportive services clearer than in the successful efforts in communities around the country to address homelessness, which have led to a 33 percent reduction in veterans' homelessness and a 21 percent reduction in chronic homelessness since 2010. Additionally, this work has yielded a substantial body of research, which demonstrates that providing permanent supportive housing to chronically homeless individuals and families not only ends their homelessness, but also yields substantial cost saving in public health, criminal justice, and other systems. This year's Budget once again invests in this critical effort, by providing $2.5 billion in Homeless Assistance Grants. This funding level will support competitive programs that annually serve over 800,000 homeless families and individuals, and create 25,500 beds of permanent supportive housing for chronically homeless persons to reach the goal of ending chronic homelessness in 2017. The Budget also includes 15,000 rapid rehousing interventions for households with children.

Leveraging Capital Resources and Serving our Most Vulnerable
This Budget provides a total of $632 million for the Housing for the Elderly and Housing for Persons with Disabilities programs, which includes $25 million to support 700 additional supportive housing units. Doing more with less, the Budget proposes reforms to the Housing for the Elderly program to target resources to help those most in need, reduce the up-front cost of new awards, and better connect residents with the supportive services they need to age in place and live independently.

Historically, HUD has provided both capital advances and operating subsidies to non-profit sponsors to construct and manage multifamily housing for low-income people with disabilities. In an effort to maximize the creation of new affordable units in a time of funding restraints, in fiscal year 2012 HUD began providing operating assistance to state housing agencies that formed partnerships with state health care agencies for service provision to low-income persons with disabilities. These funds are used to set aside supportive units for this target population in affordable housing complexes whose capital costs are funded through Low-Income Housing Tax Credits, HOME funds, or other sources. Investing Section 811 funds under this authority allows HUD to rely on the expertise of the State housing agencies to administer the award and on the State health care agency to identify the most critical population to be served and guarantee the delivery of appropriate services. In fiscal year 2014, HUD requested, and received, similar authority for the Section 202 program. Drawing on lessons learned from implementation in the Section 811 program, HUD will take advantage of efficiencies inherent in these same agencies' oversight responsibilities for tax credits, HOME funds or similar housing funding.

Goal 4: Build Strong, Resilient and Inclusive Communities

No longer can the American economy tolerate the marginalization from the labor force of significant numbers of people because of individualized or systemic discrimination, or because they live in isolated neighborhoods of concentrated poverty. An American economy built to last requires an increased supply of affordable rental homes in safe, mixed-income communities that provide access to jobs, good schools, transportation, high-quality services, and, most importantly, economic self-sufficiency. As such, HUD's fiscal year 2016 Budget puts communities in a position to plan for the future and draws fully upon their resources, most importantly their people.

Each year HUD dedicates approximately 16 percent of its funds to the capital costs of housing and economic development projects throughout the country. Through this investment, HUD and its partners are able to provide better opportunities for people living in neighborhoods of concentrated poverty and segregation, offer choices that help families live closer to jobs and schools, and support locally driven solutions to overarching economic development challenges. HUD's capital grants—including the Public Housing Capital Fund, Choice Neighborhoods, CDBG, and HOME—are focused on assisting areas of great need, including communities with high unemployment.

Preserving HUD's Major Block Grant Programs for Community Development and Housing
Through both formula and competitive grants, HUD has partnered with local organizations and state and local governments to fund innovative solutions to community development challenges. Underpinning these partnerships is the fundamental philosophy that local decision-makers are best poised to drive a cohesive development strategy. In 2016, HUD is requesting a total of $2.9 billion in funding for the Community Development Fund to support economic development initiatives and projects that demonstrate the ability to connect private sector growth to some of our country's most distressed citizens and communities, and $1.1 billion for the HOME program.

The Budget requests $2.8 billion for the Community Development Block Grant (CDBG), which remains the largest and most adaptable community and economic development program in the Federal portfolio for meeting the unique needs of states and local governments. Since its inception in 1974, CDBG has invested in economic development at the local level, investing in infrastructure, providing essential public services and housing rehabilitation, and creating jobs primarily for low-and moderate-income families. Altogether, CDBG funding annually reaches an estimated 7,000 local governments across the country, in communities of all shapes and sizes. However, to ensure that CDBG funds effectively provide targeted benefits to these communities, especially to low- and moderate-income populations, HUD proposes a suite of reforms to strengthen the program; help grantees target funding to areas of greatest need; enhance program accountability; synchronize critical program cycles with the consolidated plan; and reduce the number of small grantees while providing more options for regional coordination, administration and planning.

Often, CDBG dollars alone are insufficient to complete crucial economic development projects that communities desperately need. In those instances, HUD offers another potent public investment tool in the form of the Section 108 Loan Guarantee program. Section 108 allows states and local governments to leverage their CDBG grants and other local funds into federally guaranteed loans in order to pursue large-scale physical and economic investment projects that can revitalize entire neighborhoods or provide affordable housing to low- and moderate-income persons. In 2015, HUD is requesting Section 108 loan guarantee authority of $500 million, and the continuation of a fee-based structure will eliminate the need for budget authority to cover the program's credit subsidy.

In addition, the HOME program is proposed at $1.1 billion and the Budget proposes legislative changes to better target the assistance provided with this funding. HOME is the primary federal tool of state and local governments for the production of affordable rental and for-sale housing for low-income families. In the past 21 years, HOME has completed 1.185 million affordable units. The Budget also proposes statutory changes that would establish a single qualification threshold, and revise "grandfathering" provisions so that HOME participating jurisdictions that fall below the threshold three out of the five years would be ineligible for direct grants, permit statewide non-profits to be designated as Community Housing Development Organizations (CHDOs), and provide for a formula reallocation of recaptured CHDO set-aside funds.

Notably in 2016, CDBG and HOME are part of the proposed Upward Mobility Project, a new initiative to allow states, localities or consortia of the two to blend their CDBG and HOME allocations with funding from the Department of Health and Human Services' Social Services Block Grant and Community Services Block Grant in a flexible way to achieve local goals. Communities would design Upward Mobility Projects around achieving a specific outcome—like increasing families' earnings, improving children's outcomes, expanding employment opportunities, or increasing housing stability—then employ the most promising evidence-based methods to achieve that goal. To support the Upward Mobility Projects, Federal agencies will partner with applicants to blend the identified funds and provide the appropriate waivers needed for required flexibilities, including but not limited to aligning household eligibility criteria, aligning and streamlining reporting requirements, and coordinating and sustaining service delivery.

In addition, the new Local Housing Policy Grants program would complement and leverage communities' CDBG and HOME activities by providing a total of $300 million in mandatory funding for competitive grants to increase economic growth, access to jobs and improve housing affordability by supporting new policies, programs or regulatory initiatives to create a more elastic and diverse housing supply. To that end, the funding would allow localities to make investments in areas like infrastructure expansion or improvement, housing market evaluations, code writing or design assistance, and stakeholder outreach and education.

Assisting Native Americans
Through innovative programming, HUD has found new ways to partner with American Indian and Alaska Native tribal governments to help these communities craft and implement sustainable, locally-driven solutions to economic development challenges. HUD recognizes the right of Indian self-determination and tribal self-governance, and has fostered partnerships that allow tribal recipients the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. In most of these communities, housing and infrastructure needs are severe and widespread, disconnected from transportation networks and isolated from key community assets including jobs, schools and healthcare facilities. In fiscal year 2016, HUD is requesting a total of $748 million to fund programs that will directly support housing and economic development in American Indian, Alaskan Native, and Native Hawaiian communities nationwide, including:

- $660 million for the Indian Housing Block Grant (IHBG) program, which is the single largest source of funding for housing on Indian tribal lands today.
- $80 million for Indian Community Development Block Grants, a flexible source of grant funds for Federally-recognized tribes or eligible Indian entities, requested within the Community Development Fund. Of this funding, $10 million is set aside to attract and retain high-quality teachers in Indian Country by improving the availability and physical condition of teacher housing.
- Up to $15 million to implement a demonstration of the Jobs-Plus model in Indian Country.
- $8 million for the Indian Housing Loan Guarantee Fund, which provides loan guarantees to increase the availability of mortgage lending on Indian reservations and other Indian areas.
- Increases the setaside for *colonias* investment in communities along the US-Mexico border from 10 percent to 15 percent, to address problems with lack of infrastructure, including adequate water, sewer facilities and decent housing.

Transforming Neighborhoods of Poverty
The President has made it clear that we cannot create an economy built from the middle class out if: a fifth of America's children live in poverty, at a cost of $500 billion per year—fully 4% of GDP—due to reduced skills development and economic productivity, increased later life crime, and poor health; a growing population lives with the problems of concentrated neighborhood poverty—high unemployment rates, rampant crime, health disparities, inadequate early care and education, struggling schools, and disinvestment—all of which isolate them from the global economy.

That's why HUD's fiscal year 2016 Budget provides $250 million for Choice Neighborhoods to continue transformative investments in high-poverty neighborhoods where distressed HUD-assisted public and privately owned housing is located. Choice Neighborhoods—along with RAD-- is an essential element of the President's Promise Zones initiative, which is designed to support revitalization in some of America's highest-poverty communities by creating jobs, attracting private investment, increasing economic activity, expanding educational opportunity, and reducing violent crime.

The President announced the first five Promise Zones in January 2014 and will designate an additional 15 Zones by the end of calendar year 2016. Communities compete to earn a Promise Zone designation by identifying a set of positive outcomes, developing a strategy, encouraging private investment and realigning federal, state, and local resources to support achievement of those outcomes. The Promise Zone designation process ensures rural and Native American representation. Promise Zones will receive tax incentives, if approved by Congress, to stimulate hiring and business investment along with intensive federal support and technical assistance aimed at breaking down regulatory barriers and using Federal funds available to them at the local level more effectively. Applicants from Promise Zones will also receive points for competitive federal grants that will increase the odds of qualifying for support and assistance to help them achieve their goals.

Promise Zones are aligning the work of multiple federal programs in communities that have both substantial needs and a strong plan to address them. The Promise Zones initiative builds on the lessons learned from existing place-based programs like the Department of Education's Promise Neighborhoods and the Department of Justice's Byrne Criminal Justice Innovation program, both of which receive substantial increases in the Budget. Other federal agencies that will be aligning their work with that of local Promise Zone partners include the Departments of Commerce, Health and Human Services, and Agriculture.

The Choice Neighborhoods initiative is a central element of the Administration's inter-agency, place-based strategy to support local communities in developing the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. The Department's administration of the first rounds of funding for Choice Neighborhoods grants exemplify how our practices generate effective partnerships with local housing and community development efforts. In the past, many federal grant programs followed a rigid, top-down, 'one-size fits all' approach that dictated what local policymakers could and could not do rather than listening to them and providing the tools they needed to meet local needs. Having served in local government myself, I am committed to a collaborative approach responsive to local needs – and believe the results thus far demonstrate that we are making good on that commitment.

Ensuring Inclusive Housing Nationwide
An inclusive community is one in which all people—regardless of race, ethnicity, religion, sex, disability, or familial status—have equal access to housing and economic opportunities. Throughout its portfolio of programs, HUD is committed to maintaining that inclusivity and providing accountability in housing and lending practices nationwide. Through inclusive development, education, enforcement of fair housing laws, expanded training and language assistance, HUD will affirmatively further fair housing and the ideals of an open society.

The Fair Housing Initiatives Program (FHIP) is critical to building and sustaining inclusive communities. FHIP is the only grant program within the federal government whose primary purpose is to support private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act. In fiscal year 2016, HUD is requesting $45.6 million in FHIP funds, representing the Department's strong commitment to fair housing. The requested amount will continue funding to support fair housing enforcement by all statutorily eligible private fair housing organizations. In addition, it will fund fair housing education at the local, regional and national levels.

The Fair Housing Assistance Program (FHAP) is a critical component of HUD's effort to ensure the public's right to housing free from discrimination. FHAP multiplies HUD's enforcement capabilities, allowing the Department to protect fair housing rights in an efficient and effective manner. In fact, FHAP agencies investigate the majority of housing discrimination complaints filed in the United States. In fiscal year 2016, the Budget provides $23.3 million in FHAP grants to nearly 90 government agencies to enforce laws that prohibit housing discrimination that have been reviewed and deemed substantially equivalent to Federal law.

Ensuring that an Economy Built from the Middle Class Out Includes Opportunities for Rural Americans
The Administration has placed a significant emphasis on ensuring that America's rural communities are competitive in the global economy – particularly given the reality that rural communities generally have less access to public transportation, along with higher poverty rates and inadequate housing. HUD serves families in small towns and rural communities through almost every major program it funds.

As the single largest sources of funding for housing on Indian tribal lands today, HUD initiatives in Indian country continue to have some of the Department's most successful track records. Programs like Indian Housing Block Grants, Indian Housing Loan Guarantees, and Indian Community Development Block Grants support development in remote areas where safe, affordable housing is desperately needed. HUD recognizes the right of Indian self-determination and tribal self-governance by allowing the recipients the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. Taken together, in fiscal year 2016 HUD is requesting $748 million to fund programs that will support housing and development in American Indian, Alaska Native, and Native Hawaiian communities.

In addition, HUD and the Department of Agriculture meet regularly through an interagency rental housing policy group to better align and coordinate affordable rental housing programs. For homeowners, the FHA helps first-time homebuyers and other qualified families all over the country purchase their own homes. HUD has also entered into a Memorandum of Understanding with the Department of Treasury's Community Development Financial Institutions Fund and the Department Agriculture – Rural Development, to expand the capacity of organizations providing loans and investment capital in underserved rural regions. The initiative, which is being piloted in *colonias* along the U.S.-Mexico border, will improve the delivery of funding from federal agencies and private sources supporting small business, affordable housing and community facilities.

Goal 5: Achieving Operational Excellence

A 21st century American economy that is a magnet for jobs and equips its residents with the skills they need for those jobs demands a government that's leaner, smarter, and more transparent. The current economic and housing crisis; the structural affordability challenges facing low-income homeowners and renters; and the new, multidimensional challenges facing our urban, suburban, and rural communities all require an agency in which the fundamentals matter and the basics function. As such, HUD remains committed to transforming the way it does business. This transformation is more crucial now than perhaps ever before – HUD remains at the forefront of the Federal response to the national mortgage crisis, economic recovery, Hurricane Sandy recovery, and the structural gap between household incomes and national housing prices – roles that require an agency that is nimble and market-savvy, with the capacity and expertise necessary to galvanize HUD's vast network of partners. HUD's 2016 Budget reflects these critical roles, by investing in transformation, research, and development that will be implemented strategically.

Investing In Our Staff
HUD's greatest resource is its dedicated staff. When employees attain skills and are motivated to use those skills to help their organization reach goals, the capacity of the organization grows and employees in the organization grow as well; which is why HUD is creating training and leadership development opportunities for employees at all levels. Over time, the rules and regulations that develop within an organization become hurdles instead of the helpful pathways they were intended to be. HUD is in the process of simplifying and combining programs, streamlining regulations, and eliminating rules and constraints. In addition, the Department is in the middle of a major reform of its information technology, human resources, procurement, and other internal support functions to give more authority to managers and provide better service to HUD customers.

In 2016, HUD is requesting $1.4 billion in salaries and expenses, in addition to $28 million for Ginnie Mae and $129 million for HUD's Office of Inspector General (OIG). The HUD request includes several initiatives to streamline the HUD organization and increase training for our staff. These efforts are supported by a modified resource account structure, and justified by increased detail of how HUD staff support the programs in the department. HUD is making specific investments of more staff to manage major rental assistance programs, increasing our ability to enforce new fair housing rules and provide more oversight to our community grant programs. The Department will continue to improve operations and create a dynamic organization capable of addressing some of our nation's most difficult challenges.

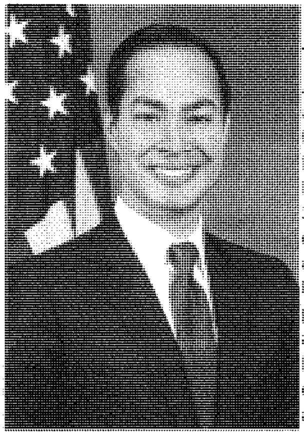
Carrying Out Critical Program Demonstrations and Research
HUD's ongoing transformation is a multiyear effort that can only be achieved through the relentless focus of agency leadership, full transparency and accountability for real results, and sustained and flexible budget resources. The Transformation Initiative (TI) remains the primary source of funding for this transformation. Since TI was first enacted in 2010, it has bolstered research, evaluation, and program demonstrations crucial for increasing the efficiency and effectiveness of the Department's programs. Further, TI has provided a mechanism for innovative, cross-cutting technical assistance that goes beyond program compliance to improve grantee capacity, performance and outcomes.

While the Department's transformation is a crucial long-term commitment, HUD continues to prioritize these efforts in a responsible manner that ensures HUD's constituent services don't suffer at the hands of internal transformation. This year's Budget proposes a Department-wide HUD Transformation Initiative Fund to be funded by transfers from program accounts. In fiscal year 2016, HUD's request includes transfer authority of up to $120 million into its Transformation Initiative Fund, up to $35 million of which will be for research, evaluations and program demonstrations, and at least $85 million of which will be for cross-cutting technical assistance, including place-based technical assistance. This includes training, education, support and advice to help community development corporations and community housing redevelopment organizations carry out community development and provide affordable housing activities for low- and moderate-income persons, as previously funded through the Self-Help and Assisted Homeownership Opportunity Program (SHOP) account. This modified approach will enable HUD to better integrate technical assistance and capacity building.

Upgrading the Department's Information Technology Infrastructure
In 2016, HUD is requesting $334 million for the Information Technology Fund. HUD will continue development efforts and primarily focus on delivery of discrete capabilities in our FHA systems, as well as the continued development of New Core. New Core will enhance capabilities in financial management, travel, procurement, and workforce planning to better support strategic decision making. In fact, New Core is implemented in four releases, two of which have been successfully completed this fiscal year; HUD's travel system and time and attendance systems have all migrated to the shared services environment. In Release 3, New Core will transition HUD's core financial management functions to the Treasury Department in the largest financial management shared service arrangement established to date, and implement a HUD enterprise-wide financial system that will allow the Department to resolve material weakness and audit findings though a consolidated shared services infrastructure platform. These changes will allow HUD to deliver services and manage these multi-billion dollar programs faster, more accurately and using better information for analysis. These funds are crucial to complement HUD's transformation efforts, providing resources for maintaining and improving Department-wide information technology systems.

Conclusion
Chairman Diaz-Balart, this Budget reflects the Administration's recognition of the critical role the housing sector must play to ensure that America becomes a magnet for jobs that strengthen the nation's middle class, including providing ladders of economic opportunity for all Americans, whatever their circumstances. Equally important, it expresses the confidence of the President in the capacity of HUD to meet a high standard of performance.

It's about making hard choices to reduce the deficit – and putting in place much-needed reforms to hold ourselves to a high standard of performance. But most of all, it's about the results we deliver for the vulnerable people and places who depend on us most.



Biography of Secretary Julián Castro

Julián Castro was sworn in as the 16th Secretary of the U.S. Department of Housing and Urban Development on July 28, 2014. In this role, Castro oversees 8,000 employees and a budget of $46 billion, using a performance-driven approach to achieve the Department's mission of expanding opportunity for all Americans.

"Julián is a proven leader, a champion for safe, affordable housing and strong, sustainable neighborhoods," said President Barack Obama after Castro's confirmation. "I know that together with the dedicated professionals at HUD, Julián will help build on the progress we've made battling back from the Great Recession - rebuilding our housing market, reducing homelessness among veterans, and connecting neighborhoods with good schools and good jobs that help our citizens succeed."

As Secretary, Castro's focus is ensuring that HUD is a transparent, efficient and effective champion for the people it serves. Utilizing an evidence-based management style, he has charged the Department with one goal: giving every person, regardless of their station in life, new opportunities to thrive.

Before HUD, Castro served as Mayor of the City of San Antonio. During his tenure, he became known as a national leader in urban development. In 2010, the City launched the "Decade of Downtown", an initiative to spark investment in San Antonio's center city and older neighborhoods. This effort has attracted $350 million in private sector investment, which will produce more than 2400 housing units by the end of 2014. In addition, San

Antonio's East Side is the only neighborhood in America that has received funding to implement major projects under three key Obama Administration revitalization initiatives: Choice Neighborhoods, Promise Neighborhoods and the Byrne Criminal Justice Program.

In March 2010, Castro was named to the World Economic Forum's list of Young Global Leaders. Later that year, Time magazine placed him on its "40 under 40" list of rising stars in American politics.

Previously, Castro served as a member of the San Antonio City Council. He is also an attorney and worked at Akin, Gump, Strauss, Hauer & Feld before starting his own practice.

Secretary Castro received a B.A. from Stanford University in 1996, and a J.D. from Harvard Law School in 2000. He and his wife, Erica, have a daughter, Carina and a son, Cristian.

Mr. DIAZ-BALART. Because we have a significant amount of ground to cover and limited time, and in coordination with the ranking member, we are going to dispense with the delivery of opening statements, and instead, we are going to move straight into questions.

We will begin with again the five minute rounds, and everybody here has been very cooperative. Just a reminder, when you are posing your questions, please allow some time for the Secretary to provide an answer. That is always helpful, is it not, Mr. Secretary, when you are actually able to answer some of the questions that we have.

Secretary CASTRO. Yes.

HUD INSPECTOR GENERAL FINDINGS

Mr. DIAZ-BALART. With that, let me start. In February, the HUD Inspector General reported that your agency paid more than $37 million in subsidies to tenants that were not compliant with community service or self sufficiency requirements, et cetera.

Once again, and we had this conversation before in the last hearing, you see it is something I am concerned about, and I know you are concerned about, the IG has found a pattern of non-compliance among PHAs, and then minimal oversight by HUD.

This report suggests, really, a systematic failure rather than just a few isolated incidents. Would you agree with that? If so, what steps is HUD taking to correct, again, this very basic failure to comply with basic community service and self sufficiency requirements by the PHAs, and some of the tenants as well?

Secretary CASTRO. Thank you very much, Chairman, for that question. However, as the IG noted, there are some gaps there. I want to let you know that we do take this seriously. We understand the requirements. We want to ensure that we follow the IG's recommendations. We look forward to providing you with an update.

TBRA FUNDING

Mr. DIAZ-BALART. That would be great, Mr. Secretary. Again, as I mentioned, you are right, obviously, most people do comply, but the IG found that of the 550,000 covered by the requirement, 106 units had that problem. It is a pretty big issue. It is not an isolated issue. I look forward to updates as you go forward.

Your budget request adds $512 million in additional TBRA funding, to replace the thousands that we all heard were lost to sequester. By the way, as you know, I am newer in this chairmanship than you are to your position, so I am still learning.

The 2015 TBRA Program that is actually going to help 42,000 more households than it did the year before sequester, we can talk about sequester, I am one of those that believes sequester needs to be replaced, but just to get the facts on the table, we have not lost vouchers since sequester actually, we have gained thousands of them.

What am I missing, when you actually look at the numbers, again, 42,000 more households than we did the year before sequester, so am I missing something?

Secretary CASTRO. I would just say a couple of things in terms of our request. The first is what we see out there is a growing need. In our latest worst case housing needs analysis, we found that there are 7.7 million low income households that are either paying more than 50 percent of their monthly income in rent, or living in substandard housing, or both.

What we also saw during sequester was that there were about 70,000 vouchers that housing authorities had authority to let out that they had to pull back off, so the request that we have in front of the committee asks that about 67,000 of those vouchers are restored, and we accomplish that with certain special purpose vouchers.

We are going this route because we see specific need out there for the use of vouchers around the country, and also because—I want to give credit to the committee and the work of this Congress as well—through the allocation of HUD–VASH vouchers and HUD's and VA's work on this, we have learned some lessons about how we can specifically implement vouchers and drive down homelessness among certain population groups that are particularly needy.

Mr. DIAZ-BALART. Great. Again, I look forward to working with you. As you know, we have increased $1.4 billion since 2013. The money has been there, with sequester or not. Again, 42,000 more households.

Anyway, we will continue to work with you to make sure that we can do as much as we can with whatever allocation we get.

Now, let me recognize the ranking member.

HOPE VI/CHOICE NEIGHBORHOODS

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, welcome back once again to go a little more fully into your budget request and into housing and community development efforts that you are making.

I am pleased to see a healthy request. I think in the current environment, it counts as a healthy request, $250 million, of Choice Neighborhoods, as the successor, as you know, to the popular successful HOPE VI Program.

To provide some perspective on that, the funding for HOPE VI has varied from $625 million in fiscal 1999 to $80 million in the current fiscal year. At that latter level, you wonder if we still have a national program. So, you are bringing it back or you are proposing to bring it back.

We know that when we allow our public housing stock to go into disrepair, entire neighborhoods are affected, they become susceptible to blight, socioeconomic isolation, high concentrations of poverty and crime.

HOPE VI uniquely, and I stress uniquely, addressed the problem of distressed public housing by taking a comprehensive approach revitalizing whole communities. I have seen this program firsthand transforming, for example, Few Gardens in Durham, Halifax Court in Raleigh. In fact, I think most of us probably have HOPE VI success stories in our districts, and we also know the work is not yet done.

Recent funding levels have allowed HUD to fund only 10 percent of its implementation of grant applications and 17 percent of the applications to the New York Less Generous Planning Grants.

So, the need is there, yet Congress continues to short fund the program year after year. I hope we can reverse that trend this year.

I want to ask you two questions. Please provide the committee with an understanding of the number of public housing authorities that still have distressed, severely distressed, public housing units, and comment on the level of need and interest relative to the funds that you have available.

Secondly, because the Public Housing Capital Fund has been woefully insufficient in keeping up with the capital demands, Choice Neighborhoods has become functionally the only source of funding in many cases for large scale modernization, demolition, and replacement of our nation's public housing stock.

Given that situation, how can we best utilize our limited resources to ensure that our nation's blighted housing stock is in fact revitalized and replaced?

Secretary CASTRO. You really hit the nail on the head there, Ranking Member Price, with regard to the need that we see that exists out there and the purpose of the Choice Neighborhoods initiative and prior to that, HOPE VI.

The approach here is to try to break down the silos that often exist in the Federal Government and in local communities around not just improving the bricks and mortar but lifting up the entire community and making the community safer, ensuring there is a mixed income community, looking at education as part of this, and providing other services.

That is the true value of the Choice Neighborhoods initiative. Our request is for $250 million. In fiscal year 2015, it is being funded at $80 million.

What we see out there is a tremendous amount of need. We have many older housing communities that still fall into the model of an aggregation of poverty that research after research has shown is not the best approach to achieve better educational outcomes, and frankly, to get folks up and out to a more successful place in life that they want to be.

This request, we believe, would allow about 6 to 10 Choice implementation grants with the rest being planning grants. I know from firsthand experience——

Mr. PRICE. That is relative to a demand. Can you quantify that as well?

Secretary CASTRO. I can get you—I do not have the number of applications, for instance, that we got in the last Choice round, but that is a number that we can get you. I can say every time that we go out for one of these planning grant rounds or implementation grant rounds, there is tremendous demand out there.

We would be happy to get you more specific numbers in terms of the number of applications versus the number of awardees.

Mr. PRICE. Good.

Secretary CASTRO. Suffice it to say that is very significant demand that we see. In fact, just about every mayor that I meet with asks about Choice Neighborhoods, no matter what part of the country they are from, because they have these older housing communities that get consortally used as kind of investments.

Mr. PRICE. I know your time is running out. Maybe we will go over to the next round on the question about the blighted public housing stock and the de facto situation that has emerged in terms of Choice Neighborhoods being—basically with the Public Housing Capital Fund depleted, Choice Neighborhoods becomes in many instances the only choice.

We will take that up on the next round.

Mr. DIAZ-BALART. Thank you, Mr. Price. Mr. Joyce.

HOMELESS ASSISTANCE GRANTS-RENEWALS

Mr. JOYCE. Thank you, Mr. Chairman. Good morning, Secretary Castro. Nice to see you.

I have a couple of questions. The first one, the cost of renewing projects under your Homeless Assistance Grant Program, they continue to grow. I am concerned the growth is not sustainable. You cannot afford to blindly renew these projects regardless of their performance.

I was wondering, Mr. Secretary, are you doing to help grantees identify lower performing projects that should not be renewed?

Secretary CASTRO. Thank you very much for the question, Congressman Joyce. We want to ensure that we are always trying to be as efficient as possible. One of the things that I am most proud of for HUD over the last several years is that we have gotten a lot better, for instance, at technical assistance to our grantees, so they can become more efficient.

In fact, as part of this budget request you will see that we propose from different program areas merging $120 million into what we call our transformation initiative, which supports common technical assistance.

If there are particular concerns that you have, that you have seen in your district or others, we would be glad to take that up. We want to ensure that we reach a level of efficiency with these projects.

Mr. JOYCE. In 2014, less than half of the Continuum of Care grantees reallocated renewal funding from low performing projects. Should not all grantees be doing this?

Secretary CASTRO. What was the question again?

Mr. JOYCE. Less than half of the Continuum of Care grantees reallocated renewal funding from low performing projects. Should not all grantees be doing this? What is HUD doing to make sure every grantee is getting their money based upon performance rather than just getting a grant renewed because it was there in the past?

Secretary CASTRO. Yes. I believe that under Secretary Donovan, we started to move down the road of measuring outcomes better, and we had the opportunity when we work with Continuum of Care around the country to do this because this is a competitive process.

It is incumbent upon the Continuum of Care but also HUD in this competitive process to ensure that the best performing entities are getting that funding, and that is something that we continue to work on.

We have regular meetings on how we can ensure that these dollars are prudently spent and have as big an impact as possible, and would love to follow up with you on a discussion of that.

Mr. JOYCE. I appreciate that. Will you require all the grantees to collect performance data next year, and will HUD also require funding decisions be based upon that data only?

Secretary CASTRO. I believe it is fair to say that over time that is the direction we are moving in. We see this issue as well with regard to our negotiations on Moving to Work agencies, for example. We are looking right now at extending Moving to Work contracts beyond 2018. One of the points of negotiation is what kinds of metrics will be included in those contracts, in the same way, with each of our grantees.

I would say as someone who has been new to this over the last eight months, we still have a significant amount of work to do to ensure that when we outlay revenue, we get the performance that we want.

I cannot promise here that in the next year we are going to get where we want to go, but I do think we are moving in that direction.

Mr. JOYCE. I appreciate that. I am not sure how much more time I have. I will just defer to my next round of questions. I have some other questions.

SPECIAL PURPOSE VOUCHERS

Mr. DIAZ-BALART. Thank you. With that, we will recognize Mr. QUIGLEY.

Mr. QUIGLEY. Thank you, Mr. Chairman. Mr. Secretary, welcome back.

Secretary CASTRO. Thank you.

Mr. QUIGLEY. I cannot put my finger on it. You just remind me of somebody I work with here. I am sure it will come to me before the day is over.

Secretary CASTRO. He is not quite as good looking as me.

Mr. QUIGLEY. That was my first thought.

On the question from the chairman, you were talking about the importance of restoring vouchers. I would like to give you the opportunity to elaborate as it relates to specific populations, populations that are very concerned about this in my district, domestic violence victims, homeless families, veterans, Tribal families, and again, survivors of domestic violence.

Secretary CASTRO. Yes. In fact, the focus that we have this year on our request for special purchase vouchers is very meaningful because it does relate to several populations that we see with a particular need in terms of Housing Choice vouchers.

One of them that you mentioned, for instance, we have a request for 4,900 new vouchers for victims of domestic violence to assist individuals who are currently living in circumstances that really, they need an out, and this would give public housing authorities out there the opportunity to have some vouchers that would be administered from headquarters based on need, but we believe are very necessary to meet the need out there.

Another example is Family Unification vouchers. We are requesting $20 million for what would be 2,600 of those. Those would be distributed by competition.

One of the things we are excited about, for instance, is a proposal to allow youth who are in foster care a five year time period in which to still make use of these vouchers. Right now, that is limited to 18 months. We have seen clearly that is just not enough time, that folks need more time to be able to get on their feet and settle into a place in life where they can be self sufficient.

Another example is about 22,500 vouchers that would be available for homeless families, veterans, and Native Americans, and individuals who may have in the past gotten a HUD–VASH voucher, but we are not making a request for HUD–VASH in fiscal year 2016.

Remember our goal is to effectively end veteran homelessness by the end of 2015, and we are working very hard to reach that goal.

Mr. QUIGLEY. How close are we?

Secretary CASTRO. Well, we are aiming to end it by the end of this year, and we have made significant progress. The last number that we had was in the 2014 count, we were at about 49,000. The 2015 count was just conducted between late January and early February. We will get the new number in the fall, and we will get the 2016 count that will happen early in 2016, in the fall of 2016, and we will know what that number went down to.

However, I brought that point up because this set of special purpose vouchers would be allocable to veterans, including on Native American reservations, if there is still need at that point for those, and would also be allocable to veterans who were other than honorably discharged from the military.

We have some veterans, for instance, that over time may have been discharged because of the "Don't Ask Don't Tell" policy. Right now, their discharge status says they cannot receive a HUD–VASH voucher.

Mr. QUIGLEY. What was their status, do you know, when they were discharged for "Don't Ask Don't Tell?"

Secretary CASTRO. It is a good question.

Mr. QUIGLEY. I will find out.

Secretary CASTRO. These individuals and others received an other than honorable discharge. It was not an honorable discharge. We believe there is a population of veterans there who ought to be eligible for voucher funding, and that would be included in our request for these special purpose vouchers.

Mr. QUIGLEY. Thank you. Mr. Chairman, I yield back.

Mr. DIAZ-BALART. Thank you. Mr. Valadao.

CDBG AND HOME PROGRAMS

Mr. VALADAO. Thank you, Chairman.

HUD resources such as HOME and CDBG are vitally important in rural areas including my hometown of Hanford, California. Unfortunately, many rural communities in small cities do not received grant allocation, and therefore must compete in statewide programs.

Fiscal year 2016 budget, the request decreases funding for these programs. Additionally, because funding is inconsistent and unpredictable from year-to-year, it is incredibly difficult for rural communities to plan and develop much needed housing and community development projects.

What can HUD do to ensure that programs such as HOME, and CDBG, are able to work more consistently to provide rural communities with the support that they need.

Secretary CASTRO. Yeah. I appreciate the opportunity to address this. As I may have mentioned to the Committee briefly last time, and I know that I mentioned it to the Senate Committee, you know, our title is the Department of Housing and Urban Development; but truly, we are the Department of Housing and Community Development because we do a lot of work in tribal communities and in rural communities.

So to address the question that you had, for instance, about CDBG and HOME; 30 percent of our CDBG resources go, not to local entities, entitlement communities but to the state to be distributed to non-entitled entities. And about two-thirds of that funding goes to rural communities.

With regard to HOME, 40 percent of HOME funds go to the states. Now, that 40 percent that goes to the states can be distributed either to entitlement communities or non-entitlement communities, but a good amount of that goes to smaller communities.

What we see out there is that the biggest challenge for rural communities often revolves around capacity. So, we have tried to build up capacity through technical assistance, also through making our rules flexible; or trying to create more flexibility.

For instance, by allowing state-wide Community Housing Development Organizations, or CHDOs, to be designated as eligible for a 15 percent set aside for rural communities; right now, 15 percent of HOPE funds are set aside for a community to work with a CHDO, but oftentimes in these rural communities, there is no CHDO in that rural community that qualifies there, they are not eligible.

So, we say well, why don't we allow a statewide CHDO to fill that role so that they can make use of that 15 percent of the resources? Another challenge with CDBG revolves around overhead costs. We propose that smaller rural communities be able to, essentially, co-administer CDBG funds so that they can reduce their overhead cost and make more use of the funds to do actual investment in infrastructure and in housing.

These are some of the ways that we are trying to make it easier for rural communities to make the most of what has been, frankly, tightening resources with regard to CDBG and HOME over the last few years.

Mr. VALADAO. I appreciate that. Let me turn the mic back on. Sorry. Although the low-income housing tax credit is a primary source for financing for affordable rental housing in rural America. The tax credit alone is not enough to make projects affordable in many rural communities. In many cases other targeted programs such as the HOME Program, must be paired with the tax credit in order to serve, poor, rural communities.

Historically, HOME has been the critical funding source for projects in smaller communities within my district, such as Lamont, McFarland, Wasco, Irving and Earlimart. In addition to reductions in HOME appropriations, cuts in USDA funding, and for all rental housing, loans of rural projects with few resources to compete effectively with low-income housing tax credits.

Due to diminishing resources in HUD and USDA Program appropriations, what can HUD do to help rural communities make the most of the resources provided to them in order to build and preserve their affordable rental housing stock?

Secretary CASTRO. Well, and let me just add one more tool that is going to be in our toolbox. As you are aware, recently Director Mel Watt instructed that the Housing Trust Fund would be implemented in the coming year, and HUD has set about figuring out how to implement that rule.

Under statute each state is to get at least $3 million from that Housing Trust Fund. You mentioned rental affordability, for instance, 80 percent, at least 80 percent of that Housing Trust Fund money will go to increasing rental affordability options for extremely low-income individuals, in urban and rural settings.

And so the states will have an opportunity with Housing Trust Fund money, to look at these challenges that rural communities face, in addition to what I mentioned with adjustments to HOPE and CDBG that we have proposed. The National Housing Trust Fund provides one more tool to create more affordability.

Mr. DIAZ-BALART. Thank you, Mr. Secretary. Thank you,

Mr. VALADAO. Thank you.

Mr. DIAZ-BALART. Thank you. Mr. Cuellar, you are next, but——

Mr. CUELLAR. I will yield to the Ranking Member of the Full Committee.

Mr. DIAZ-BALART. Ms. Lowey, we are pleased to have you here, you are recognized.

BUDGET RESOLUTION

Ms. LOWEY. Thank you very much, Mr. Chairman. And before I get to my questions, I would like to welcome the distinguished Secretary. I thank you for being before us today. And before I get to my questions, I think it is essential to acknowledge the backdrop for this discussion; the House Majority's efforts to pass an unrealistic and unwise budget resolution. As my colleagues are no doubt aware the House leadership intends to consider a Budget Resolution this week that barely made it out of Committee, because of an ongoing dispute about the sequester-level budget caps on defense-related activities.

I understand and share their concern about the budget caps being sufficient to adequately fund these priorities. I only wish there were similar concerns by my majority colleagues about all of the priorities on the other side of the ledger that will also be dangerously underfunded if we do nothing about the budget caps.

To that end, I was very pleased to see the President's request for HUD, calls for an increase for $5.4 billion over last year, bringing its total to $41 billion. But even at this level, we still have not kept pace with the actual needs; we still would be below the amount we appropriated in 2008, seven fiscal years ago.

LEAD POISONING

Now, one of the areas where I have worked in, I notice there is still a great deal of concern. The partnership between HUD, EPA, the CDC and State, and local partners has been successful in reducing childhood lead poisoning. In 1997 more than 7 percent of children tested positive to elevated blood levels, by 2013 that rate was reduced to less than 1 percent. Lead poisoning takes a significant toll on the educational achievement of children, and children with elevated blood levels are more likely to have slow growth, learning difficulties and development delays.

Does HUD ensure that grantees work with schools and early childhood education provided to identify potential cases of lead poisoning, and if you could describe how the healthy homes and the lead, as the control grants, work together; and if you could anticipate for us the scale of the work that remains to be done? Thank you.

Secretary CASTRO. Sure. You bring up a very good point, and one that strikes at the basic, the basic connection between housing and health. And with regard to your question on working with local educators, we do recommend to our grantees that they include local educators in outreach plans.

Now, of course the outreach is formulated at the local level, but that is something that HUD recommends, because we know that oftentimes these issues are caught at school, with symptoms that come up and the school members or a teacher is involved in identifying early signs of lead exposure. So that is something that we recommend to our grantees.

Since 2012 our Lead Hazard Control Grants have included the option for grantees to request funding for healthy homes and remediation work. And most of those grantees have done so. So that is where we make the link as well. There is plenty of need that is still out there, I believe that the last figure I saw was that there are 23 million homes that have lead-based paint hazards out there. It is safe to say that the resources that we have are not nearly sufficient to meet the need, and that makes it more important for us to stress local outreach in partnership. And then, secondly, to link up our grant programs so that they work together to make as big an impact as possible. And that is what we are trying to do.

Ms. LOWEY. Thank you so much, and I hope we provide the resources to enable you to do the job. It is hard to believe that there is still 20 million homes, I think that is the number you just mentioned.

Secretary CASTRO. Twenty-three million. Yeah.

Ms. LOWEY. And plenty of children in those homes. So I thank you very much. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, Ms. Lowey. Mr. Cuellar.

RAD PROGRAM

Mr. CUELLAR. Thank you, Mr. Chairman. Mr. Secretary, it is good having you again. Good seeing you again. Tell me about your efforts, what HUD is doing to leverage public-private partnerships. And in particular, you know, I want to see what you are doing to rebuild the nations of portable housing stock. I do know that you all are making a proposal for RAD, the Rental System Demonstration Program.

In fact, that is one of the things I submitted to the Chairman yesterday, we had a deadline yesterday. But if you can explain to us, what specifically do you have in mind?

Secretary CASTRO. Yeah. So the Rental Systems Demonstration Project which came into being, I believe in 2012, a couple of years ago, is an innovative approach, to address a glaring need that we have out there. There is about $26 billion in backlog of renovations and repairs that we need for our 1.1 million units of public housing, and we are losing about 10,000 units of public housing to disrepair every year. RAD essentially takes traditional Section 9 housing and through public-private partnership turns that into Section 8 financed improvements to that housing.

And we have authority under the fiscal year '15 budget to do about 185,000 RAD conversions. We have applications, or actually we have awarded, about 183 of those, 183,000 already. And we have done 134 deals out there that have equated to just over 13,000 units, under what is called RAD 1, the first component of RAD. And another 8,700 units already under what is called RAD 2.

What we see is, number one, this is an effective public-private partnership to renovate units that otherwise probably would not get renovated for a long time if ever. In fact, in a small town called Lexington, North Carolina, the housing authority there said that they were going to able to do 58 years worth of work in 22 months. That is the kind of acceleration that we can get when we involve the private sector, smartly, in these conversions.

Secondly, we commissioned a study last year, by a neutral third party that found—who looked at the first 57 RAD deals, and found that for every $1 that was invested by the public sector $19 were invested by the private sector.

Mr. CUELLAR. Say that again.

Secretary CASTRO. So, it found that in the first 57 RAD deals, for every $1 we invested from the public sector, $19 were invested by the private sector.

Mr. CUELLAR. That is a pretty good return.

Secretary CASTRO. That is having tremendous impact, and doing it in a way that I believe will ensure that more units of traditional public housing are suitable for living, meet basic quality of life standards, and avoid continued cost to the taxpayers.

Mr. CUELLAR. Okay. Well, thank you, for your leadership on including the public-private partnerships. I think it is a pretty good investment it is really is.

Secretary CASTRO. Sure, we are excited about it.

Mr. CUELLAR. Yeah. Mr. Chairman, I have more questions on Colonias, but I will wait for the second line of questions. So I will yield back the balance of my time.

SPECIAL PURPOSE VOUCHERS ALLOCATIONS

Mr. DIAZ-BALART. Mr. Secretary, let me just go back to the line of questioning that Mr. Quigley started about these targeted population vouchers. What process will HUD be utilizing to allocate these new vouchers, and will you need to issue regulations to implement these new vouchers, or not, and also will that take?

Secretary CASTRO. Yeah. For the four types of Special Purpose Vouchers there will be a couple of different approaches that we take. There are some new regulations that are involved in these. For instance, in fact today we are releasing new regulations that are a follow up to the Violence Against Women Act from 2013, that will touch on, as well, this issue of Special Purpose Vouchers for victims of domestic violence.

With regard to the 22,500 vouchers for families, veterans and Native Americans, that is the $177.5 million request. Those would be distributed by competition, and so of course we would have—we would formulate the terms of that competition. The 37,000 new need-based vouchers that we have requested, which is the $277 million request would be allocated by a method that captures relative need determined, yes, by one of our rules, and then——

Mr. DIAZ-BALART. A new rule you would have to implement? Or is that current? Do you know?

Secretary CASTRO. Let me—Yes, it is a new rule; our PD&R Department which sets that formula for us.

Mr. DIAZ-BALART. For that process?

Secretary CASTRO. Yeah. With regard to the 2,600 family unification vouchers that would be done by competition, we would set the terms of the competition, and with regard to the 4,900 domestic and dating violence I mentioned; that is being determined as well right now.

Mr. DIAZ-BALART. I am assuming that it costs more to do these types of vouchers than just adding more regular housing vouchers. Any idea what the cost is associated with doing it, you know, this way versus just the regular; if you just were to add more regular vouchers?

Secretary CASTRO. I do not believe that the administration of this is appreciably different from the administration of our other vouchers, because the grantees are often the same, such as a Housing Authority, for instance. So we would be led to follow up on that analysis——

Mr. DIAZ-BALART. That would be great, if you could just look at that.

Secretary CASTRO [continuing]. Of whether we think there is going to be much of a difference.

Mr. DIAZ-BALART. Perfect.

Secretary CASTRO. But it is fair to say, that there are special vouchers in place right now, HUD–VASH is a good example that are not our broad housing choice vouchers. So in terms of the added administrative cost, I do not believe there would be an appreciable difference but we would be led to follow up with you on that.

PBCA LITIGATION

Mr. DIAZ-BALART. That will be great. Thank you, Mr. Secretary. Let me kind of switch the subject in the two minutes that I have. The 2015 HUD Bill and the Federal Appeals Court soundly rejected HUD's attempt to administer performance-based contract for funding its grants. And HUD's own analysis demonstrates that we are competing these contracts could actually save potentially up to a $100 million; I know that is not number written in stone. Not to mention millions of dollars that the court's—that we are spending in taxpayer money is being spent in the court.

So what, with resources under HUD, frankly, already under pressure, how can we justify all of this waste? Again, this is something that the Committee has not wanted to do, the courts have rejected it, and we continue to spend money on trying to do this.

Secretary CASTRO. This is an issue of course that is still the subject of litigation. And this really strikes at a disagreement that HUD had with the GAO over what our most effective method of PBCA would be, and also how effective we believe the procurement process is, versus the process that we have used in the past.

We believe that the process that we have in place, that we have had in place, a relationship with these state entities, who are performing on these contracts now, is a good one. They have had good performance, and we also believe as a—and this is one of the legal issues, that the statute that is in place requires HUD to do this. So that is something that is in front of the court right now, and we understand the disagreement that it had, but we do believe that we have captured the best method to do this.

Mr. DIAZ-BALART. And my time is running out, Mr. Secretary. But again, just according to HUD's own analysis, I suppose we could compete and could save a ton of money, potentially up to $100 million. I think that is a pretty serious factor to consider. Mr. Price?

PUBLIC HOUSING CAPITAL FUNDING

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, I want to turn to the Section 202 and the 811 Programs. But I first want to give you a chance to respond to my first question, in the first round which had to do with the interplay between choice neighborhoods and public housing capital funding.

Just to provide a moment of additional context; the current funding for public housing capital expenditures is 1.88 billion, the fiscal '16 request is only slightly more, 1.97; the historic high is 3 billion, and the estimated need is 3 billion. That is just to stay even. The dollar is required to maintain the existed public housing stuff, to maintain at $3 billion. Now you are requesting less than $2 billion. So that is the context for my question about how far these funds have slipped, how they are woefully insufficient for keeping up with capital events. So then does Choice Neighborhoods become the functional equivalent or at least the only source of funding for large-scale modernization and demolition and replacement of the public housing stock? Is that partly what we are dealing with here in terms of the Choice Neighborhoods demand?

Secretary CASTRO. Choice Neighborhoods is one option and it is an important one, particularly because as we discussed earlier it is a comprehensive improvement to the quality of life in the community, it is not just about the bricks and mortar. However, as you say there is a significant challenge with the bricks and mortar and repair and renovation. The other option is the one that I mentioned in response to Congressman Cuellar's question is our Rental Assistance Demonstration Project, and we were pleased to get the cap lifted from 60,000 to 185,000. In this fiscal year we ask that that cap be lifted entirely so that we can in a smart way engage the private sector as well in improving the many units out there that do need significant renovation. This is a smart way that I believe that over time we can accomplish what we would otherwise not be able to accomplish given the limited funding that we have received. You are correct, Ranking Member, that there has been diminishing investment in our public housing stock, and that has significant impact on our ability to meet the needs out there and the quality of life of residents. And so Choice Neighborhoods is one great option. Another great option is our Rental Assistance Demonstration Project.

Mr. PRICE. And I would say a third sound option is to give decent funding to the Public Housing Capital Fund.

Secretary CASTRO. That would be our preferred option.

SECTION 202 AND SECTION 811 PROGRAMS

Mr. PRICE. That would be pretty obvious I suppose. All right. Quickly to Section 202 and 811. This is another highlight of your budget, increased funding for these programs. Again, most of us in our districts are well aware of the importance of these programs. 202 for the elderly, 811 for the disabled, not only guarantee shelter for some vulnerable populations, but provide supportive services to ensure greater inclusion in the larger community.

Now there has been a marked decrease in production of units under these programs, both of them, in recent years, and you are proposing to reverse that troubling trend. Good for you. So I want you to describe if you will your section 202 and 811 requests, how these funding streams will directly effects housing opportunity for vulnerable Americans. And then there are a couple of questions I want you to drill in on on 811.

There has been a shift toward vouchers in the section 811 program. In light of that how can HUD ensure that the partnership between HUD and the states and the developers achieves the goal of creating new units of housing for the disabled? And we are also moving away from the group home model, and that raises the question how do HUD and the states and their partners ensure the tenants are receiving the same or better supportive services which is very important often to this population, supportive services in this new so-called mainstream model.

Secretary CASTRO. Two enormously important programs for our elderly and disabled communities. With regard to the elderly, what we see out there is the fastest growing population in the United States are these baby boomers who are turning 65, who are officially becoming seniors. And we see over the last several years no funding for new units of section 202. Our request is for $455 million in section 202 to take care of existing units, plus an additional $10 million for a section 202 Demonstration Project.

With regard to 811, we do request additional funding for 700 new units. The importance of both of these programs is that they allow us to really link up housing and health, and to achieve a savings with regard to healthcare. We believe that there is a significant savings to Medicare and Medicaid when we make section 202 and section 811 investments, and that the better we are able to measure that, to capture that, and then hopefully eventually integrate that into how we budget, we believe that we could save taxpayers—we are saving taxpayers with the programs and in the future could save them even more. I believe——

Mr. DIAZ-BALART. 5:09, Mr. Secretary. I am going to have to ask you to wind it down at this stage. We will hopefully have another opportunity.

Secretary CASTRO. Suffice it to say this is something that we see a tremendous amount of need for that is underfunded right now.

Mr. PRICE. Thank you. We will return to the topic.

Mr. DIAZ-BALART. Thank you. Mr. Joyce.

ADDRESSING VACANT PROPERTIES

Mr. JOYCE. Thank you, Mr. Chairman, Mr. Secretary. I appreciate the fact that you are taking a new look at some of these different programs and trying to find cost savings and reductions. I am somewhat new here; I got in with the lesser good looking Castro and—but one of the things in your prior career and mine as a DA that bothers me is vacant, foreclosed, homes that become areas for criminal activity, and the fact that they also bring down the values in neighborhoods. Is there anything in your budget that would allow for the tear down and removal of these type of homes?

Secretary CASTRO. Sure. This is a question that we often get as you can imagine, particularly given the housing crisis that we went through. We did have funding a couple of years ago for the Neighborhood Stabilization Program and that did do a lot of good, however it is also fair to say that some of our traditional resources like CDBG that has flexibility to it can be used for some of these activities.

The other part of this though that relates to our budget request is we want to get to a point where we can prevent foreclosure and vacant buildings in the first place. And that is one of the reasons that we are requesting an increase to our Housing Counseling budget because our research has shown that—and the research of third parties, has shown that housing counseling is an effective way to prevent folks going into default and then foreclosure. We also have made some adjustments at FHA for instance; our Distressed Assets Sales Program that seeks to get lenders to work with homeowners so that they can stay in their homes. We encourage local communities to look at things like land banks. That is something that we did when I was mayor of San Antonio so that they can get properties into the hands of folks who are willing to either demolish them and build a new home, or renovate what they have their so that we can create stronger neighborhoods and a better quality of life for those communities.

Mr. JOYCE. And I truly appreciate that. I mean we are doing the same thing, and obviously northeastern Ohio was hit very hard during the housing crisis, but unfortunately in some areas we have blocks of homes that are sitting there that need to be torn down. And I am asking you looking forward do you have any ideas or thoughts on how we can find more money to be available in your existing budget to be able to get this accomplished? I introduced a number of bills, they didn't go anywhere in the last Session, but as you know it can really ruin a neighborhood and ruin a community if it is not taken care of.

Secretary CASTRO. Sure. I believe that what the question poses is really—it shines a light on the differing needs of communities that are out there. There are some communities that have a pitched need for this and others not as much. And so that is why when we think about of our existing resources where do we have the most flexibility for local communities. That is the way I think about it. And so CDBG, Home, those are traditional programs that offer a decent amount of flexibility for the communities that do have those challenges to be able to put those resources for that purpose. Now it is also incumbent upon HUD to give guidance and to work with grantees, and to let them know what the different options they have are because I can tell you that as a former mayor and as a former city council member, often times you may not be aware of all of the different options and you are not aware that the money could be used for one purpose or another. And so it doesn't get used for that purpose. We believe that through guidance, technical assistance, and working with our grantees where we encounter these particular challenges they can be met. Having said that I will say that we do believe that more funding is a positive thing and that the need out there exceeds the resources that we have in our budget today.

Mr. JOYCE. Thank you very much, Mr. Secretary. I will give back whatever time I have left.

Mr. DIAZ-BALART. Thank you for your generosity. Mr. QUIGLEY.

LOW-INCOME DOMESTIC VIOLENCE VICTIMS LIVING WITH HIV/AIDS

Mr. QUIGLEY. Thank you again, Mr. Chairman. Mr. Secretary, I read recently that HUD is moving forward with an exploratory grant program to assist low income victims of domestic violence that are living with HIV/AIDS. I understand that these funds will be available to make awards to about seven to nine applicants. Could you tell us a little more about how this was conceived and how it will operate and how many people you think might enjoy its benefits.

Secretary CASTRO. We do see out there—because we have through HOPWA had an opportunity to make investments in housing for people with AIDS—a significant need out there to provide these kinds of resources. And we believe that we can do this in a smart way through the use of this resource. It is fair to say that we would still need to formulate how these funds would be allocated and we look forward to working with the Committee and others as we do that. But there is no shortage of need with regard to serving individuals with HIV out there in the country. And I would just say as well that whether it is individuals with HIV, or when we talk about section 811 individuals with disabilities, what we want to do is we want to be able to provide opportunities for folks to live in a mainstream environment and have a good quality of life. And that is the purpose of this investment.

HOUSING COUNSELING

Mr. QUIGLEY. Your Housing Counseling Assistance Program, HOPENOW, I think there is $60 million for this program. Is that correct? I understand its purpose reduces delinquency rates, raises credit scores, lowers overall debt. I assume you have done some research on this? If you could share how well this has worked and what level of funding you really need to expand the program to meet all the need.

Secretary CASTRO. So we are requesting $60 million for housing counseling efforts. It's a 28 percent increase over our previous budget. The reason for that is that we see again a significant need for this, but we also do have research that is on point that shows that to the extent that a borrower gets this kind of housing counseling, that they are less likely to default. And I just want to bring to your attention one study, by Neighborworks America, in March of 2013 found that of 75,000 loans that originated between October 2007 and September 2009, clients receiving Neighborworks American pre-purchased housing counseling education were 1/3 less likely to become 90 days delinquent within 2 years of origination than consumers that did not receive that housing counseling. So all of this ties together. To the extent that we can get this knowledge in the hands of borrowers through housing counseling we can ensure that we have less default and that we don't get to the other end of the spectrum which is properties that have been abandoned, that are a blight on neighborhoods.

Mr. QUIGLEY. Thank you. Thank you, Mr. Chairman; I yield back.

Mr. DIAZ-BALART. Thank you. Mr. Cuellar.

COLONIAS

Mr. CUELLAR. Mr. Chairman. Secretary Castro, let me direct your attention to Colonias. I have been working on Colonias since I was in the State Legislature. I passed pretty much the landmark legislation dealing with Colonias. Mr. Chairman, it is Colonias or third world conditions on the U.S.-Mexico border. They basically don't have water, sewage, paving, electricity at times, and it is a very, very hard life for those individuals. Basically what happened was that you had private land developers that came in, promised them, you know, water, sewage, all that. They got the money and then they disappeared or whatever happened. They went bankrupt. So if you haven't seen a Colonia I would ask you to take a look at it. It is really third world conditions. So on that one of your proposals, and again one of the submissions that I turned into the Chairman, but for the sake of the Committee you are suggesting that we move the 10 percent set aside to 15 for the southern states, and that of course will give the states on their own if they want to go. Because I was involved at the state when we were working at the 10 percent, but can you explain a little bit more what your efforts are? And by the way on the submissions I made to the Committee every place I could add Colonias I added Colonias just in case that after the Secretary after you will follow what your good work is on Colonias, so I am adding Colonias in a whole bunch of efforts. But I do want you to say a little bit about what you are looking at the 10 to 15 percent.

Secretary CASTRO. Well, I know this has been an issue that you have worked on diligently over your career in public service, Congressman, and I know there is much appreciation for that. Right now with regard to Colonias, which are these communities in four states, Texas, New Mexico, Arizona, and California, of the CDBG dollars that go to the state—now remember that 30 percent of CDBG dollars don't go to local entitlement communities, they go to the state government. Of that money right now current law requires that 10 percent of those funds be allocated to the Colonias. We are proposing that that be move up to up to 15 percent. In collaboration with the state they could move that up to 15 percent. The approach is not one that mandates that, but asks that states be able to go up to 15 percent. And the reason for that——

Mr. CUELLAR. And I want to emphasize that, Mr. Chairman. One of my proposals that I submitted, but it is not a mandate but let us say in my state we got a whole bunch of Colonias on the U.S.-Mexico border. In the state of Texas, or in this case I would certainly mention California if they want to do it, they can go up to the 15 percent, but it allows the authority to do that. I just want to make sure that there is no misunderstanding, just allows them to do that.

Secretary CASTRO. And I will just note that right now three of those states, Texas, New Mexico, and Arizona are already at their 10 percent. One state, California, I believe is at about five percent, but that is because they only have one or two significant Colonias there. We just see there that the living conditions and the needs are very significant and states often do I think want to do more. This is one way that we would partner with them to allow them to do more.

Mr. QUIGLEY. Right. Thank you. Thank you, Mr. Chairman; I yield back the balance of my time.

PERFORMANCED-BASED CONTRACTS

Mr. DIAZ-BALART. Mr. Secretary, let me go back to the issue of HUD's attempt to administer performance based contractor funding as grants. You know, some of us believe, and I think a lot of believe that open competition is the best way to get the best value for the taxpayer, and Congress has been asking HUD to, in essence, follow the same contracting rules as other federal agencies. But specifically, again since Congressional intent has been, frankly, really clear on that for the last two years and HUD, at least thus far, has not convinced the courts that you are right, will you follow Congressional direction to re-compete these contracts for 2015?

Secretary CASTRO. Yeah. You know, what we see, Mr. Chairman, we see that this can cost HUD less by using the NOFA process than by going down the procurement route. And that is one of our concerns is that we believe that ultimately we can achieve a cost savings here.

Mr. DIAZ-BALART. I understand that, Mr. Secretary, but in the meantime, and again, I don't want to get into a debate with you here, but HUD's own analysis demonstrates that re-competing those contracts could save a ton of money. Having said that though, I understand that it might go to the Supreme Court, but will you follow Congressional direction to re-compete these contracts in 2015? I mean, so far the courts have rejected you, and Congress has been very clear as to what we have been asking you to do, so I am just asking, will you follow Congressional direction to re-compete those contracts in 2015 or not?

Secretary CASTRO. Well, I think it is fair to say that we always want to live within the statute that governs us, but, you know, we have been involved in this litigation and it is an active matter of litigation. And so at this point we are waiting to see what happens with regard to that litigation on this issue.

ENERGY STAR REQUIREMENTS AND SHOP

Mr. DIAZ-BALART. I hear your answer. Let me go into the Energy Star requirements. And I keep hearing that those requirements, the Energy Star requirements, are making it difficult for SHOP grantees to produce affordable homes, obviously to the point that some participants in mostly rural areas are, I hear, leaving the program. So obviously, the purpose of SHOP is to build affordable houses, and obviously controlling costs is key. So it seems that these requirements are adding thousands of dollars to the costs to build these new homes. These upgrades often do not increase the appraisal, so the cost comes straight out of the equity of the owner. And then other families are being disqualified altogether when build costs exceed those actual loan limits. So how can we justify, how do you justify adding additional requirements that are now getting to the point that they are hurting families, the families SHOP is designed to help? I mean, I understand efficiency as an eligible expense; that is one thing, but they are not. They are requirements. So, again, it is now at the point where it is actually hurting folks and not allowing people to have housing, so your thoughts on that. Are you looking at readdressing that to make sure that we are not, again, taking people out of affordable housing?

Secretary CASTRO. Yes, we believe that we can accomplish both of these goals to encourage energy efficiency, but also, of course, to ensure that folks get the resources that they need to live in a quality, affordable place. It has been our experience that these two are not mutually exclusive.

Now, you bring up what may be certain instances of difficulty. We are always willing to look at those instances and to follow up with you and the committee and figure out the best way to address those. But we do believe that marrying energy efficiency with our provision of resources makes a lot of sense. It makes a lot of sense to the taxpayer because the bottom line is often savings to us, and it often makes sense for the recipient of our resources because it represents a savings ultimately to them as well.

Mr. DIAZ-BALART. And one of the things that we should probably look at, and I would like to work with you, is potentially the families should be able to decide when those energy saving upgrades are worthwhile, or whether it is going to cause them more hardship than not. So potentially making that an eligible expense might be the way to do that. So I look forward to working with you because, again, we are having folks who are now having problems. This is not hypothetical. So I look forward to working with you on that.

Secretary CASTRO. I will be glad to visit with you on that.

202 AND 811 PROGRAMS: SUPPORTIVE SERVICES

Mr. DIAZ-BALART. Great, thank you. Mr. Price.

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, I am going to ask you to elaborate for the record on my previous questions about Section 202, Section 811, the effect of recent program directions that you have charted as well as the budget proposal you are making, the impact of that on capacity and on the supportive services issue. I was interested in what you began to say about health care, both the costs and the quality of care available to people, particularly with respect to the 811 population. That is an important concern. So if you could elaborate for the record your thinking on that? That would be helpful to us.

Secretary CASTRO. The reason that we are so enthusiastic about both of these programs and now mind you, of course, Section 202 has not had funding for new units in some time.

Mr. PRICE. That is why I raised the question of capacity.

Secretary CASTRO. But we believe and we are hoping that through this demonstration project to the extent it is a successful demonstration project, and we demonstrate the link between this kind of housing with supportive services and savings for the taxpayers of other health care programs, that Congress will see the wisdom of investing again in the future more heavily in 202 or a program like it.

The same thing goes for Section 811. Now, our request this year does include a request for 700 new units of Section 811. Here again the issue is we believe that there is a cost savings to be achieved to the taxpayer by Section 811 and that there is a cost savings to Medicaid, to Medicare. This kind of housing is in line with Olmstead and is helping communities come in line with the Olmstead decision that requires essentially mainstreaming of folks with disability. So it makes sense from a cost savings perspective. It makes sense from a demographic perspective because what we see is the number of elderly in our nation growing tremendously and the number of folks who are disabled out there is so much greater than we have the need to meet right now or have the resources to meet. Across the board, Section 202 and Section 811 investments make sense and HUD requests with 202 $455 million for existing units and $10 million for this new demonstration project, as well as 700 units in Section 811 funding.

Mr. PRICE. Well, goodness knows the need is there for 811 capacity. It is a desperate need. There are also serious needs in terms of supportive services, as you well know, and this is a fairly diverse population where the same model may not always equally address the needs of that population. So that is why I am particularly interested in the department's reasoning on this. Both the trends that this program is taking and the funding request as to what the impact is going to be, not just on a roof over one's head, but on that whole need for supportive services.

Secretary CASTRO. And it is those supportive services that are truly the key to achieving the cost savings we believe.

Mr. PRICE. Cost savings and improved outcomes. That is a happy coincidence when it occurs and it is very encouraging that we might be able to achieve that.

Mr. Chairman, I guess I will wait till the next round for my final questions, which have to do with homelessness.

Mr. DIAZ-BALART. The chair recognizes Mr. Joyce.

Mr. JOYCE. I have no questions at this time. Thank you, Mr. Chairman.

PHA ADMINISTRATIVE FEE

Mr. DIAZ-BALART. Thank you. Let me go to another area.

The administrative piece from about $1.5 billion to over $2 billion for a 3 percent increase. We talked about that. But we have to make some tough choices here, and I do not know how we can— and by the way, I get that locally all the time. Obviously, the locals, they want that money. I get that. But I do not know how we can justify this increase for administration when, obviously, we all know that every increase must be matched by an equal or, frankly, sometimes even a greater reduction to actual programs. So what value added for actual needy households do we get by funding this level of PHA administration?

Secretary CASTRO. Perhaps the best way to put this is that we are allocating billions and billions of dollars, $20 billion or so, through these housing authorities that we require to administer our programs in a professional, accurate, accountable way. And what we have seen over the last several years is generally a decline in the administrative fee that they are allocated. The impact of that is their ability to administer these programs as accountably, as effectively, as accurately as we would hope. That administrative component is important because it enhances the effectiveness of the rest of the resource.

The difference in this request is that we are not flying blind. We actually conducted the first study of the optimal level of that administrative fee, what it really needs to be, and this request is based on that study. I want to thank the committee for giving us the resources and the latitude to conduct that study so we would better understand exactly where that fee needs to be. That is what this request is based on.

Mr. DIAZ-BALART. And to the members of the subcommittee, that is one of those decisions that we—all these decisions that we are going to be facing. Do we potentially put almost half a billion dollars into administrative overhead, which may be good or may not, but as opposed to putting it into, frankly, some more programs that help those in need? And so, again, those are some of the tough choices that we, unfortunately, are always forced with.

And while I have a little bit of time, let me go into the—oh, that is right. This is the one that Mr. Joyce already took my thunder.

202 DEMONSTRATION

The elderly demonstration program, which after a year of proposing different plans, HUD finally now—and I am very happy about that, in essence smelled the coffee and is now proposing to undertake the demo within existing units, which I think is good. So HUD will use $20 million in prior appropriations, and yet request another $10 million in fiscal year 2016 to fund a demo. So, Mr. Secretary, your budget states that the elderly program has more than $46 million in carryover resources. Now, would it not be possible to use $10 million of this carryover to satisfy your 2016 needs for the elderly demo rather than another $10 million in appropriated funds?

Secretary CASTRO. I certainly wish that were the case; however, the resource need is for that $10 million that we request to be able to accomplish the demonstration project in a way that will be successful and that will give us the information we need. And what will be analyzed will be the extent to which this supportive housing for elderly individuals improves quality of life and also hazard does not have the effect of reducing health care costs.

And I would just say, Mr. Chairman, that we are very enthusiastic about this proposal because the long-run consequence to this can be so positive to the extent that we can make that link more firmly between housing for the elderly and the supportive services and figure out how we can drive down the costs in the future.

Mr. DIAZ-BALART. I get that, Mr. Secretary. The issues are that you have $46 million in carryover funds and so why not use $10 million of those? What are you going to use those carryover funds for?

Secretary CASTRO. The challenge that we have is that those carryover funds are for renewals of existing units. That is why I say, I wish we had the ability to do that. But that money is for the renewal to existing 202 units; therefore, we do not have additional resources unless we were to let go of some of those housing opportunities for senior citizens.

Mr. DIAZ-BALART. All right. And let me cut you off because I cut myself off as much as I cut off the other members; otherwise, I hear from them later. Mr. Price.

HOMELESSNESS AND COORDINATION WITH USICH

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, let me turn to homelessness programs. There has been a command effort here, many different agencies as well as state and local partners. And we have made some strides, certainly in reducing chronic homelessness and veterans' homelessness has been a focus. You might reflect briefly on where we stand on that. But I want you to describe a little bit further how this works and how it might work in the future. In particular how does HUD work with the Interagency Council to end homelessness, to coordinate efforts on ending homelessness? I am particularly interested in the interactions with the Interagency Council around the Veterans Affairs Supportive Housing, the VASH program. How are HUD and the Interagency Council working toward eliminating homelessness in especially vulnerable populations, children and families, for example? Part of the success we have seen with the veterans' program, the VASH program, comes from the coordination of resources across federal agencies. For instance, in addition to the funds available for homelessness in our bill, the VA spent an additional $1 billion on veterans' homelessness. Maybe that should tell us something about the kind of approach that is needed in other areas. Maybe there are things underway you can tell us about or things you are contemplating how HUD and other federal agencies are working to target resources to eliminate homelessness, particularly in children and families.

Secretary CASTRO. One of the strongest success stories with regard to not just HUD, but a number of agencies, including the VA and HHS and others, has been the collaboration around USICH. We have seen, as you know, a record number of 33 percent reduction in the number of homeless veterans. That has been made largely possible through HUD/VASH allocation, but as you know, it is one thing to allocate the resources; it is another thing to ensure that the resources are implemented effectively. That implementation has been made possible by strong coordination among all of the entities. I believe there are 17 or 19 of them that are part of USICH. I have had a front row seat to that regarding the coordination between HUD and the VA because we have the resource, but they have the case management and making those things work requires that USICH involvement.

You mentioned or you asked about, for instance, youth and families. HUD also works with HHS in coordinating efforts around their runaway homeless youth program and trying to get a common data system, data management system, in place there.

So all of the pieces that go into implementing these programs successfully are run through USICH. And I can tell you that each of the Departments takes that collaboration very seriously and comes to the meetings prepared and with an overall view of how we can decrease and eventually end homelessness. Because of that and the work of so many people out there in local communities, we are seeing the decrease that we want to see.

Mr. PRICE. Well, thank you for that answer. I do think the degree of success we have had with respect to our veterans' population may offer instruction as to how we proceed with other populations that are suffering from homelessness. We have had a particular focus on veterans, and that is as it should be. Politically that has broad support, but it has required interagency coordination. It has required money. It has not come about just through good wishes and good will, nor do I want to suggest that that job is done. I mean there still is a veterans problem that must be addressed, but we have seen some headway. We have seen some of the things that can produce progress, and so I think it is very important to learn those lessons with respect to homelessness more generally.

Secretary CASTRO. I very much agree and that is certainly a large part of our approach with regard to the special purchase vouchers that we are pursuing based on the lessons that we have learned with the HUD/VASH experience.

Mr. PRICE. Thank you. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, Mr. Price. Mr. Secretary, thank you again for your time. It is always good to see you and I look forward to continuing to work with you. And, obviously, a lot of us will have a number of questions for the record. I would ask that you and your staff work expeditiously to get those answers, please, cleared and returned within 30 days. Obviously, those answers will help us craft the funding recommendations for the fiscal year 2016 bill that we would hopefully start marking up real soon.

So unless Mr. Price has anything else, I look forward to seeing you, Mr. Price, and the rest of the members again tomorrow morning when we will hear from DOT's Rail, Pipeline and Motor Carrier

Safety Administrators. Again, Mr. Secretary, I look forward to working with you. Thank you for being here. And with that, we will stand adjourned. Thank you.

Housing and Urban Development Programs
Fiscal Year 2016 Questions for the Record
Chairman Mario Diaz-Balart
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Diaz-Balart #1

New Voucher Funding

Your budget request adds $512 million in additional TBRA funding to replace thousands of vouchers that were "lost to sequester".

Question: The 2015 TBRA program will help over 42,000 **MORE** households than it did the year before sequester. We haven't lost vouchers since sequester, we have gained thousands of them. What am I missing?

Answer: In 2013, 2014 and 2015 Congress appropriated new incremental vouchers for Veterans Affairs Supportive Housing (HUD-VASH) and Tenant Protection Vouchers (TPVs). The awards of these new incremental vouchers in 2015, and renewing those appropriated in 2013 and 2014, disguised the decline of regular vouchers under lease that could not be reissued upon turnover. A total of 67,000 vouchers were reduced by attrition under sequestration, as the 2013 renewal appropriation funded only 94 percent of the national need.

In addition, Congress appropriated additional funds and reinstated a set-aside category to maintain leasing in 2015, responding to the projected need that was likely to materialize during the last part of calendar year 2014, which would not have been fully represented in the funding formula otherwise. This was due to lower than expected PHAs' leasing utilization rates earlier in the year because of their uncertainties in the future fiscal outlook.

Mr. Diaz-Balart #2

New Voucher Funding

Question: If we look at dollars instead of vouchers, the spending on this program has increased $1.4B since 2013. Are we spending over a billion dollars more and still falling short of what we did before sequester? How is that possible?

Answer: The $1.4 billion increase between 2013 and 2015 does not represent funding that would restore the impact of sequestration. The 2016 Budget request restores an estimated 67,000 vouchers, which is the number of vouchers that were lost because of sequestration. Using the unusual circumstance of the 2013 sequestration funding level and comparing it to 2015 funding level or 2016 request is not an apples to apples comparison.

First, PHAs prevented the termination of families by depleting their program reserves to offset their reduced proration in 2013. The result is that 2014 and 2015 appropriation levels were necessary to renew this one-time infusion of PHA reserves. In 2014, it took PHAs time to reverse their cost-cutting measures to begin leasing at normal levels again. The 2015 appropriations also accounted for more than 50,000 families who were anticipated but had yet to lease up.

In addition, increases in contract renewals are necessary to continue supporting new incrementals that Congress provides, such as tenant protection vouchers (TPVs) and HUD-VA Supportive Housing (VASH) vouchers. Additional resources in contract renewals are also needed for TPVs that were not provided a full 12 months of funding.

The Department's ongoing analysis of current leasing trends shows the funding requested for 2016 will be very close to 100 percent of the national need.

Mr. Diaz-Balart #3

New Voucher Funding

Question: This sounds like an inflation problem, not a budget problem. Rather than blaming sequester, shouldn't we be discussing how to better control costs in this program?

Answer: The need to provide voucher funding to restore vouchers lost to sequestration is not an inflation problem. In fact, the monthly per unit cost (PUC) in January 2015 is actually nearly identical to what it was in December 2012, prior to sequestration. A major reason for this is the cost savings measures that HUD and its PHA partners undertook to prevent the termination of families' rental assistance during sequestration. In April 2013, HUD sent a letter to PHAs with suggestions for cost savings measures to undertake in response to sequestration, such as reducing payment standards and not reissuing vouchers upon turnover, as well as changes in income targeting and utility allowance. The impact of these changes, which continued into 2014, have reduced the current PUC in the program.

Mr. Diaz-Balart #4

New Voucher Funding

Question: What specific cost-control measures does HUD propose in this budget?

Answer: HUD proposed the following cost control measure in the 2016 budget:

- **Revise the Threshold for Deduction of Medical and Related Care Expenses.** This provision would generate estimated savings of $30 million in fiscal year 2016. The change would increase the threshold for the deduction of medical and related care expenses from 3 to 10 percent of family income.

This provision was included in the Department's fiscal years 2014 and 2015 budget requests, and is repeated for 2016. The 2016 TBRA renewal funding request reflects the associated first-year savings of implementing this proposal based on our analysis, which is consistent with the Congressional Budget Office's estimates of cost savings for this proposal.

Mr. Diaz-Balart #5

New Voucher Funding

It is my understanding that the new vouchers HUD is requesting would be targeted to specific populations, including veterans, Native Americans, and victims of domestic violence.

Question: Can you provide specifics on the process by which HUD would allocate these new vouchers to PHAs?

Answer: Some of the procedures to allocate the vouchers could be, but are not limited to, the following:

- Notice of Funding Availability (NOFA);
- Identification of PHAs with unit months available (UMAs), optimal reserves, and housing opportunities that can utilize additional budget authority to lease up additional vouchers; and/or
- Collaboration with other HUD divisions.

For the breakout by category of new vouchers and the anticipated process, please see below:

- Families experiencing homelessness, and veterans experiencing homelessness regardless of discharging status, including tribal homelessness and domestic and dating violence
    - Funding: $177.5 million;
    - Vouchers: 22,500;
    - Method: Competitive NOFA.
- Domestic and Dating Violence
    - Funding: $37.5 million;
    - Vouchers: 5,000;
    - Method: Tenant Protections;
    - Awards to be processed in line with Violence Against Women Act.
- Family Unification Program (FUP)
    - Funding: $20 million;
    - Vouchers: 2,500;
    - Method: FUP Competition NOFA;
    - Please note the Department has requested legislative changes as part of the 2016 Budget.
- Need-Based Vouchers
    - Funding: $277 million;
    - Vouchers: 37,000;
    - Method: Allocation based on need.

Mr. Diaz-Balart #6

New Voucher Funding

Question: Will you need to issue regulations to implement these new vouchers? If so, how long would that take?

Answer: At this point, the Department does not anticipate issuing regulations for the new Special Purpose Vouchers; notices and funding award notifications should be sufficient as the vehicles for implementation.

Mr. Diaz-Balart #7

New Voucher Funding

Question: What are the added costs associated with administering all of these different types of vouchers? I assume it costs more than just adding more, regular housing choice vouchers.

Answer: It is likely there is additional administrative burden associated with implementing targeted vouchers because PHAs must coordinate efforts with a partnering agency. For example, the PHA must coordinate with the local partner agency for planning and implementation, work out the referral process, and establish an effective partnership and working relationship. A current example of this type of approach is the HUD Veteran Affairs Supportive Housing (VASH) program, where the PHA coordinates its efforts with the local Veterans Affairs Medical Center (VAMC). The recently released Housing Choice Voucher (HCV) Administrative Fee Study analyzed the burden associated with administering the HUD-VASH program. While the study results were not conclusive regarding time spent on the previously established HUD-VASH programs, the study did find that two PHAs that were in the process of developing new HUD-VASH programs logged a very large amount of time (about 52 hours a week for one PHA and 27 hours per week for the other) on HUD-VASH as they developed their partnerships and protocols with the VAMC. Although the sample size of two PHAs is too small to make definitive conclusions, the Administrative Fee Study recommended that HUD gather additional information from PHAs with new HUD-VASH programs to develop a more robust estimate for the upfront cost of the program. HUD is planning to undertake the recommended analysis.

Congress has also recognized that there may be additional costs in the administration of special purpose vouchers and has given HUD the authority to address that need. For example, the fiscal year 2015 Appropriations Act provides that up to $10 million of the administrative fee appropriation shall be made available to HUD to allocate to PHAs that need additional funds to administer their HCV programs, and specifically references fees "...associated with disaster related vouchers, Veterans Affairs Supportive Housing Vouchers, and other special purpose incremental vouchers." This same language is also a part of HUD's 2016 Budget request. HUD believes that targeting vouchers for families, veterans, and Native Americans experiencing homelessness, victims of domestic violence, and families whose lack of adequate housing is the primary reason for returning their children to them from foster care is of critical importance. A strong partnership between the PHAs and the local Continuum of Cares and Public Child Welfare Agencies will ensure the success of these vouchers over the long term, and is well worth the extra up-front work to implement it.

Mr. Diaz-Balart #8

Administrative Fees

The budget increases Tenant Based Rental Assistance administrative fees from about $1.5 billion to over $2 billion, a 32 percent increase. This is a hefty increase for bureaucratic overhead at a time when our ability to house more tenants is limited.

Question: How can you justify this increase for ADMIN when you know that every increase must be matched by an equal or greater cut to actual programs?

Answer: To better align administrative fee funding with actual PHA costs for administering the program, HUD is requesting this higher level of funding in 2016. HUD has undertaken an in-depth time and motion study (Administrative Fee Study) to determine the costs of running the program effectively and efficiently. Upon submission of the budget request, HUD reflected the preliminary results of the study (a 90 percent proration). In April 2015, the final study results indicated that in order to adequately fund the activities that PHA's undertake to run the program, Administrative Fees should be prorated at 95 percent under the current formula. This far exceeds what PHAs have been funded in recent years. In fact the lower proration levels of recent years have resulted in some PHAs ending participation in the program altogether.

Mr. Diaz-Balart #9

Administrative Fees

Question: What value is added for needy households by funding this level for PHA administration?

Answer: Administrative responsibilities of PHAs include many tasks that impact needy families. These responsibilities include managing waiting lists, conducting physical housing inspections for health and safety, determining rent reasonableness, determining and verifying tenant income annually, reviewing applications, evaluating tenant eligibility and calculating rent subsidies. These tasks are personnel-intensive processes for PHAs. Administrative fees are necessary to maintain an effective level of service delivery and ensure that the right benefits are going to the right people.

Mr. Diaz-Balart #10

Administrative Fees

While it doesn't appear that you have made any tough choices in this budget, this subcommittee will certainly have to make some very hard choices.

Question: Mr. Secretary, if you were in my shoes, would you put almost half a billion dollars into administrative overhead, or would you put that money toward directly helping those in need?

Answer: The Department's priority is to provide safe, affordable housing to as many needy families as possible. In order to meet that goal, HUD's PHA partners require adequate support for personnel intensive processes in the form of Administrative Fees from HUD. Without adequate funding for Administrative Fees, PHAs have difficulty funding the activities that allow the program to run and families to receive assistance, such as performing housing inspections, managing waiting lists, and reviewing new applications.

Mr. Diaz-Balart #11

HAG Renewals and Project Performance

The cost of renewing projects under the Homeless Assistance Grant program continues to grow and I am concerned that this growth is not sustainable. We cannot afford to blindly renew projects, regardless of performance, just because they were funded in the past.

Question: Mr. Secretary, what are you doing to help grantees identify lower-performing projects that should not be renewed?

Answer: HUD believes very strongly in the importance of performance, and prioritizes performance data in its competitive process for Continuums of Care (CoC) Program funds. The core component of a CoC's competitiveness, as outlined in HUD's Notice of Funding Availability, is performance. CoCs that perform better receive a higher score and have a higher likelihood of being funded. Moreover, since the implementation of the HEARTH Act in fiscal year 2012, HUD has required CoCs to rank their projects and informed them that lower ranked projects are at risk of not being funded. Additionally, HUD is in the process of implementing new system performance measures that better evaluate how well an entire CoC performs at moving people to more stable housing and preventing them from experiencing homelessness again.

HUD continues to provide tools and technical assistance to encourage CoCs to evaluate their homeless response system and make changes to increase efficiency. HUD has seen notable changes in communities as they have reallocated underperforming and unnecessary projects to more effective and appropriate ones. CoCs are also making changes within their projects to make them more effective, such as improved prioritization of permanent supportive housing resources to the chronically homeless.

Mr. Diaz-Balart #12

HAG Renewals and Project Performance

Question: In 2014, less than half of Continuum of Care grantees reallocated renewal funding from low performing projects. Shouldn't all grantees be doing this? What is HUD doing to make sure every grantee is making these decisions based on performance?

Answer: HUD provides incentives to Continuums of Care (CoCs) to reallocate underperforming and unnecessary projects and replace them with more effective and appropriate projects. These incentives have proven effective at incentivizing CoCs to perform reallocations since the fiscal year 2012 CoC program Competition, 995 new projects totaling over $187 million have been created from reallocations.

In the fiscal year 2015 CoC competition, HUD plans to significantly increase the incentives for reallocation, which we expect will encourage yet more reallocation among CoCs. However, reallocation is just one of the tools CoCs can use to improve their performance. HUD also encourages CoCs to make changes that do not require a complete elimination of a project but rather a retooling of an existing project – for example, several projects have been amended from providing leasing (where the CoC serves as the primary lessee, and sub-leases to the homeless individual) to rental assistance (where the homeless individual has the lease in their own name). Such retooling interventions improve client choice and HUD believes it will lead to improved performance as recipients better utilize their funds.

CoCs are also implementing coordinated entry systems that allow them to assess persons as they seek homeless services and implement the most appropriate response given the limited local resources. Coordinated entry will improve a CoC's overall performance as it seeks to target resources in the most meaningful way to the persons most in need in the CoC.

System performance measures create a culture of performance that starts at the top of the leadership structure. As CoCs recognize that HUD holds them accountable for helping persons experiencing homelessness achieve a more stable housing situation, they are implementing performance requirements for their recipients. System performance measures help CoCs to recognize where their weakest recipients are and to understand what changes are needed in their homeless response system in order to better align their resources with their needs.

Mr. Diaz-Balart #13

HAG Renewals and Project Performance

Question: HUD will require all grantees to collect performance data by 2016. Will HUD also require that funding decisions be made based on that data?

Answer: HUD has always prioritized the use of performance in its homeless assistance programs. HUD is implementing a sophisticated set of system performance measures that assess the collective performance of all projects in the Continuum of Care (CoC), and that performance will be a major factor in how HUD awards funds in 2016. HUD also provides incentives to CoCs to use performance information in the local ranking of needs and priorities and will continue to do so to emphasize the significance of performance in local decision making.

Mr. Diaz-Balart #14

Elderly Demonstration Program

After a year of proposing different plans for the Elderly Demonstration Program (each of which was unaffordable, I may add), HUD finally smelled the coffee and is now proposing to undertake the demo within existing units. HUD will use $20 million in prior appropriations, and requests another $10 million in FY 2016 funds for the demo.

Question: Mr. Secretary, your budget states that the Elderly program has more than $46 million in carryover resources. Wouldn't it be possible to use $10 million of this carryover to satisfy your FY 2016 needs for the Elderly Demo, rather than another $10 million in appropriated funds?

Answer: All of the $46 million identified was appropriated for other purposes, and include commitments for ongoing development of Section 202 Capital Advance properties, plus funds needed for Capital Advance amendments and inspection procurements.

A portion of carryover funds originally appropriated for the Capital Advance program could potentially be applied to further support the Demonstration if the Department is provided with requested statutory authority to use funds originally appropriated for capital advances for the Section 202 Demonstration.

Mr. Diaz-Balart #15

Elderly Service Coordinators

Question: Mr. Secretary, in discussions about the elderly demo project, it became clear that HUD did not have some basic information about its existing service coordinators. For instance, the number of elderly properties that have a service coordinator, the method HUD uses to track their performance, how many residents benefit from the presence of a service coordinator. How is HUD correcting this deficiency?

Answer: Currently there are Service Coordinators working in 4,300 multifamily assisted projects designated for the elderly and/or people with disabilities. These Service Coordinators serve 397,385 residents.

HUD tracks performance through a semi-annual performance report. Form HUD-92456, Semi-Annual Performance Report, is required for each assisted Multifamily housing project designated for the elderly and/or people with disabilities that has Service Coordinators paid for with HUD funds. HUD requires one report semi-annually for each Service Coordinator position.

The report provides information on Activities of Daily Living (ADL) needs of residents served, the types of supportive services the residents receive, the types of educational wellness programs provided, and the ongoing required training attended by the Service Coordinator. HUD staff review completed reports to ensure that the Service Coordinator is providing the intended services and is assisting all residents who seek their help.

The Department's biggest challenge is linked to resource limitations that restrict the Department's ability to automate the reporting of performance data. HUD is actively exploring possible options that would allow for the data to be collected and analyzed electronically.

Mr. Diaz-Balart #16

Elderly Service Coordinators

Question: How does HUD ensure that sponsors of these properties have supportive service plans in place and are implementing these plans?

Answer: Properties under the Section 202 Capital Advance program are required to have a supportive service plan. To ensure that applicants have a plan in place, applications were required to include a Supportive Services Plan that described the supportive services, the public or private funds that were expected to fund the proposed services, and the manner in which the services would be provided to the anticipated residents.

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Mr. Diaz-Balart #17

Asset Management Funds

While the IG recommends that asset management fees should remain federal, HUD has responded that de-federalization is at the core of the asset management concept, and that these funds should lose their federal character.

Question: Do you agree with the Inspector General that asset management fees should maintain their federal character, or do you believe that these fees should become non-federal even though they are provided by the taxpayer?

Answer: In the Department's February response to the Inspector General, PIH proposed to add federal controls to the central office cost center fees obtained through the fee-for-service asset management model, in addition to the state and local controls that currently exist. While de-federalization remains at the core of asset management, PIH proposes these controls to support stronger, more ethical management practices. PIH will continue to work with the Inspector General on this issue.

Mr. Diaz-Balart #18

Asset Management Funds

Question: If these funds become non-federal, how can you ensure proper oversight of these taxpayer funded programs? For example, aren't these dollars already being used to skirt PHA director salary caps?

Answer: Asset management fees have been non-federal for approximately 8 years. The Department is in the process of proposing to add federal controls to fees earned under the Public Housing model. This management decision may require notice-and-comment rule making, which is forthcoming. The addition of federal controls will significantly change the asset management program and have a significant impact on public housing agencies and HUD, as well as on accounting, financial management and other systems.

Mr. Diaz-Balart #19

Authorizing Reforms

Once again, your budget request includes or makes reference to several new authorizing changes. We count about 40 new, permanent changes to statute in your FY 16 budget. We all appreciate the need to reform housing assistance programs, but we have not seen any real commitment from the Administration.

Question: Can you outline your plans to engage the authorizing committees with a sincere effort to reform housing programs?

Answer: HUD provided a separate memo highlighting the legislative requests to the House Financial Services Committee's staff when the budget was released. HUD plans to follow-up with detailed briefings on these legislative requests. Finally, Secretary Castro is working with the House Financial Services Committee to testify before the Committee's Members at its hearing on the President's legislative proposals within the fiscal year 2016 HUD budget request.

Mr. Diaz-Balart #20

Authorizing Reforms

Question: What is your timeframe for submitting specific proposals to the authorizers?

Answer: We are working with OMB on specific proposals and look forward to working with the Financial Services Committee and the Appropriations Committee on these items.

Mr. Diaz-Balart #21

Authorizing Reforms

Question: Do the dramatic increases requested by HUD for FY 2016 suggest the need for legislative reform of housing assistance programs, or are reform and funding separate issues?

Answer: Reform and funding are intertwined. The Budget includes several proposals that would require changes to authorizing language - in all cases these reforms are critical to helping HUD meet its mission most efficiently and effectively, whether through better targeting of assistance to maximize potential outcomes, or through providing the agency the ability to improve operations.

Housing and Urban Development Programs
Fiscal Year 2016 Questions for the Record
Full Committee Ranking Member Nita Lowey
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Ms. Lowey #1

Rental Assistance Demonstration

Question: Could you provide an update on how the Rental Assistance Demonstration is going?

Answer: As the Department mentioned in its 2016 Congressional Justification for the program, as of January 2015, approximately 13,000 public housing units had already converted to either Project-Based Vouchers or Project-Based Rental Assistance funding streams, and PHAs and their partners had raised over $485 million in capital. Through March 24, 2015, HUD has completed additional conversions, bringing the total to 13,840 units at 134 projects, with a total of $688 million in associated construction activity. And as of the end of March 2015, the Department had already received applications totaling approximately 177,000 units, meaning the public housing aspect of the program is nearly fully subscribed at the level of the current cap, 185,000 units. HUD estimates that converting public housing up to this cap will result in over $6 billion in construction investment in the converted public housing properties.

As part of the 2016 Budget, the Department requested that Congress eliminate the unit cap on public housing RAD conversions. Eliminating the cap would allow additional PHAs to take advantage of the opportunity RAD presents to leverage federal funding and put private capital to work restoring the Nation's critical public housing resources.

Ms. Lowey #2

Rental Assistance Demonstration

Question: What kinds of units are utilizing the program?

Answer: PHAs have submitted RAD applications for a wide variety of projects. Large PHAs (38 percent of applications), medium PHAs (45 percent) and small PHAs (17 percent) have submitted applications. HUD has received applications from PHAs in the Midwest (15 percent), Northeast (17 percent), South (54 percent), and West (14 percent). About 25 percent of the projects will invest more than $50,000 per unit in construction, while 53 percent will have an upfront construction investment below $10,000 per unit.

HUD continues to receive interest and applications from PHAs with properties that could be preserved at no additional cost. This is a strong demonstration of how substantial amounts of capital can be accessed under this model. At the same time, since the enactment of RAD, the Department has fielded hundreds of inquiries from PHAs and public officials and reviewed numerous analyses of worthy projects that are not feasible for conversion at current funding levels. These projects would be much more likely to convert under RAD if afforded a modest incremental subsidy. Accordingly, the Budget requested a targeted $50 million of limited incremental subsidy to further test and advance RAD's goals.

Ms. Lowey #3

Rental Assistance Demonstration

Question: Are properties taking advantage of the authority provided to convert properties in the orphan programs like Rent Supplement and the Rental Assistance Program to the mainstream Section 8 program (RADII)?

Answer: Under the Rental Assistance Demonstration's 2nd component, tenant protection vouchers (TPVs) are effectively converted to project-based vouchers (PBVs) for Rent Supplement (Rent Supp), Rental Assistance Payment (RAP) and Mod Rehab properties that are otherwise at risk of being lost from the affordable inventory. Specifically:

- HUD has converted 104 properties, moving more than 13,722 units to the project-based platform.
- Under the second component, owners have leveraged low-income housing tax credit (LIHTC) equity and debt to make capital repairs at these projects and set them on solid footing for the future.
- HUD is actively processing submissions for another 35 properties with over 5,385 units that would otherwise be at risk of being lost from the affordable inventory.
- HUD is preparing to implement the recently enacted provisions that would allow HUD to provide a similar preservation option to Mod Rehab Single Room Occupancy ("SRO") properties (originally excluded from RAD) and provide an option to convert under the second component to Project-Based Rental Assistance (PBRA).
- From March 2012 through April 2015, 60 percent of the Rent Supp/RAP projects with expiring contracts have either converted or are in the process of converting their Rent Supp/RAP contract to long-term project-based subsidy. For the remaining Rent Supp/RAP inventory with contracts that expire after April 2015, 30 percent of the Rent Supp/RAP projects with expiration dates in the future have either converted or are in the process of converting their Rent Supp/RAP contracts to long-term project-based subsidy. Meanwhile, for Mod Rehab, 8 projects (843 units) have converted. However, revised guidance will both streamline the process for owners, making conversion more accessible and attractive, and make eligible Mod Rehab SRO properties, the owners of which have expressed significant interest.

Ms. Lowey #4

Domestic and Dating Violence Targeted Vouchers (TBRA)

Question: How will the vouchers be allocated and who is eligible to receive them?

Answer: On April 1, 2015, HUD issued a proposed rule to amend regulations to fully implement the requirements of the Violence Against Women Reauthorization ACT (VAWA) 2013. (80 FR 17549, http://www.gpo.gov/fdsys/pkg/FR-2015-04-01/pdf/2015-06781.pdf) HUD is soliciting comments on the emergency transfer plan provision to assist in determining the allocation of these vouchers.

At this point, HUD anticipates administering these vouchers in a centralized fashion to address occurrences as they arise, similar to how HUD administers tenant protection and witness protection vouchers.

Victims of domestic violence, dating violence, sexual assault, or stalking assisted under covered housing programs where the covered housing provider is unable to provide an available and safe dwelling unit under its management would be eligible for these vouchers.

The following are the eligible covered housing programs:

- Public Housing and Housing Choice Voucher;
- Home Investment Partnerships;
- Section 202 Supportive Housing for the Elderly;
- Section 236 Rental;
- Section 811 Supportive Housing for People with Disabilities;
- Section 221(d)(3) Below Market Interest Rate (BMIR);
- HOPWA Housing;
- HUD's McKinney-Vento homeless programs;
- Low-Income Housing Tax Credit properties (Department of Treasury); and,
- USDA Rural Housing properties (Department of Agriculture).

VAWA 2013 provides that the emergency transfer plan: (1) must allow tenants who are victims of domestic violence, dating violence, sexual assault, or stalking to transfer to another available and safe dwelling unit assisted under a covered housing program if the tenant expressly requests the transfer; the tenant reasonably believes that he or she is threatened with imminent harm from further violence if he or she remains within the same dwelling unit assisted under a covered housing program; or in the case of a tenant who is a victim of sexual assault, the sexual assault occurred on the premises during the 90-day period preceding the tenant's request for transfer; and (2) must incorporate reasonable confidentiality measures to ensure that the covered housing provider does not disclose the location of the dwelling unit of a tenant to a person that commits an act of domestic violence, dating violence, sexual assault, or stalking against the tenant.

Ms. Lowey #5

Domestic and Dating Violence Targeted Vouchers (TBRA)

Question: What is the current protocol when there are instances of domestic violence in HUD-supported housing and how are these vouchers different?

Answer: The Violence Against Women Act (VAWA) 2005 only covered HUD's Public Housing and Section 8 programs. Committing domestic violence is a violation of the public housing lease and family obligations under the Housing Choice Voucher (HCV) program. Arrest or conviction of the perpetrator for domestic violence is not required for the PHA to take action to evict or terminate assistance from the perpetrator. Instances of domestic violence referred to HUD are investigated to determine statutory and regulatory compliance and referred to the Office of Fair Housing and Equal Opportunity (FHEO) to assess whether housing discrimination under the Fair Housing Act has occurred. Such claims are generally based on sex, but may also involve other protected classes, in particular race or national origin.

The protocol in HUD's Public Housing program is a follows:

- The PHA accepts a verbal statement from the victim or requires documentation;
- If the victim remains in the unit, the PHA begins the process to bifurcate the lease by evicting the perpetrator and allowing the victim to remain on the lease; and
- A PHA may have a policy that provides for an emergency transfer to another unit or issuance of a voucher if the PHA administers both programs.

A PHA may also consider the following actions for victims that wish to remain in the unit:

- Barring the perpetrator from the property;
- Changing the victim's locks; Installing basic security features (e.g., better lighting or an alarm);
- Allowing the victim temporary absence from the assisted unit;
- Helping the victim access available services and support (e.g., providing information for a local victim service provider and civil legal assistance providers, to help the victim get any necessary court orders); and/or
- Working with police and victim service providers to develop a safety plan for the property and victim.

The protocol in HUD's Section 8 Housing Choice Voucher (HCV) program is as follows:

- The PHA accepts a verbal statement from the victim or requires documentation.
- The PHA moves to terminate the perpetrator.
- The victim may move out of the unit in violation of the lease (in order to protect health or safety) and the PHA allows the victim to move with continued tenant-based assistance.
- The PHA issues a voucher allowing the victim to search for another unit in the jurisdiction, or begin the portability process if the victim wishes to move outside of the PHA's jurisdiction.

In instances where a tenant requests an owner to bifurcate the lease agreement as a remedy to an incident of domestic violence, the owner may (but is not required to) bifurcate. The PHA is not a party to the lease and therefore cannot bifurcate a lease agreement between an owner and a tenant.

2016 Budget:

The vouchers included in the 2016 Budget would allow HUD to implement the emergency transfer tenant protection voucher provision of VAWA. These vouchers are critical to serving families assisted under VAWA-covered programs that may not have the housing resources to provide a safe housing alternative. For example, a voucher could be used for a covered owner that may have only one building in its portfolio and lack resources to provide an alternative.

The following are eligible covered housing programs:

- Public Housing and Hosing Choice Voucher;
- Home Investment Partnerships;
- Section 202 Supportive Housing for the Elderly;
- Section 236 Rental;
- Section 811 Supportive Housing for People with Disabilities;
- Section 221(d)(3) Below Market Interest Rate (BMIR);
- HOPWA Housing;
- HUD's McKinney-Vento homeless programs;
- Low-Income Housing Tax Credit properties (Department of Treasury); and
- USDA Rural Housing properties (Department of Agriculture).

Ms. Lowey #6

Domestic and Dating Violence Targeted Vouchers (TBRA)

Question: What protections do HUD, PHAs and property owners provide to tenants who are victims of domestic violence and they want to remain in their current unit?

Answer: HUD takes the safety of all residents very seriously. If the victim wishes to remain in the unit, the PHA, owner, or management agent may bifurcate the lease by evicting the perpetrator and allowing the victim to remain on the lease. A PHA may also consider the following actions for victims that wish to remain in the unit:

- Barring the perpetrator from the property;
- Changing the victim's locks;
- Installing basic security features (e.g., better lighting or an alarm);
- Allowing the victim temporary absence from the assisted unit;
- Helping the victim access available services and support (e.g., providing information for a local victim service provider and civil legal assistance providers to help the victim get any necessary court orders); and/or
- Working with police and victim service providers to develop a safety plan for the property and victim.

Ms. Lowey #7

Domestic and Dating Violence Targeted Vouchers (TBRA)

Question: Is the budget request for this new increment of vouchers sufficient to take care of all anticipated needs or does this only partially cover the cost?

Answer: The request is expected to fund about 5,000 permanent housing vouchers. The Violence Against Women Reauthorization Act (VAWA) 2013 included a provision requiring that HUD establish policies and procedures under which a victim requesting an emergency transfer may receive, subject to the availability of tenant protection vouchers, Housing Choice Voucher (HCV) assistance. The vouchers included in the 2016 Budget would allow HUD to implement this provision of VAWA 2013. These vouchers are critical to serving families assisted under VAWA-covered programs, since PHAs and property owners may not have the housing resources to provide a safe housing alternative.

Housing and Urban Development Programs
Fiscal Year 2016 Questions for the Record
Ranking Member David Price
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Price #1

Community Land Trusts

I am concerned that provisions in the new HOME rule have the unintended consequence of prohibiting community land trusts from utilizing HOME funds. Given that HOME funds are intended to spur the development of affordable housing, it seems that HUD should be embracing this model rather than shutting it out.

Question: What role does HUD see for community land trusts and how should they interact with HUD programs?

Answer: In a number of recent conversations with community land trust representatives, HUD has learned a great deal about how community land trusts and in particular, how they are efficiently using HOME funds to successfully create and maintain affordable homeownership opportunities nationwide. A wide diversity of community land trust models and program designs exists in various markets around the country. On the continuum from rental housing to limited equity cooperatives to traditional homeownership, individual community land trusts vary according to their various programmatic designs and the degree to which they confer the rights and responsibilities of homeownership onto participating families. HUD appreciates that community land trusts represent a unique and important tool for ensuring long-term affordability in rapidly appreciating housing markets in a way that cost-effectively uses limited public subsidy dollars. HUD will continue engaging with community land trust representatives to identify areas of confusion, clarify the HOME program's statutory and regulatory requirements for affordable homeownership projects, and generate viable alternatives going forward if there are statutory barriers.

Further, to assess the impact on low-income beneficiaries of certain community land trust programmatic features, HUD is working to develop a pilot that would create greater flexibility for HOME participating jurisdictions to invest in these community land trust projects.

Mr. Price #2

Community Land Trusts

Question: What was the rationale for making it more difficult for community land trusts to access funds under the HOME program?

Answer: HUD is aware that there is a perception that it has become more difficult to use HOME funds to create affordable homeownership for low-income families using community land trusts. However, the new and final regulatory language, as it relates to community land trusts, does not impose new restrictions or requirements and is only clarifying in nature. HUD will continue working to provide training and guidance to community land trusts, their representatives, and HOME grantees to ensure that community land trusts will continue to be able to use HOME funds to create affordable homeownership opportunities in their communities.

Mr. Price #3

Community Land Trusts

I've heard anecdotal evidence from purchasers of community land trusts that indicate that it is difficult or impossible to obtain FHA-insured mortgages on CLT properties.

Question: What are the barriers to issuing FHA insured mortgages for these types of transactions?

Answer: FHA is examining our current policies related to what a seller of a property with restrictions must earn on resale. FHA currently requires a homeowner to recover the original purchase price, sales commission, cost of capital improvements and a reasonable share of the appreciation upon the sale of the property. FHA recognizes that requiring a homeowner to recover the cost of improvements may have an inequitable outcome. For example, where a homeowner pays for very expensive materials to build a porch or redo a kitchen, on sale, they may not recover what they paid for the materials. Many affordable housing programs do not structure their resale requirements to require sellers to recoup the *costs* of improving their properties and so FHA financing cannot be used. For these reasons, FHA is reviewing our policy in this area.

To help support affordable homeownership and the work of the Community Land Trusts (CLTs), FHA is developing a pilot that would create greater flexibility for financing properties with restrictions. FHA recognizes the work of CLTs nationwide in creating affordable homeownership opportunities for low to- moderate income individuals and families in markets that may not otherwise be affordable.

Mr. Price #4

Community Land Trusts

Question: How are these transactions different that FHA insured loans on trust or leased funds?

Answer: These transactions are unique in that they include restrictions in the Community Land Trust (CLT) ground lease to create long-term affordability. It is a long-standing policy that a property with an FHA-insured mortgage be free of restrictions that prevent the borrower from freely transferring the property. However, there are exceptions to this that allow restrictions to create affordable homeownership. Allowable restrictions include those that restrict the sale of a property to a target population, limit seller sales proceeds, restrict the sale price of a property and require that the property be owner occupied.

Mr. Price #5

Section 811

Question: Following the shift in the Section 811 program following the enactment of the Frank Melville Supportive Housing Investment Act, how can HUD ensure that the partnership between HUD, the States and developers achieves its goal of creating new units of housing for the disabled?

Answer: To be eligible to apply for Section 811 Project Rental Assistance (PRA) funds, a state housing agency must have a formal partnership with its state health and human services agency that will provide appropriate services directly to residents. This includes the state Medicaid agency and other relevant human services agencies.

Funding for the Section 811 PRA program is awarded through a competitive Notice of Funding Availability (NOFA). Applications are rated in substantial part on their demonstrated capacity to administer housing with services partnerships that ensure successful tenancies for extremely low-income persons with disabilities, including people transitioning out of nursing homes and other institutional settings.

New units of affordable housing for persons with disabilities are made available by HUD entering into a 20-year contract with the state housing agency. In turn, the developers/owners of new or existing affordable housing units enter into a 20-year contract with the state housing agency.

Rental assistance through the Section 811 PRA program can be applied to both existing affordable housing units and units in the development pipeline. For example, Section 811 rental assistance can be applied to units in new or existing properties financed through Low-Income Housing Tax Credits that would otherwise be unaffordable to extremely low-income renters.

Mr. Price #6

Section 811

Question: Additionally, as we move away from the group home model, how are HUD, the States, and their partners ensuring that tenants are receiving the same or better supportive services in the new mainstream model?

Answer: The Supreme Court's Olmstead decision has placed pressure on States to serve persons with disabilities in integrated, community-based settings to the greatest extent possible. As States work to transition persons with disabilities out of institutional settings, or to avoid placement in such settings, the biggest challenge many States have found is a lack of affordable housing. Changes to the health care system in the wake of Olmstead, including expansion of Medicaid waiver services, have made it possible to deliver effective long-term services and supports in community-based settings. However, delivery of community-based services to persons with disabilities requires that consumers of these services have a place to live in the community. The Section 811 Project Rental Assistance (PRA) program helps fill this need.

HUD has a congressional mandate to evaluate how the new Section 811 PRA model is working and how effective it is. The Section 811 PRA model gives states great flexibility to innovate. As a result, states are targeting different population groups and are using different approaches to leverage additional housing resources with their partner agencies. The evaluation approach is divided in three phases:

The first phase of the evaluation will focus on how the program is being implemented, how these different approaches compare, and to what extent the program is meeting its expected goals. This phase of the evaluation has just been awarded.

In the second and third phases of the evaluation, HUD will answer the question about the program's effectiveness and its impact on participant's health outcomes and health care costs. HUD is currently drafting the statement of work for the second phase of the evaluation and HUD expects to award the contract in late 2015.

Mr. Price #7

HOME and Housing Trust Fund

<u>Question:</u> How are HOME and the Housing Trust Fund different in their uses?

<u>Answer:</u> The HOME Investment Partnerships program and the Housing Trust Fund both infuse the affordable housing market with much needed capital. The two funding sources are expected to be frequently used together, as HUD designed the Housing Trust Fund to align easily with the use of HOME funds. However, important differences between the two programs exist.

- Housing Trust Fund dollars will be allocated to States, whereas HOME funds are allocated to more than 600 local jurisdictions in addition to States. This allows local jurisdictions to use HOME for more targeted, locally-identified affordable housing priorities, while the State determines priority housing need throughout the State for Housing Trust Fund dollars.
- Housing Trust Fund funds must be targeted to extremely low-income households (generally, less than 30 percent of area median income). HOME funds for rental housing are mainly targeted to households below 60 percent of area median income and funds for homeownership are targeted to households below 80 percent of area median income. Both programs fill the gap in affordable housing needs, which has been growing for decades. The different targeting of each program, however, help focus resources to both low and extremely low-income households as only 65 affordable units are available per 100 very low-income renters and 39 units per 100 extremely low-income renters.
- Housing Trust Fund funds can be used for production or preservation, primarily of rental housing and on a very limited basis, for assistance to first time homebuyers (only 10 percent of funds can be used for homebuyers). Up to 30 percent of Housing Trust Fund dollars may also be used for operating costs for rental projects. HOME funds can be used for a greater range of affordable housing activities, such as development or rehabilitation of housing for rent or homeownership, homebuyer assistance, repair of substandard owner-occupied housing, or tenant-based rental assistance that often serve special needs populations (e.g., homeless, disabled persons, victims of domestic abuse and youth aging out of foster care).

Mr. Price #8

HOME and Housing Trust Fund

Question: Can funds from one source be used to replace the activities of the other or do they serve different aims?

Answer: The Housing Trust Fund program has been designed to align easily with the HOME Investment Partnerships program within the same project, but one source of funds cannot effectively substitute for the other, though they can be complementary.

The HOME program provides state and local governments with the discretion to determine the type of housing product they will invest in, the location of the housing, and the segment of their low-income population to be served through these housing investments. HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits (LIHTC) or other federal, state, or local housing projects feasible.

Housing Trust Fund dollars must be used almost exclusively for rental housing for extremely low-income households. The Housing Trust Fund can be used to ensure that more units in HOME and Low Income Housing Tax Credit (LIHTC) projects serve and are affordable to extremely-low income families. In effect, the three sources of funding will be able to develop a project that has a mix of tenant income levels, so as to not concentrate large numbers of extremely low-income families in individual projects and help ensure financial viability of the projects.

Each dollar of HOME funds expended leverages $4.17 of other public and private investment, making it easier to include units with rents restricted at HOME maximum levels in rental projects. HUD expects each Housing Trust Fund dollar expended to leverage about $1.20 of other funds because rents are limited to 30 percent of the income of a family at 30 percent of area median income. States will have to invest significantly more Housing Trust Fund funds to produce a single Housing Trust Fund unit than a HOME grantee must invest to produce a HOME unit. Also, it is expected that the income produced by non-Housing Trust Fund units – either market rate units or other affordable units – will often be necessary to subsidize the operating costs of the Housing Trust Fund units. The need for this subsidy is the reason the Housing Trust Fund statute permits the use of its program funds to cover ongoing operating costs of Housing Trust Fund units or to capitalize operating reserves for those units. This type of operating subsidy is not a permitted use of HOME funds.

Mr. Price #9

HOME and Housing Trust Fund

Question: Since the Housing Trust Fund is derived from Fannie Mae and Freddie Mae dividends, how will states be able to predict the availability of funds in the future?

Answer: As with many Federal programs, there will be some degree of uncertainty about the amount of Housing Trust Funds that will be available in future years. This uncertainty is because the Housing Trust Fund will be funded each fiscal year with a portion of the unpaid principal balance of the government sponsored enterprises' (GSEs) new business purchases. These set-asides were initially authorized by the Housing and Economic Recovery Act of 2008, and were reinstated effective January 1, 2015, subject to terms and conditions as prescribed by the Federal Housing Finance Agency (FHFA), the independent regulator of Fannie Mae and Freddie Mac. Consequently, states may find the FHFA quarterly reports on the performance of Fannie Mae and Freddie Mac useful, as it may provide insight to the availability of proceeds for the Housing Trust Fund in the coming year. Questions about the GSEs' financial condition should be directed to FHFA.

Mr. Price #10

HOME and Housing Trust Fund

Question: What types of technical assistance is HUD providing for Housing Trust Fund recipients?

Answer: Over the coming year, HUD will be issuing policy and operational guidance for States as they begin to structure their Housing Trust Fund programs. HUD plans to conduct a series of training webinars and webcasts to help grantees understand program requirements. In addition, HUD will offer States on-call technical assistance, through its Community Compass Technical Assistance Initiative, as they develop Allocation Plans, designs, and implement their Housing Trust Fund programs.

Housing and Urban Development Programs
Fiscal Year 2016 Questions for the Record
Congressman Mike Quigley
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House Committee on Appropriations

Mr. Quigley #1

Housing Discrimination Against Same-Sex Couples

In 2013, the Department of Housing and Urban Development conducted the first study on the prevalence of housing discrimination against same-sex couples. This landmark study marks the first data collection by the Department on LGBT people. Further data collection -- specifically regarding discrimination on the basis of gender identity and discrimination against single and older LGBT people is needed to understand the experiences of the community, especially transgender individuals, when seeking housing and shelter.

Question: What are your plans to ensure that further research and studies are conducted by the Department?

Answer: HUD has a study currently underway titled Housing Discrimination against Lesbian, Gay and Transgender People. HUD's first study on measuring the prevalence of housing discrimination against same-sex couples produced a national estimate of the level of discrimination against same-sex couples using email paired-testing. In the current study, HUD will expand the methodology to include in-person testing. This study will pilot techniques for measurement of housing discrimination faced by same-sex couples in at least two metropolitan rental markets through paired in-person testing. The study will also include a pilot test of discrimination against transgender people in a single metropolitan market. The study is scheduled to be completed in Spring 2016.

WEDNESDAY, MARCH 25, 2015.

FEDERAL RAILROAD ADMINISTRATION, PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION AND FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

WITNESSES

SARAH FEINBERG, ACTING ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION

TIMOTHY P. BUTTERS, ACTING ADMINISTRATOR, PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

T.F. SCOTT DARLING, III, ACTING ADMINISTRATOR, FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Mr. DIAZ-BALART. Let's call the subcommittee to order. Actually, before we start, I do want to recognize that we have two new members of this subcommittee: Mr. Jenkins of West Virginia and Mr. Young of Iowa. I will tell you that I am thrilled that you are here. Of course, you are replacing two very good members, so you know, you have big roles to fill, and thank you, gentlemen. And again, I look forward to working with you, and this is a subcommittee that, as we have said, is not a partisan subcommittee. We will try to do everything we can to work together. And the ranking member has been just a delight to work with, so thank you, sir.

With that, let me—again, this morning we are going to hear testimony in the fiscal year 2016 request and other oversight matters from three modal administrations. Let me, again, thank and welcome Mr. Price. Also, I want to thank the witnesses for being here, more importantly, Acting Administrator Sarah Feinberg from the Federal Railroad Administration, and thank you for meeting with me recently; Acting Administrator Timothy Butters from the Pipeline and Materials Safety Administration, how are you, sir?

Mr. BUTTERS. Very well, sir.

Mr. DIAZ-BALART. Also Acting Administrator Scott Darling from the Federal Motor Carrier Safety Administration. How are you, sir?

Mr. DARLING. Good morning.

Mr. DIAZ-BALART. Good. Thank you for being here. We have received your written testimony, and obviously, it will be entered into the record. I want to thank each and every one of you for accommodating this early start this morning because we have a significant amount of ground to cover today, and we, as usual, have limited time. The ranking member and I are dispensing with opening statements, and we are going to move straight to questions, so we are going to begin with a 5–minute round of questions.

I remind everybody here to please allow time for the witnesses to answer the questions within those 5 minutes, and we will hold you to the total of 5 minutes.

[The information follows:]

WRITTEN STATEMENT OF MR. TIMOTHY M BUTTERS ACTING ADMINISTRATOR PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT AND RELATED AGENCIES, COMMITTEE ON APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES

March 25, 2015

Chairman Diaz-Balart, Ranking Member Price, Members of the Subcommittee, thank you for the opportunity to submit this statement on the President's budget for the Pipeline and Hazardous Materials Safety Administration (PHMSA). For FY 2016, the request is for $288.7 million or $44.2 million more than the FY 2015 enacted level.

The FY 2016 Budget would fund the following four PHMSA accounts:

- **$175.1 million to Pipeline Safety**, which is $29.6 million more than in FY 2015. This request includes funding for the National Pipeline Information Exchange (NPIX), to fully fund the positions made available in the Pipeline Safety Reform, and $2 million for the Pipeline Safety Design Review Fund;

- **$64.3 million to Hazardous Materials Safety**, which is $12.3 million more than in FY 2015. The request includes 26.0 new FTEs, of which 16.0 FTEs will be dedicated to inspection and enforcement, 7.5 FTEs will provide regulatory, analytical, and policy support, and 2.5 FTEs will serve as chemists/engineers. Program funding will include $1.6 million for research and development involving contracts, testing and safety equipment and $1.9 million for hazmat information & analysis under the Risk Management Framework initiative;

- **$28.3 million in Emergency Preparedness Grants** would go to first responders and communities engaged in the critical work of gaining and disseminating know-how aimed at reducing risk and harm posed by hazardous materials; and

- **$21.0 million** for **Operational Expenses** which is $275,000 more than in FY 2015

PHMSA's Mission and Recent Successes - PHMSA oversees the safe transportation of hazardous materials through the network of 2.6 million miles of pipelines, serving 66 million residential and commercial customers, and approximately one million daily shipments of hazardous materials carried by air, rail, inland waterway or roadway.

In FY 2014, the Pipeline Safety program conducted 1,405 pipeline inspections, issued 234 enforcement actions, including proposing a total of $5.7 million in civil penalties, awarded 138 grants to 50 states and other entities, provided training to students in pipeline inspection, and funded 18 research and development projects. The program opened 162 enforcement cases, and collected penalties of nearly $4 million.

In FY 2014, the Hazardous Materials Safety program focused on high risk safety issues and conducted 1,227 hazmat inspections, educated over 3,000 state and local partners through multi-modal seminars, awarded 67 grants to 50 states and other entities including tribes, and funded 11 research and development projects. The program opened 120 new enforcement cases and closed 415 enforcement actions with a total penalty amount of $1.7 million.

However, recent large scale pipeline failures and hazardous material incidents underscore the need to augment our inspection, enforcement, and regulatory efforts. The FY 2016 Budget request continues to support the Pipeline Safety, Regulatory, Certainty, and Job Creation Act of 2011 (P.L. 112-90), and the proposed Generating Renewal Opportunity, and Work with Accelerated Mobility, Efficiency, and Rebuilding of Infrastructure and Communities through America Act (GROW AMERICA Act).

Pipeline operators fund the entire pipeline safety account. PHMSA's budget request proposes that hazardous materials shippers also begin paying a fee for the processing of Special Permits and Approvals, which are seeking exemptions from the Hazardous Materials Regulations.
In addition to continuing our important work, the FY 2016 Budget request funding for the following:

Expansion of existing Hazardous Materials Safety programs including the Safe Transport of Energy Products initiative –$6.9 million is requested for research and development, safety and testing equipment, and training and outreach for the safe transport of energy products. This includes inspection and enforcement staff plus subject matter experts, including economic/policy analysis, chemists, engineers, regulatory specialists and transportation specialists.

National Pipeline Information Exchange (NPIX) –$12.0 million is requested to build a repository for inspection and enforcement data from PHMSA and the states to create an aggregate, national view of the pipeline system. Geospatial data collected through NPIX will be loaded in the National Pipeline Mapping System to produce a detailed map of the pipeline network. This data will enable the proactive monitoring of pipeline operator issues, management of risks associated with trends, and implementation of best practices in maintaining our national pipeline network.

Risk Management Framework –$3.3 million is requested to achieve better inspection and enforcement coverage of potentially dangerous shipments using a data-driven, risk-based, approach to identify the highest risk shipments using investigation teams, advanced economic analysis techniques, and research and development tools.

Design Review Fund – PHMSA is requesting to change the $2.0 million Design Review fund from a mandatory receipt as authorized and appropriated in FY 2015 to an offsetting collection for FY 2016. This change recognizes PHMSA's role in approving the design of large scale pipeline projects and requires developers of such projects to pay the reasonable cost for PHMSA's review.

Thank you for the opportunity to outline and detail the President's FY 2016 Budget for PHMSA. We look forward to working with the Congress to sustain the safety of our nation's pipeline and hazardous materials transportation systems, while advancing our work to prevent incidents from occurring in the first place. I am happy to answers any questions.

Timothy P. Butters

Timothy P. Butters currently serves as the Acting Administrator of the Pipeline and Hazardous Materials Safety Administration (PHMSA) at U.S. Department of Transportation since October 4, 2014 and appointed as PHMSA's Deputy Administrator in November 2010.

Prior joining to his appointment to the U.S. Department of Transportation, he served as the Fire Chief and Assistant Fire Chief of Operations for the City of Fairfax, Virginia, Fire Department; Managing Director of the Chemical Transportation Emergency Center (CHEMTREC®); Director of Government Affairs for the International Association of Fire Chiefs; and senior manager with the U.S. Fire Administration/Federal Emergency Management Agency (FEMA).

Mr. Butters has served in a number of other leadership capacities including chairman of the Hazardous Materials Committee for the International Association of Fire Chiefs (IAFC).

Mr. Butters holds a Bachelor's Degree in Business Administration and Economics from James Madison University. He resides with his family in Springfield, Virginia.

PHMSA's mission is to protect people and the environment from the risks inherent in transportation of hazardous materials - by air, road, rail, marine vessel and pipeline. PHMSA's responsibilities include the development and enforcement of regulations for the safe, reliable, and environmentally sound operation of the nation's 2.3 million miles of the gas and liquid pipeline transportation system and the nearly 1 million daily shipments of hazardous materials in United States.

WRITTEN STATEMENT OF MR. T.F. SCOTT DARLING III CHIEF COUNSEL FEDERAL MOTOR CARRIERS SAFETY ADMINISTRATION U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT AND RELATED AGENCIES, COMMITTEE ON APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES

March 25, 2015

Chairman Diaz-Balart, Ranking Member Price, and Members of the Subcommittee, thank you for the opportunity to join you today to discuss the President's Fiscal Year (FY) 2016 budget request for the Federal Motor Carrier Safety Administration (FMCSA).

The President's FY 2016 request of $669 million for FMCSA will provide the resources to support the Agency's number one priority – the reduction in crashes, injuries, and fatalities involving commercial motor vehicles (CMV). Since the FMCSA was established in 2000, the number of lives lost in large truck and bus related crashes has decreased 24 percent, from 5,620 in 2000 to 4,251 in 2013. While this represents significant progress, more must be done. The Department is committed to continuing to reduce the number of crashes, injuries, and fatalities involving CMVs.

With a nearly 17 percent increase from FY 2015 funding levels, the FY 2016 budget will allow FMCSA to strengthen our partnerships with State and local law enforcement agencies and leverage our resources to create a safety culture based on data driven safety rules, strong enforcement programs, and comprehensive education and outreach.

Our FY 2016 funding request provides the resources to accomplish our goals and continue to fund key priorities. It requests $22 million to renovate and improve FMCSA facilities at border posts, providing facilities that allow for faster inspections in a safer environment for drivers, passengers, and inspection staff. We also requested $10 million in new funds for enforcement activities, including focused attention for areas experiencing surging motor carrier activity associated with energy products, like the Bakken region, and resources to review and approve New Entrant corrective action plans on the tightened audit time frames contained in the Moving Ahead for Progress in the 21st Century Act (MAP-21).

The following is an overview of some of the key priorities in FMCSA's FY 2016 budget.

GROW AMERICA Act

FMCSA's FY 2016 budget request supports the motor carrier provisions of the Department's GROW AMERICA Act proposal as a continuation of MAP-21 and aligns with the Agency's 2012-2016 Strategic Plan. The provisions proposed in the GROW AMERICA Act build on the Agency's three core safety principles: (1) raise the bar to enter the motor carrier industry; (2) require high safety standards to remain in the industry; and (3) remove high-risk carriers, drivers, and service providers from the industry.

The GROW AMERICA Act includes measures that will empower State and local communities to achieve our shared goals through more streamlined and efficient grant programs. The Act will also build on FMCSA's continued, unprecedented motorcoach safety efforts by expanding locations where inspections may occur and will provide new authority over brokers who arrange passenger transportation. Furthermore, FMCSA proposes to promote safety while easing the economic stress on long-distance truck and bus drivers, including thousands of small businesses, by ensuring they receive fair compensation for the hours they work.

***Motorcoach Safety*: The centerpiece of FMCSA's FY 2016 budget is the Motorcoach Safety Oversight Program, for which $8.9 million is requested.** Bus travel is increasingly popular because it is a convenient, inexpensive option for many people, including students, groups, and families. FMCSA is committed to raising the bar for safety in this highly competitive and rapidly changing industry by employing our Enhanced Investigation Techniques and strengthening the Agency's oversight authorities. Last year, FMCSA shut down more than 50 unsafe bus companies that put passengers at risk. FMCSA also increased its efforts to educate the public on safe motorcoach travel.

To build on this unprecedented motorcoach safety effort, the GROW AMERICA Act will clarify and expand the locations at which motorcoach inspections may occur and clarify that inspectors may inspect motorcoaches at designated sites equipped with adequate food, shelter, and facilities to accommodate passengers during the process.

It will also provide FMCSA with jurisdiction over brokers of passenger transportation to enhance the Agency's ability to prevent unsafe bus companies from reorganizing themselves as unregulated "brokers."

Improvements to the Motor Carrier Safety Grants: The majority of the budget, $339 million ($26 million above the FY 2015 request), will be dedicated to our safety grant programs. In partnership with the States and other safety partners, FMCSA uses grants to enforce commercial truck and bus safety laws, with special attention to motorcoach companies and carriers hauling hazardous materials. GROW AMERICA will streamline and consolidate FMCSA safety grant programs – a change that will reduce the number of grant application submissions, reviews, reports and approvals, and thus increase efficiencies significantly for FMCSA and its State partners. Among other changes, we are restructuring the Motor Carrier Safety Assistance Program (MCSAP) to include the current New Entrant and Border Enforcement grant programs as formula grants.

As a condition of full MCSAP funding, every State will be required to participate in the Performance and Registration Information Systems Management Program (PRISM) within three years of enactment of GROW AMERICA, thereby expanding the number of States that can suspend or revoke the vehicle registrations of carriers subject to FMCSA out-of-service orders. States will gain the ability to use MCSAP funds to conduct reviews of household goods carriers, brokers, and freight forwarders, protecting the public from predatory practices. For the first time, the Agency will be able to withhold incremental amounts of MCSAP funding for State non-compliance with grant conditions, rather than all or nothing. This tool will allow FMCSA to address grant compliance issues while still providing States with sufficient funds to continue critical safety activities.

While the High-Priority program will continue under MCSAP, the current safety data improvement grant program will be absorbed into the High-Priority program to improve program management. It was redundant for the Agency to have safety data quality as a National MCSAP Priority and a separate grant program for safety data quality improvement. By rolling the safety data quality improvement into the High Priority program, the FMCSA will reduce the administrative burden on both the States and the Department of Transportation because it will no longer have two programs funding similar activities. Consolidating the program into HP will provide greater flexibility and program management because the Agency will be able to better identify high priority motor carrier safety activities in each fiscal year, while providing the grantee with greater flexibility and less administrative burden, as the potential grantee will not have to submit two separate grant applications.

In addition, the Commercial Vehicle Information Systems and Networks (CVISN) grant program will be replaced with a new Innovative Technology grant program and additional flexibility will be available to address eligible activities under the Commercial Driver's License Program Improvement grant program. The Innovative Technology grant will not be limited to CVISN technology but instead will allow the States to apply for funding to test, install, or deploy innovative technology solutions to improve safety.

Most importantly, the GROW AMERICA Act will provide a new minimum Federal share of 85 percent for all of FMCSA's grant programs, providing more funding for national priorities and emerging issues.

Finally, the GROW AMERICA Act will take stronger steps to prevent unscrupulous motor carriers from skirting FMCSA enforcement actions by allowing for criminal prosecution of a person who knowingly and willfully violates an imminent hazard out-of-service (OOS) order issued to prevent the death or serious physical harm to the public.

MAP-21 Implementation and Other Priorities

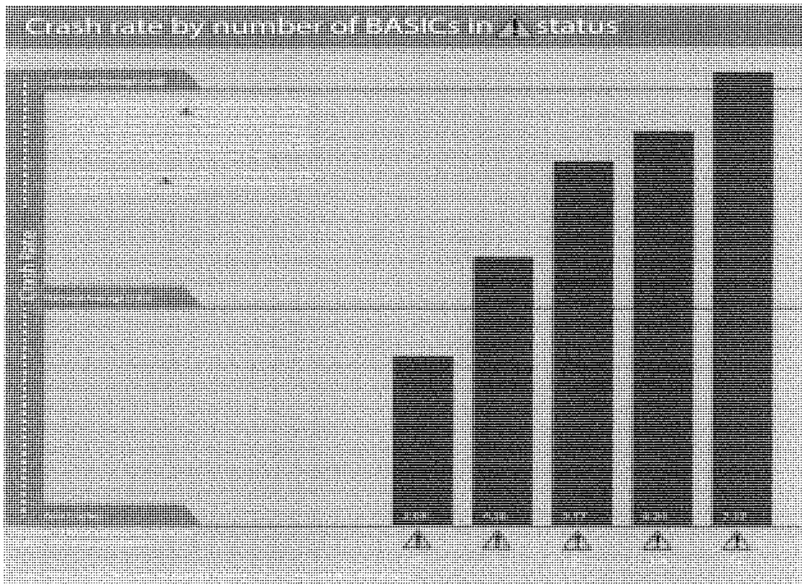
FMCSA's 2016 request initiates a multi-year plan to fully fund and staff its safety programs to meet Congressional mandates. Presently, we are working to implement provisions of MAP-21 to advance our core safety initiatives including the Compliance, Safety, Accountability (CSA) program.

Compliance, Safety, Accountability: CSA is the cornerstone of FMCSA's compliance model to improve CMV safety and reduce large truck and bus crashes, injuries, and fatalities on our Nation's highways. CSA consists of its Safety Measurement System (SMS) to identify companies for enforcement interventions, a wide array of interventions that target carriers' safety performance and compliance problems, and a new methodology (to be proposed in future rulemaking) to determine the safety fitness of motor carriers.

Given the size of our Federal workforce and the limited resources of our State enforcement partners, it is imperative that we apply our resources efficiently. The Agency utilizes SMS to identify noncompliant and unsafe companies to prioritize them for enforcement interventions. FMCSA continues to improve SMS to identify those motor carriers that pose the greatest risk to safety. Our responsiveness to industry, safety advocates, oversight agencies and Congress prompts new and revised policies, reports, and changes to SMS. Last year, we announced changes to our adjudicated violations process. Since August 2014, motor carriers and drivers have been able to request updates to their data through the DataQs process to reflect when the driver or carrier is found not guilty or a violation is changed or dismissed in court.

This spring, the Agency will announce additional changes to SMS. These changes will strengthen our ability to identify companies for investigation before they are involved in a crash. We will publish notice of these changes in the Federal Register and provide the public an opportunity to comment before finalizing.

Importantly, as is shown by the figure below, carriers identified as having one or more areas above the established thresholds in SMS have crash rates significantly higher than carriers that are not identified. As the number of Behavior Analysis and Safety Improvement Categories (BASICs) over threshold increase, so does the crash rate.



The issue of data sufficiency has received much attention recently. Based upon studies completed by the Agency and independent researchers, the SMS is effective at identifying carriers that are engaging in behaviors likely to cause a crash. FMCSA, our State partners, the Government Accountability Office (GAO), the Office of Inspector (OIG), and the National Transportation Board (NTSB) all share a common goal of finding the most effective tools for identifying high risk carriers and taking appropriate enforcement actions. While we all share that goal, we have also had clear differences over specific methodologies for prioritizing a carrier as higher crash risk and for taking action. For example, a February 2014 GAO study recommended that the Agency revise the SMS to account for what GAO sees as data limitations. The GAO developed a methodology that considers only carriers that have at least 20 inspections or 20 vehicles and eliminates the use of safety event groups. That approach runs counter to the goals of SMS, which identifies dangerous violation patterns much earlier. The overwhelming majority of motor carriers – more than 90 percent of our regulated population – *never reach* the 20 observation level during the relevant measurement period. Under GAO's approach to SMS, the safety performance of all these companies would be simply ignored. The public demands a proactive approach, rather than waiting for 20 events before we intervene.

The SMS is effective at identifying carriers that have non-compliance patterns that have been proven to result in crashes because the carriers are violating regulations. The Agency is working hard to intervene with those carriers exhibiting non-compliant behaviors in the most efficient manner possible and to engage the companies before they have a crash.

Recently, we announced the results of our crash weighting research, which addressed the feasibility of using a motor carrier's role in crashes as an indicator of future crash risk. The study considers the use of police accident reports in determining crash accountability and the reliability of using crash involvement or crash weighting as an indicator of future crash risk. We are currently receiving comments on this issue and will determine next steps based on that feedback. We published the notice in January and the comment period closes today, March 25.

We continue to work toward publication of a proposed rule that would increase the use of inspection data in making safety fitness determinations for motor carriers. The Safety Fitness Determination proposal will include a fixed, non-relative failure standard and will take into account recommendations for use more of the Agency's data to make accurate determinations of a carrier's fitness to operate.

National Registry of Certified Medical Examiners: The FY 2016 budget will allow the Agency to continue mission critical initiatives such as the National Registry of Certified Medical Examiners (National Registry). As mandated by SAFETEA-LU and MAP-21, the National Registry rule requires all Medical Examiners (ME) who conduct physical examinations and issue medical certifications for interstate CMV drivers to complete training on FMCSA's physical qualification standards, pass a certification test, and demonstrate competence through periodic training and testing. Currently, all CMV drivers whose medical certifications expire must use MEs on the National Registry for their examinations.

In May 2015, FMCSA will celebrate the first anniversary of the full implementation of the National Registry. However, we have already reached our goal of 40,000 certified MEs on the National Registry. Certified MEs throughout the nation are performing medical examinations, and drivers can use the Agency's on-line geographic locator to help find a certified ME in their area. Any physician or other qualified medical professional (such as a physician's assistant or an advanced practice nurse) licensed by a State to conduct physical examinations may be listed on the National Registry if they are trained, tested, and certified.

With funding provided in the 2016 budget, the Agency will begin the development of a "National Registry 2" which will allow MEs to promptly transfer drivers' medical certifications to the State Driver Licensing Agencies for commercial driver's license (CDL) holders. This will dramatically decrease the chance of drivers falsifying medical cards and will lessen the amount of paperwork required currently.

Drug and Alcohol Clearinghouse: To further prevent crashes, we must ensure that CDL holders are sober and drug-free. The FY 2016 budget includes funding to begin development of the Drug and Alcohol Clearinghouse (Clearinghouse) as required under MAP-21. The Clearinghouse would require truck and bus companies (and other entities responsible for managing DOT drug and alcohol testing programs) to report verified positive drug and alcohol test results, test refusals, negative return-to-duty test results, and follow-up testing. This information would remain in the Clearinghouse for a requisite period of time after the CDL-holder completes the return-to-duty rehabilitative process, which allows the driver to become re-qualified to operate a CMV. Once the Clearinghouse is fully implemented, employers would be required to conduct pre-employment searches in the repository as part of the hiring process for CDL drivers and annual searches on current employee drivers. A Notice of Proposed Rulemaking (NPRM) was published February 20, 2014. The final rule is currently in development and is scheduled to be published later this year.

Entry-Level Driver Training Requirements: MAP-21 directed the Agency to issue final regulations to require entry-level training for drivers who require a CDL and for those upgrading from one class of CDL to another. The Agency's rulemaking must address knowledge and skills for safe operation and other issues. In 2013, the Agency held listening sessions and asked our Motor Carrier Safety Advisory Committee (MCSAC) to provide recommendations on ELDT. These sessions and the MCSAC gave the Agency substantial information about training for entry-level CDL applicants. In August, the Agency engaged the services of a convener to assess the feasibility of conducting a negotiated rulemaking (Reg Neg) to implement this provision. The convener recommended that the Agency proceed with a Reg Neg on ELDT. In February, the Agency announced the appointment of 26 stakeholders to participate in the negotiated rulemaking committee. Known as the Entry-Level Driver Training Advisory Committee (ELDTAC), the Committee held its first meeting in late February and its most recent meeting on March 19 and 20. This stakeholder engagement will make it easier for all of our stakeholders, from drivers and carriers to enforcement partners, to work together toward our shared safety goals.

Research and Technology: The President's budget includes $9.7 million for FMCSA's Research and Technology programs focused on producing safer drivers and carriers. The Research and Technology program has made innovative contributions to the Agency's safety mission by providing scientific research findings on driver behavior and technology applications. The funds requested will be used to determine the effectiveness of wireless enforcement technology, understand driver fatigue and safety performance, and test SmartPark technology for safe truck parking, and enhance work on roadside enforcement technologies.

Conclusion

Thank you, Chairman Diaz-Balart and Ranking Member Price, for the opportunity to discuss the President's FY 2016 budget request. We look forward to working with you as we continue to improve safety, reduce crashes, prevent injuries, and save lives on our Nation's highways.

Acting Administrator

T.F. Scott Darling, III

T.F. Scott Darling, III is the Acting Administrator and Chief Counsel of the Federal Motor Carrier Safety Administration (FMCSA).

Mr. Darling became the Agency's Acting Administrator in August 2014 after first being appointed by President Obama in September 2012 to serve as the Chief Counsel.

Acting Administrator Darling leads FMCSA's overall efforts to improve commercial motor vehicle safety and reduce crashes, injuries and fatalities involving large trucks and buses. He is committed to advancing the agency's safety mission through strong partnerships with law enforcement, safety advocates, industry stakeholders, and the commercial motor carrier workforce.

Background

Mr. Darling joined FMCSA from the Massachusetts Bay Transportation Authority (MBTA), the public transit agency serving the greater Boston area, where he served as the Deputy Chief of Staff and Assistant General Counsel. He also served previously as the MBTA's Environmental and Land Use Counsel as well as its Privacy Administrator. Prior to joining the MBTA, Mr. Darling provided counsel to a number of public and private sector clients on transportation, land-use, housing, and environmental issues.

Education

He earned a Bachelor of Arts degree in Government from Clark University, a Master's degree in Public Policy from Tufts University, and a Juris Doctor's degree from Suffolk University.

Updated: Friday, December 19, 2014

WRITTEN STATEMENT OF
MS.SARAH FEINBERG
ACTING ADMINISTRATOR
FEDERAL RAILROAD ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT AND RELATED AGENCIES, COMMITTEE ON APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES

March 25, 2015

Mr. Chairman, Ranking Member Price and Subcommittee Members, thank you for the opportunity to appear before you today to discuss the Fiscal Year (FY) 2016 President's Budget request for the Federal Railroad Administration (FRA). The $5 billion requested will enable FRA to continue to make strategic investments advancing the safety, reliability, and efficiency of our rail system. The request is nearly $3.4 billion more than the FY 2015 enacted appropriation for FRA, and would support new staff.

BUDGET HIGHLIGHTS

The President's FY 2016 Budget request for FRA represents the first year of a proposed six-year $29 billion rail reauthorization and is a critical part of the Administration's $478 billion surface transportation legislative package, GROW AMERICA. This investment will improve rail safety, increase opportunities for American workers and companies, and provide strong support for our 21st century economy. It will also ensure that rail remains a cost-effective, environmentally friendly, and safe way to move people and freight.

FRA's FY 2016 budget request includes $4.8 billion for the **National High-Performance Rail System (NHPRS)**. The NHPRS includes two major new programs, Current Passenger Rail Service and the Rail Service Improvement Program, which together form the centerpiece of FRA's reauthorization proposal.

- **Current Passenger Rail Service:** The President's budget requests $2.5 billion to return existing rail services and infrastructure to a state of good repair so they continue producing public benefits. For the first time, FRA will provide grant support for passenger service by lines of business: (1) Northeast Corridor, (2) State Corridors, (3) Long-Distance Routes, and (4) National Assets. All funds in this account will be directed to Amtrak, except the State Corridors program.

- **Rail Service Improvement Program:** The budget requests $2.3 billion to expand and improve the existing rail network to accommodate our growing transportation needs. These funds will be used to: (1) Build and upgrade regional networks of passenger rail corridors, invest in infrastructure, stations, and equipment for new high-performance passenger rail corridors, and substantially improved existing corridors; (2) support implementation of positive train control (PTC) systems on commuter railroads; (3) invest in local rail facilities and safety projects to mitigate any negative impacts of rail operations in local communities; (4) develop comprehensive plans that will guide future investments in the Nation's rail system and develop the workforce and technology necessary to advance the Nation's rail industry.

- **Predictable and Dedicated Funding:** Congress has for decades funded highway, transit, and aviation programs through multi-year authorizations that provide guaranteed funding. This enables states, local governments, and other stakeholders to plan for and to make large-scale infrastructure investments. Internationally, other major rail systems rely on predictable multi-year funding to plan and develop projects. The Administration proposes this approach for rail, including authorizing mandatory contract authority through FY 2021 for FRA's new rail programs. The programs would be paid for with resources in a new Rail Account of the Transportation Trust Fund, which will be funded with revenue from pro-growth business tax reform.

FRA'S SAFETY INITIATVES FOR FY 2016

FRA's top priority is safety and FY 2014 was one of the safest years on record. Since FY 2005, total train accidents have declined by 46 percent, total derailments have declined by 47 percent, and total highway-rail grade crossing incidents have declined by 24 percent. However, progress has slowed in recent years. The regulations and tools FRA has put in place since the *Railroad Safety Improvement Act of 2008* are reaching the limits of their effectiveness. To make further gains, FRA is driving continuous safety improvement through a comprehensive strategy that consists of three pillars:

- Continuing a rigorous, data-driven regulatory and inspection program;
- Advancing proactive approaches to identify and mitigate risk;
- Strategic capital investments, including robust research and development program.

Recent major rail accidents in New York, California, West Virginia, North Carolina, Iowa, and Illinois underscore the need for FRA to press to make further improvements in rail safety. For FY 2016, FRA requests $7.5 million in new resources to address today's most pressing rail safety issues, which include:

- Increasing movement of crude oil and other energy products, including ethanol and liquefied natural gas;
- Passenger railroad safety issues; and
- Highway-rail grade crossing and pedestrian safety performance.

SAFE TRANSPORTATION OF ENERGY PRODUCTS

Transportation of crude oil by rail has increased significantly in a short time, driven by new production from the Bakken oil fields in North Dakota and imports from Canada. Bakken crude oil accounted for nearly 300,000 carloads in 2013. Estimated carloads of Bakken crude oil in 2014 has increased to around 408,000.

The safety and environmental risks posed by the increased shipment of energy products are correspondingly growing. This is a nationwide transportation phenomenon as energy products are shipped from production areas to refineries on the East, West, and Gulf Coasts. On average a carload of crude oil from North Dakota travels over 1,600 miles and ethanol travels an average of 990 miles. Moreover, the consequences of an accident involving containers of crude oil can be catastrophic. In 2013, a single accident in Lac Mégantic, Quebec, killed 47 people.

No single approach will alone make transporting crude oil and other energy products safer. Improved tank car design will be one part of the solution. Other parts will require maintaining and improving track conditions, improving the infrastructure on crude oil routes, and better enabling trains to brake effectively.

To address this growing challenge, FRA requests 45 new staff positions dedicated to the Safe Transportation of Energy Products (STEP). This includes creation of five new Crude Oil Route Manager positions to focus on the nation's five main energy corridors. For the field, FRA requests 40 dedicated crude oil safety inspectors and rail safety specialists to oversee railroads' safety performance, and to ensure that next generation tank cars are built to applicable standards. In addition, FRA seeks additional funds to expand the coverage of its Automated Track Inspection Program vehicle on routes with heavy traffic of energy products and to fully implement the Crude Oil Route Track Examination (CORTEX) program.

Oversight and enforcement are important strategies for making crude oil transportation by rail safer, and so is improving infrastructure and investing in capital. This is especially true with short line railroads and local governments that require assistance making such investments. FRA's proposed $250 million Local Rail Facilities and Safety grant program, part of the Rail Service Improvement Program, would fund safety projects, including those involving crude oil and energy products. For example, FRA would encourage small railroads to install electronically controlled pneumatic brakes, which can greatly improve stopping performance and train dynamics.

PASSENGER RAILROAD SAFETY

Americans currently take approximately 500,000,000 railroad passenger trips annually, and that number will increase as intercity passenger rail services expand and new commuter rail operations come on line. Protecting their safety and minimizing risks for these passengers as well as railroad crews is a top priority of FRA.

The importance of passenger safety was brought into focus in 2013 when four high-profile accidents on the Metro-North railroad killed four people and injured more than 100 others. Following the four accidents, FRA undertook an unprecedented examination of the railroad, called Operation Deep Dive, which revealed that Metro-North's emphasis was on on-time performance at the expense of safety. This lack of an internal safety culture was the underlying cause of the accidents.

Prior to 2013, the railroad's safety record offered no indication that it was headed towards a calamitous year. This is an example of why FRA is working to advance proactive system safety programs that identify hazards, analyze risks, and put in place customized plans to eliminate those risks. This approach is especially critical for improving the safety of passenger railroads, which carry millions of passengers daily.

For FY 2016, FRA requests 15 new staff positions to develop and implement risk reduction and system safety programs and provide direct oversight and technical assistance to commuter, shared use, and passenger operations. Some of these staff will conduct examinations across the Nation similar to Operation Deep Dive. FRA also plans to develop tools to change the culture within some railroads that can lead to accidents, including creating the Clear Signal for Action program. This program will support peer coaching as a non-punitive way to identify and stop unsafe practices.

Positive train control implementation will improve the safety of passenger operations. For example, positive train control would have prevented the Metro-North derailment that occurred when an employee apparently operated a train too quickly around a curve. FRA's NHPRS request includes $825 million for commuter railroad positive train control compliance plus funding for Amtrak's implementation of positive train control. Additionally, FRA requests funds to study passenger rail electrification standards to enable train sets from multiple manufacturers to operate successfully in different places.

GRADE CROSSING AND PEDESTRIAN SAFETY

The number of highway-rail grade crossing collisions and related fatalities has decreased over the last 10 years by 24 percent and 27 percent, respectively. However, between the fiscal years 2009 and 2013 the number of collisions plateaued at around 2,033 collisions per year which mirror the trend in highway traffic fatalities. In fiscal year 2014 the number of collisions increased by 8 percent. Moreover, highway-rail grade crossing collisions are the second leading cause of rail-related deaths and the top cause of all railroad accidents.

Similarly, trespass deaths followed the same pattern as highway-rail grade crossings collisions between FY 2009 and 2014. There was an average of 420 fatalities per year between 2009 and 2013 and then an increase of 18 percent in 2014. They are the leading cause of rail-related deaths and accounted for 63 percent of all rail-related fatalities in 2014.

The FRA uses the "3 Es" approach to improve grade crossing safety and to prevent trespassing: education, engineering and enforcement. Starting with education, FRA requests 16 grade crossing safety manager and eight trespass prevention manager positions. These employees would conduct nationwide safety outreach with the trucking industry, communities, local planners, schools, and others to improve the safety of the nearly 130,000 public highway- rail grade crossings. FRA also seeks funds to bring together trespass prevention experts from freight, commuter, and transit railroads to share and develop new prevention initiatives. Moreover, FRA requests new funds to implement a pilot program to provide targeted and sustained community outreach.

The safest crossing is a closed crossing; therefore, increased funding for capital investment is critical. The proposed $250 million Local Rail Facilities and Safety grant program will enable local communities to build safer highway-rail grade crossings, among other critical improvements.

FRA's REAUTHORIZATION PRIORITIES

FRA's two core authorizations – RSIA and the *Passenger Rail Investment and Improvement Act of 2008* – expired at the end of FY 2013. The rail industry has changed dramatically since 2008. After decades of decline due to underinvestment, rail transportation has become safer and more reliable, efficient, and responsive to the traveling public. However, significant work remains to improve the national rail network. To summarize, the FY 2016 Budget presents an integrated strategy for rail safety and service, reflecting the following priorities:

- **Build and strengthen our record of safety**. Rail is already among the safest modes of transportation. Nevertheless, continuous safety improvement is imperative, and with innovative practices and new technologies, the industry can achieve this goal. FRA is leading several related initiatives, such as the system safety and risk reduction programs that influence safety outcomes proactively and preemptively; expanding the successful Confidential Close Call Reporting System program; and supporting implementation of PTC system technology. *The budget makes investments in advancing FRA's safety mission by supporting PTC system implementation on Amtrak and commuter rail routes.*

- **Grow our economy.** Rail plays a critical role in supporting the stability and growth of the U.S. economy. To maintain our economic competitiveness, the U.S. must have an interconnected and balanced transportation system that benefits both passenger and freight needs. Freight rail is a $70 billion industry that is relied upon by various sectors across the economy. Recent Federal investments in passenger rail is contributing to a revival of the domestic rail equipment, manufacturing, and supply industries.

- **Close the infrastructure deficit while modernizing our rail infrastructure.** Past generations of Americans invested heavily to build the infrastructure we rely on today. Most segments of the Northeast Corridor were initially built over a century ago. Maintaining and modernizing these assets will reduce long-term costs and result in safer, more reliable, and more efficient rail transportation. *The budget makes investments to reduce the backlog of rail maintenance needs, replace obsolete equipment, and modernize stations to comply with Americans with Disabilities Act requirements.*

- **Meeting growing market demand.** With the United States expected to gain 100 million people by 2050, the national transportation system must prepare for substantial increases in the movement of people and goods. Rail transportation will be critical to meeting this growing demand. FRA's budget makes strategic investments that reflect the needs of multiple stakeholders – passenger and freight rail operators, the traveling public and shippers, governments and private interests. *The budget will fund projects based on specific market needs and rigorous analysis of costs and benefits. The budget makes investments in both new and improved passenger rail services with varying frequencies and speeds, offering ladders of opportunity and necessary mobility to a variety of communities.*

- **Ensuring transparency and accountability.** Accomplishing the priorities described above can occur only if these programs are managed through a process that makes expected public benefits and service improvements transparent to the American people. The roles and responsibilities of the Federal government, States, Amtrak, freight railroads, and other stakeholders must be clear and based on sound public policy. *The budget provides a transparent structure that will ensure delivery of public benefits and a high level of accountability for public resources.*

CONCLUSION

FRA is focused on strengthening and enhancing safety, while strategically maintaining current rail services and infrastructure and expanding and improving the rail network to accommodate growing travel and freight demand. The President's FY 2016 budget proposal is the first step in a six-year commitment to make that possible.

Sarah Feinberg, Acting Administrator

Transportation Secretary Anthony Foxx appointed Sarah Feinberg to be the Acting Administrator of the Federal Railroad Administration (FRA) on January 9, 2015. As Acting Administrator, Feinberg will assume the role as the Nation's chief safety regulator for freight and passenger rail.

Feinberg is the second woman to lead the agency since its founding in 1966. Feinberg leads a staff of nearly 900 professionals in Washington, D.C. and eight regional offices across the country.

The mission of the FRA is to enable the safe, reliable and efficient movement of people and goods for a strong America, now and in the future. The FRA is one of ten operating modal agencies that make up the U.S. Department of Transportation (USDOT). The FRA workforce develops and enforces rail safety regulations; manages a $20 billion rail investment portfolio; and oversees research and technology development programs. The FRA is also responsible for administering federal grants to Amtrak and has oversight for the railroad's expenditures.

As DOT Chief of Staff, Feinberg provided strategic advice and counsel to the Secretary of Transportation regarding operational and legislative initiatives across all modes of transportation. One of her key priorities as the Chief of Staff was to lead the effort on the Department and Secretary's $302 billion surface transportation reauthorization plan.

Prior to joining USDOT, Feinberg served as the Director of Corporate and Strategic communications at Facebook where she managed the company's Washington-based outreach and communications as well as the company's political and crisis communications. She was also previously Bloomberg LP's Director of Communications and Business Strategy.

From 2009-2010 she served in the Obama Administration as Special Assistant to the President and Senior Advisor to White House Chief of Staff Rahm Emanuel. As the Chief of Staff's liaison to the Obama economic team, the national security team, and the press and communications departments, she most notably worked on the White House's strategic communications response to the country's fiscal and economic crisis, the H1N1 flu pandemic and the mine disaster in West Virginia.

Prior to serving in the White House, Feinberg spent several years on Capitol Hill, serving as communications director for the House Democratic Caucus, and the national press secretary to former Senate Minority Leader Tom Daschle.

Feinberg is a graduate of Washington and Lee University with a degree in politics.
Updated: Monday, January 12, 2015

POSITIVE TRAIN CONTROL

Mr. DIAZ-BALART. With that, let me go straight into questions. And I am going to start with one which we heard of from before, and to Ms. Feinberg. It is the issue with positive train control, which is not a new issue. Ms. Feinberg, both of us know that a full positive train control system will not be implemented by December 31 of 2015, and that additional money is not going to allow us to finish it by December 31, 2015, even if we had the funds that which—you know, which, frankly, we probably don't. Because there are obviously some complicated—very complicated technical issues. However, the FRA has never formally requested a PTC change, and so if, in fact, we all recognize that we are not going to get there in time, why not recognize that reality and formally request a change to the PTC language?

Ms. FEINBERG. Sir, thank you for having me, first of all, and thank you for the question. I believe that we have said several times, and I am happy to say here again today, that we agree that the railroads will have incredible difficulty meeting the December 2015 deadline. What we have said previously in our report to Congress in 2012, and also in the Build America Act, which we transmitted to Congress, was that we suggested a path forward where we basically would be given some discretion on granting railroads provisional safety authority. Railroads would come to us, and as long as they had made operations as safe or safer, we would give them provisional authority to continue to function for some finite period of time.

I recognize that there is significant debate on the Hill related to extending that deadline. What I think is really important is to not extend the deadline to a point where railroads then feel less pressure to implement PTC. It is incredibly complicated and costly, I understand that, but we don't want to end up in a place where we have got railroads waiting another 3 or 4 years.

Mr. DIAZ-BALART. So wouldn't it make sense, however, for something to come from you all as opposed to—because you know, we all want to make sure that the system is as safe as possible. We recognize that that date is not doable, and so as opposed to waiting for the railroads to come up with a date, wouldn't it be helpful for you all to kind of lead in that area and to try to come up with some reasonable alternative that is doable, that is achievable, and that would keep the pressure on without doing something that is absolutely, we all recognize, not doable?

Ms. FEINBERG. Well, we have another report due to the Congress later this summer. We are working hard to actually get that to the Congress sooner than the deadline, prior to the deadline. We can certainly consider that in that report. For now, I think our position would be that we would be comfortable granting that provisional authority, but I would be happy to take a look at that in the report that we are submitting as well.

Mr. DIAZ-BALART. Let me ask you also about—the RSIA authorizes DOT to assess penalties?

Ms. FEINBERG. Yes.

Mr. DIAZ-BALART. Anywhere between $500 to $2,500 per violation, PTC violation. What are the requirements, what are your requirements or plans in terms of penalties, and how will you make those assessments?

Ms. FEINBERG. We do have discretion there, but I think it is a little bit early at this point to determine what kind of fines or enforcement actions we would take. Again, we will be discussing that in the report that we submit, but for now, I think it is important to determine when PTC can be implemented by these railroads.

Mr. DIAZ-BALART. Is the industry aware of the potential for, fines, and, what have you told them, what have they told you, what kind of communications are you having with—because you know, there is a possibility that this could have some serious impact on whether it is the rail industry or commerce or a number of other areas. What sort of communication are you having with them? Are they aware of the potential impacts?

Ms. FEINBERG. They are certainly aware of the deadline, the impacts, and the potential for fines or enforcement. We hear from them pretty consistently about that. I think the thing that they would like most would be certainty, and we are working very hard to make a final determination on provisional authority.

Mr. DIAZ-BALART. My time is almost over for this round, but, again, let me kind of throw out the same thing that I threw out before, which is, wouldn't it make sense for the industry's sake to recognize the potential hardship? And also formally request changes to the PTC language?

Ms. FEINBERG. Understood, sir. So we will go back and look at timing and dates and come back to you.

[The information follows:]

POSITIVE TRAIN CONTROL

The Federal Railroad Administration is firmly committed to the implementation of Positive Train Control (PTC). Since the enactment of the Rail Safety Improvement Act in 2008, several challenges have surfaced that threaten to impede full-scale implementation of PTC. The industry has been hindered by the breadth and scale of implementation, the complexity and variety of technological approaches, as well as the limited availability of radio spectrum and interference issues between differing radio systems that will be used to support the PTC operating platform. The FRA outlined these technical and programmatic issues in its 2012 Report to Congress.

Commuter railroads and some short lines have endured additional burdens in figuring out how to pay for full-scale PTC implementation where it is mandated. Last year, the Department of Transportation submitted its surface transportation proposal, GROW AMERICA to the 113th Congress and on March 30th resubmitted a revised version of the proposal to the 114th Congress that addresses many of these issues. Potential solutions included in the surface transportation proposal include the ability of FRA to grant merit-based extensions and establish and enforce specific implementation milestones against individual railroads. It also proposes the use of alternative methods of protection in lieu of PTC systems where safety is not diminished, as well as proposing funding assistance to Amtrak and commuter railroads to address capital needs in installing PTC systems. Our proposal has been intentionally designed to reward and help railroads that have prepared and worked hard to install PTC but may not make the deadline because of circumstances beyond their control, while appropriately holding railroads accountable and assisting them to install and implement PTC as quickly as possible.

Finally, the FRA is preparing an updated report to Congress on PTC implementation. This report is required by report language in a FY 2015 Appropriations bill. The report is due in June 2015 and FRA anticipates transmitting it to Congress before the deadline.

Mr. DIAZ-BALART. Great, thank you. Mr. Price.

NEW FTE REQUESTS

Mr. PRICE. Thank you, Mr. Chairman. Let me also welcome all of our witnesses this morning. We are happy to have you here and happy to proceed with some questions that, in the case of my first question, cut across the three jurisdictions that you represent. Each of your budgets have requested additional FTE to deal with oversight activities associated with the transport of crude; and, of course, this transportation of domestically-produced energy products has grown dramatically in recent years. With that growth, there is a need for heightened scrutiny of the safety risks involved in transporting these products, and your agencies all have an important role to play, whether it is providing safety oversight of the various carriers, adopting rules to reduce the risk, or providing training to emergency responders.

So let me ask you two questions which each of you can address. This is, of course, a multi-modal challenge. In addition to your individual requests, the fiscal 2016 budget includes $5 million within the Office of the Secretary to assist with multi-modal coordination. First, if any of you could describe the kind of coordination that already occurs, how the three agencies currently collaborate on this issue, and then what value added will the requested funds within the Secretary's office bring to that effort?

Secondly, with regard to staffing. Each of you has requested additional FTE for fiscal 2016 for the safe transport of energy products program. What regions of the country have the highest needs? What areas of specialty are most critical? In other words, what is going to be the value added of those additional FTEs?

Ms. FEINBERG. I am happy to start. So a lot of questions there. I will try to move through really quickly so that my colleagues have a moment to jump in as well.

So, first of all, in terms of the FTEs that we have asked for, those FTEs at FRA would be inspectors, so increasing inspections along crude routes. You asked about specific regions that need the most focus. Certainly the midwest and the crude routes going from the middle of the country to the coast need the most assistance. There is very good coordination between the modes now.

[The information follows:]

FRA strategically allocates its railroad inspector workforce across the nation based on an analysis of risk and insight from staff on the ground. At the beginning of each year, FRA uses a software package called the Staffing Allocation Model (SAM) to determine where to assign its workforce. The allocation is broken by FRA safety discipline, and FRA can adjust the model for changes in the size of FRA's inspector workforce. The SAM relies on historical safety and accident data reported to FRA to determine these allocations. FRA headquarters shares the model results with managers in the field who may update the staffing plans to capture real-world issues or emerging risks.

FRA works incredibly closely with pipelines and hazardous materials, but also with FMCSA. As you know, this crude is moving by rail, it is moving by truck, it is moving by pipeline. There has been very close coordination. The effort from the Office of the Secretary is to have an umbrella organization that can also make sure that the chief safety officer and the team at OST is making sure that they are also able to track all that the modes are doing and assisting coordinating with best practices. I want to make sure my colleagues have a moment to jump in.

Mr. BUTTERS. Thank you. Thank you, Congressman, for the question. PHMSA, we are the regulator of the hazardous materials that are shipped by all modes. So we rely on our partners, FAA, FRA, FMCSA, and the Coast Guard to help enforce those safety regulations as these commodities are shipped. Our role is really to classify those hazardous materials by non-DOT classes, ensure they are shipped in the right container, ensure that information is properly communicated to those throughout the transportation chain, including emergency responders, consequence to ensure that information is provided in the event of emergency, and ensure that shippers and carriers understand their responsibilities in terms of hazardous materials transportation.

We do work very closely with all our modal partners because they have the boots on the ground in terms of enforcement with regard to the carriers. Our primary focus with our inspections and enforcement is with the shippers to ensure that these materials are prepared and properly packaged before they are offered for transportation.

With regard to the oversight that DOT would provide, we have had some increased challenges with regard to hazardous materials. Most notably recently with the Ebola medical waste requiring a much more coordinated response, not only within the Department but also with other agencies within the government.

So one of the things that this function would carry out would be to ensure that there is close coordination with all agencies that have a responsibility or role in that activity.

Mr. DARLING. Thank you, Mr. Price, for that question. FMCSA is responsible for overseeing large trucks as they travel on our Nation's roadways. In fiscal year 2016, we are asking for 11 FTEs for a cost of $1.6 million. Those FTEs would be used to oversee the vehicles that are working in the oil fields. Over the last year or so, we have coordinated really well with PHMSA and FRA. We have done multi-agency strike forces that have placed unsafe vehicles that are working in the oil fields to be out of service because of brakes, because of tires. We don't want those vehicles to actually be operating on the roadways. Going forward——

Mr. DIAZ-BALART. We are going to have to wrap up because a few——

Mr. DARLING. Okay.

Mr. DIAZ-BALART. Why don't you wrap that up.

Mr. DARLING. The regions that we believe need the most help are in the Midwest. And regarding funding to OST, that will allow us to act more efficiently, have best practices, and to make sure that we manage our resources as we work through the movement of energy products in this country.

Mr. DIAZ-BALART. Thank you.

Mr. PRICE. Thank you.

Mr. DIAZ-BALART. Mr. Young, you are recognized, sir.

SHORT LINE SAFETY INSTITUTE

Mr. YOUNG. Thank you, Mr. Chairman. Pleasure to be on the committee. Thank you, witnesses, for coming to us today. I want to talk a little bit about the short line railroad project that came into being last time around here in the committee, advocated and encouraged by Representative Quigley and Yoder, and my predecessor, Congressman Latham, who was the chair here.

Last year's appropriations bill supported that pilot, that short line pilot for $2 million, and this is a big deal for the short line railroads in my district. I have the Iowa Interstate, a railroad that goes right through my hometown of Van Meter, and I hear it frequently on the weekends and at night. What success, can you tell us, have you seen in this program so far?

Ms. FEINBERG. Thank you for the question. The Short Line Safety Institute, just came into being last year, They have begun standing up the institute itself. They are focusing on best practices to be able to assist short lines with managing new or emerging safety concerns such as the transportation of crude, which is particularly helpful.

[The information follows:]

SHORT LINE SAFETY INSTITUTE PILOT PROGRAM

The Short Line Safety Institute's pilot program is now underway. In March 2015, the FRA issued a Notice of Funding Availability for $1.8 million as a directed grant to the Association of Short Line Railroads and Related Agencies (ASLRRA). Currently, seven pilot assessments are being conducted to better understand and characterize the safety culture within the short line industry. The report will include a discussion on options to address the PTC deadline issue. The work of the Institute is largely built around a partnership between the FRA, ASLRRA, the University of Connecticut (UCONN) and the Volpe Center. UCONN's work provides a strong theoretical basis in support of the Institute's goals. Volpe's work provides a mechanism for supporting and improving the pilot implementation as it is occurring, and measuring the success of the overall initiative. FRA's expertise in safety culture provides strategic direction.

Mr. YOUNG. Yeah, a lot of hazardous materials are frequently shipped on those. I just want to make sure that you are focusing on it and you are still looking at it and that you report back to us, as we go on through the process, about how that is going.

Ms. FEINBERG. Absolutely. We are focused on it. I met with them just a couple of weeks ago. They are meeting in Florida next week, which we are sending staff to.

NEW TRUCKING REGULATIONS

Mr. YOUNG. Thank you. There is a big connection between agriculture and trucking in many of our districts, particularly rural districts. Many farmers in my district who own one or two semitrucks to support their farm also operate smaller trucking companies with them. I am concerned with the impacts of the new regulations on these small motor carriers, that they are not beings fully analyzed and evaluated by FMCSA.

One recent study served only 11 trucking companies, none of which had fewer than 100 trucks. Only about 3,600 trucking companies out of the 500,000 in operation fit that definition. Do you think this evaluation contains a representative sample of the trucking industry?

Mr. DARLING. The trucking industry is a complex industry with a mix of small, medium, and large-size trucks. The smaller truck carriers are probably the largest sample of carriers in that 500,000 carrier universe.

Mr. YOUNG. And how do you define those, that smaller carrier sample?

Mr. DARLING. That smaller——

Mr. YOUNG. Are they carrier trucks under 100 trucks?

Mr. DARLING. No. The smaller carrier sample is 10 or less.

Mr. YOUNG. Okay.

Mr. DARLING. And then 10 to about 100 is medium-sized. Then 100 or more is large-size trucks.

Mr. YOUNG. Okay. Well, how much of a focus are you making on the smaller trucks, the 10 or less, because that is—those are the folks in my district, a lot of the rural districts.

Mr. DARLING. Uh-huh.

Mr. YOUNG. And it matters to them what you are doing.

Mr. DARLING. We don't target just small trucks. We look at all trucks. Our focus is to make sure that trucks that are currently on the road are operating safely. We use our SMS system to prioritize how we look at carriers going forward which is our safety measurement system, and that system helps us prioritize the trucks that we look at.

NORTHEAST CORRIDOR

Mr. YOUNG. I want to talk about Amtrak. Thank you very much.

Mr. DARLING. Yes.

Mr. YOUNG. Talk about Amtrak just for a second. Can you tell me how much the Northeast corridor is projected to earn in 2015?

Ms. FEINBERG. I don't know that number off the top of my head, but I am happy to—we are happy to come back to you with it.

[The information follows:]

Amtrak's most recent Five Year Budget and Business Plan, released in February 2015, projects an operating profit of $356.9 million for the Northeast Corridor in Fiscal Year 2015 (Exhibit 4-3, page 76). However, these profits will be needed to cover projected losses in Amtrak's State Supported and Long Distance business lines. The Administration's FY16 Budget and multimodal surface transportation reauthorization proposal—the GROW AMERICA Act—would provide $2.45 billion for current passenger rail services. This proposal would fully fund Amtrak's business lines, enable Amtrak to reinvest Northeast Corridor operating profits back into the corridor's infrastructure needs, and reduce the backlog of state of good repair needs on the Northeast Corridor.

45G RAILROAD MAINTENANCE TAX CREDIT

The Federal Railroad Administration's recent report to Congress, *Summary of Class II and Class III Railroads Capital Needs and Funding Sources*, illustrated that the Section 45G railroad maintenance tax credit is an option, when available, to short line railroads to maintain and improve infrastructure. The 45G tax credit, as originally enacted and subsequently renewed, provides a tax credit of up to 50 percent for Class II and Class II railroads to spend on infrastructure improvements, which include maintaining railroad track, roadbed, bridges, and related track structures that are owned or leased. The credit is capped at $3,500 per mile. Class II and Class III railroads report that they have taken advantage of the tax credit, and according to the American Short Line and Regional Railroad Association, the tax credit has funded more than $300 million worth of short line infrastructure improvements annually. Currently, the tax credit is not in effect for spending in calendar year 2015 but was made retroactive for calendar years 2013 through 2014 with the enactment of the Tax Increase Prevention Act of 2014. Because of the uncertainty of when the tax credit is in effect, the short line railroads contend that it is difficult to plan and undertake the full extent of projects that they would like in a given year. As a consequence, there are some infrastructure projects that are deferred. Short line railroads have traditionally had difficulty funding and financing infrastructure projects. The 45G tax credit is an important instrument that they have used to help meet their ongoing infrastructure needs. The 45G tax credit would further complement FRA's proposals included in GROW AMERICA to assist short line railroads by providing grant funds for short line capital improvements and enhancing the RRIF Program to make it more accessible for prospective short line borrowers.

Mr. YOUNG. Okay. We will look forward to that answer. And wouldn't you agree that providing funds to Amtrak by line of business is a more transparent way to provide their funding?

Ms. FEINBERG. Well, we have made every effort to be as transparent as possible with Amtrak, so the breaking up of the budget into lines of businesses was an attempt to be as transparent as possible. I think it is important for both the Hill but also for the public to understand how Amtrak works and what happens on the books.

Mr. YOUNG. Well, you know, we are a committee. I know the chairman and ranking member are—transparency is very important so that we know what is going on with our taxpayer dollars. We look forward to hearing back from you on that. Thank you, Mr. Chairman. I yield the time.

Mr. DIAZ-BALART. Thank you, Mr. Young. Before I recognize Mr. Quigley, I noticed that the ranking member of the full committee is here. So I know Mr. Quigley would be glad to yield to Mrs. Lowey.

Mr. QUIGLEY. I just felt—I just felt the vibe there.

Mr. DIAZ-BALART. It is what I live for.

Mr. QUIGLEY. Mrs. Lowey, you have my time there.

Mrs. LOWEY. First of all, I want to thank the chairman for your gracious introduction, and I want to thank my good friend Mr. QUIGLEY. Unfortunately, there are four hearings this morning, so sometimes we need some roller skates to do the job effectively, but thank you very much, and thank you, sir.

I would like to address the issue of grade crossing safety. As I think Ms. Feinberg is aware, in recent weeks there have been three major grade crossing accidents, one in my congressional district in which six people tragically lost their lives. I will never, ever forget that scene. It was almost as if—it was an incinerator. It was just awful. A second in southern California, a third in North Carolina. Following the Metro-North crash last month, I had a press conference at a dangerous crossing just miles from the crash site to promote rail crossing safety. Less than a week later, at that crossing, a motorist was trapped between the gates as the train approached. She backed up snapping the gate. Fortunately she backed up just as the train passed by. This particular grade crossing is near a high school. There are routinely backups over the crossing.

I know that you know we need to address the issue of grade crossing safety through a variety of measures, importantly, FRA's budget request funding for 24 additional safety staff to work with State and local officials to help reduce the number of grade crossing and trespassing facilities. You recently sent a letter to the major law enforcement groups to enlist their help.

Can you tell me what has been the response to your letter? And secondly, you have a background, I know, in communications. Could you share with us your thoughts on whether a paid media campaign would help educate drivers and reinforce any efforts with law enforcement?

Ms. FEINBERG. Thank you so much for the question, and thank you for your focus on grade crossings. You and I have spoken about this several times. A couple of different questions there.

One, you asked about how law enforcement has responded to my letter. So the letter to law enforcement was the first step in what we are viewing as an above the—all-across-the-board enhanced campaign on grade crossing. So the letter to law enforcement asking them to consider best practices, additional picketing, spending more time at grade crossings was the first step.

We received quite a positive response from them. I spoke with each individual on the phone. They were pleased to get the letter and would take a look at it. I don't think that we have done a full audit of the impact yet, but that is something that we should do going forward.

You asked about communications in a public awareness campaign. I think that would be an excellent idea. There are two problems in terms of grade crossings. One is an effort to beat the train, which is obviously where the law enforcement angle comes into; but the second is clearly driver error that results from being unaware of where you are, being disoriented, being unfamiliar with the grade crossing, or traffic, as you mentioned, queuing up over a railroad crossing. Drivers should never find themselves stuck on the tracks or sitting on a grade crossing when they are in traffic. Best practice is to wait until you know you can get to the other side.

But one thing that we are doing in FRA is working closely with the Federal highways to make sure that they are speaking to State DOTs about making sure that the interactions between traffic lights and grade crossings are working. So you don't want people stuck at a light and then queuing up over a grade crossing, if that makes sense.

Mrs. LOWEY. Would—there are several groups out there, private groups who were talking about media campaigns, just helping people understand that they have to be very careful, as you say, can't beat the train. Have you found those to be effective?

Ms. FEINBERG. We have. Operation Lifesaver is a wonderful group that we work closely with. They have a campaign which is, "See Tracks, Think Train," which is an excellent way for people to approach grade crossings to automatically assume that there is a train coming. That campaign has been effective. We look to do more with them, but I think a media campaign aimed at making sure that that is something people are thinking about all the time when they are in their car and approaching a place where a grade crossing could be—would be massively helpful.

Mrs. LOWEY. Thank you, and thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, Mrs. Lowey. It is always a pleasure to have you here.

Mrs. LOWEY. It is a pleasure for me to be here.

Mr. DIAZ-BALART. Thank you. Mr. Jenkins, how are you, sir?

Mr. JENKINS. I am good. Good morning.

Mr. DIAZ-BALART. Pleasure to recognize you.

SAFE TRANSPORT

Mr. JENKINS. Thank you, Mr. Chairman. It is a welcome opportunity to serve on the committee, and thank you so much.

Good morning. Glad that you are here. A couple of things. One, obviously, Ms. Feinberg, you and I come from West Virginia. We have Bakken crude oil coming through our State. We have had a horrific accident in Mount Carbon that we will talk about here in just a moment. But first, with regard to the tank car safety rule. You and I spoke after the incident, and again, thank you for coming. Let me express thanks to the FRA, CSX, state and local first responders. It was all hands on deck, and as tragic as the incident was, it was still an example of best practices from a response standpoint. But we also need to focus, as I know you are, on how can we make sure this doesn't happen again.

With regard to the tank car rules, again, we talked about this, I recognize that you have been active in your capacity of 18 months or so. So I certainly take you at your word of your passion to get these rules done, but from my standpoint, 4-plus years is simply unacceptable that these rules have been in process, discussed at the administration level, and we still don't have enhanced rail car safety standards. So again, I just acknowledge that you have shared with me a top priority to get these standards upgraded.

Ms. FEINBERG. Thank you, Congressman Jenkins. It is absolutely the top priority of the FRA for that rule to be finalized and implemented. An update on where that rule is. It currently is in the last step of the process. It is sitting over at OIRA at the moment. So the FRA—so it is actually technically a PHMSA rule that the FRA partnered with PHMSA on. It has been sent over to OIRA and is in that final process. You are right that it has taken a long time.

I think we have been working in earnest on it for about 18 months. From the first day that I became chief of staff at the Department of Transportation, it was something we were talking about and working on. We had daily, frequently, two or three times a day, meetings to make progress on the rule. As you know there are many bars an agency has to reach in order to get a rule over to OIRA and get it finalized, so the process generally takes a long time, probably too long.

Interestingly, this rule, I think most people would say, has actually moved quite quickly compared to other rule makings, which is probably a testament to the fact that the rulemaking process needs to move a little bit faster but——

Mr. JENKINS. Let me ask you, obviously, since this rule has been at least in the process for 4-plus years, while I recognize administratively this may be light speed, I think that from the public's perspective, 4 years ought to be long enough, and I share the public's attitude on that.

Ms. FEINBERG. I do, too.

Mr. JENKINS. With regard to the Mount Carbon incident and others, with this rule, and I acknowledge that at least it is contemplated that the new proposed standards, these cars in this 109-car train with 30,000 gallons of highly flammable crude in each one of those cars, these cars may have met the new proposed standards already. So from my perspective, we may be rubber stamping new car standards that aren't good enough. Are you all re-evaluating, based on this incident, whether or not what is being worked on in a proposed fashion may not be good enough to make sure this doesn't happen again?

Ms. FEINBERG. So it is an excellent question. We are in, as I think you know, this very awkward moment when I am not in a position where I can confirm the proposed final rule that we actually sent to OIRA, which they are working on now. I think that this will all come to a conclusion in a couple of weeks, and although I can't prejudge the rulemaking process or what the final rule will be, I think there is an acknowledgment across the administration that the derailments we have seen in recent weeks have all been, as you say, 1232 cars. So the 111 is sort at the bottom, and then 1232 is the enhanced car, and then there is, of course, a 1232 that has a jacket which is an even stronger car, so I understand that we are in a position where we can't say a lot about what will be in the final rule, but I think administration-wide, we feel confident that it will be a very strong step in the right direction——

Mr. JENKINS. My last question——

Ms. FEINBERG [continuing]. One might say per car.

Mr. DIAZ-BALART. We are going to have to—Mr. Jenkins, I apologize. We are going to have to wait for your next question in the next round.

Mr. JENKINS. Thank you. Thank you, sir.

Mr. DIAZ-BALART. Mr. Quigley, thank you for your patience.

SAFE TRANSPORT OF CRUDE OIL

Mr. QUIGLEY. Thank you, Mr. Chairman. I serve with brilliant people because they are using all my questions, but I want to associate my remarks with Mr. Young's on short line and the work that was done last year. That is very important to my region and to the—it is a very important niche in the industry. And I certainly agree with Mr. Jenkins on the issues he has raised, the issues of freight car safety. But what is interesting to me, and I know that other issues about safety were brought up by Positive Train Control, this all makes sense.

I think that something is lost here. You made mention of the fact that some of these recent accidents took place with the more modern cars, correct?

Ms. FEINBERG. Yes, that is right.

Mr. QUIGLEY. So still a problem, and if somebody is in the way of a train, you are going to have derailments whether you have PTC or any other technologies. So I guess the other question to raise on this, given the recent derailments in Illinois and West Virginia, should we start thinking about our stabilization standards for the oil we are carrying? It is my understanding that this does take place in Texas, so apparently Texas is leading the country in something besides creating college football players. Does it make sense for us to start looking at this——

Mr. DIAZ-BALART. We are not going to acknowledge that statement, Mr. QUIGLEY. I saw Mr. Cuellar about to jump out of his seat, so we will——

Mr. CUELLAR. I resemble that remark.

Mr. QUIGLEY. But apparently, Texas stabilizes before transportation, and that, to me, seems to be the missing ingredient in these accidents that took place with even the most modern rail cars creating a significant danger.

Ms. FEINBERG. So I will jump in on that question, and I am sure my colleague, Administrator Butters, would like to jump in as well. So the way that FRA looks at this problem is that—there is no silver bullet to solve this challenge and that we need an all-of-the-above approach. So we have focused on the tank car, the way the train is operated, and we certainly believe that the safety of the product itself should be looked at carefully.

The Department of Energy is undergoing research now to determine what, if anything, can be done to the product to actually improve the safety of the product and to have a safer product going into transport in the first place. Our position is we need more industries and more people focusing on this problem. The FRA is happy to focus on rail and inspections and tank cars and train operations, but we also need people from across the government and across industry looking at what else can be done to solve this problem.

Mr. QUIGLEY. I think it is in their interest. If you look at industry, the insurance alone, the extraordinary cost of a catastrophic accident like this being reduced significantly, I think eventually they would see it in their interest as well. I realize there is some capital involvement, but I am curious. Mr. Butters, your reaction?

Mr. BUTTERS. Yes. Thank you, Congressman. Thank you for the question. This whole rail safety approach that we are taking is a comprehensive approach. It focuses on prevention, focuses on mitigation, which is strengthening the car, looking at the commodity to see what we can do to lower the flammability, to lower the hazard, and of course, preparedness and emergency response.

So on the point of treating the product, and we refer really to treating it versus stabilization, because we are actually looking at ways to remove those dissolved gases that can contribute to a higher volatility, higher flammability. We have been working with DOE now, as Administrator Feinberg indicated, to, first, look at what is the current state of research in that arena, what additional research is needed to better understand the product in terms of what can be removed to lower the flammability, and what will that really mean in the event of an incident. And then, finally, actually do the research and do the analysis to determine what those——

Mr. QUIGLEY. Time frame on this?

Mr. BUTTERS. Well, the literature search was just announced, actually published yesterday by DOE, so we expect that the next phase will be around June, early—late spring, early summer, and then we will begin the actual analysis through the summer, hopefully having the project wrapped up in the fall of this year.

Mr. QUIGLEY. I appreciate that. Given the time, I yield back, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, sir. Mr. Yoder.

SHORT LINE RAIL SAFETY

Mr. YODER. Thank you, Mr. Chairman. Welcome to the committee. Thanks for your testimony this morning. I note, Administrator Feinberg, that your West Virginia Mountaineers are still in the tournament, and it is kind of a week of mourning for Kansas Jayhawk fans, though.

Ms. FEINBERG. They are. They are.

Mr. YODER. I congratulate you on your good fortune. You have got a big game.

Ms. FEINBERG. Once this hearing is under my belt, I can really focus on March Madness, though.

Mr. YODER. I hope your bracket is not as bad as mine is this morning, but big game against the Kentucky Wildcats this week.

Thank you for your leadership on the short line rail safety program that has been addressed by my colleagues, Representatives Quigley and Young. That was clearly a project that was created last year by this committee, so it is still fairly new. I wondered if you could maybe highlight for us what you see as some of the objectives of the program and what you see the future trajectory of it? Where do you see this going?

Ms. FEINBERG. Thank you for the question. I think best practices is really one of the key focuses of the Short Line Institute at this point. As you know, there are class 1 railroads that have significant resources to sort of take any action that they would need to take in regards to safety or operations. The short lines tend to have much less in the way of resources. They can be anything from mom-and-pop operations with one employee to with a few employees but not anything near a class 1. So best practices and sharing best safety practices would be a huge focus for us.

The Short Line Institute, as I mentioned previously, is focusing in particular on crude and ensuring that they are transporting crude safely, which again is a difficult thing for short lines to be tasked with in comparison to the class 1s. So I absolutely see this institute living on for as long as we can support it and as long as there is funding. We think it is an incredibly helpful way to bring services to the short lines.

[The information follows:]

The Short Line Safety Institute's pilot program is now underway. In March 2015, the FRA issued a Notice of Funding Availability for $1.8 million as a directed grant to the Association of Short Line Railroads and Related Agencies (ASLRRA). Currently, seven pilot assessments are being conducted to better understand and characterize the safety culture within the short line industry. The report will include a discussion on options to address the PTC deadline issue. The work of the Institute is largely built around a partnership between the FRA, ASLRRA, the University of Connecticut (UCONN) and the Volpe Center. UCONN's work provides a strong theoretical basis in support of the Institute's goals. Volpe's work provides a mechanism for supporting and improving the pilot implementation as it is occurring, and measuring the success of the overall initiative. FRA's expertise in safety culture provides strategic direction.

Mr. YODER. Well, I appreciate your thoughts on that, and I know that my colleagues here spent a lot of our testimony or questions this morning talking about rail safety, and the amount of traffic on short lines has grown dramatically over the years, and it is such an integral part of our transportation system in this country, and it is a big part of a lot of our communities, and so I think that you create a great partnership with the industry, which is important. You know, this sort of came up from industry that wanted this coordination and support, and so I appreciate your work on that and your vision as well.

I also want to ask you a little bit about the railroad track maintenance tax credit, 45G, and I wondered if, you know, as we debate how to do tax reform and the value of encouraging investment and that credit, I wonder if you could talk a little bit about the importance that brings to railroad infrastructure investment for short lines and maybe describe for the committee why that is a useful tool and benefit for the country.

Ms. FEINBERG. Well, we want to incentivize, as much as we can, maintenance. I am happy to come back to the committee with a longer, more detailed answer.

[The information follows:]

AMTRAK FIVE YEAR BUDGET AND BUSINESS PLAN

Amtrak's most recent Five Year Budget and Business Plan, released in February 2015, projects an operating profit of $356.9 million for the Northeast Corridor in Fiscal Year 2015 (Exhibit 4–3, page 76). However, these profits will be needed to cover projected losses in Amtrak's State Supported and Long Distance business lines. The Administration's FY16 Budget and multi-modal surface transportation reauthorization proposal—the GROW AMERICA Act—would provide $2.45 billion for current passenger rail services. This proposal would fully fund Amtrak's business lines, enable Amtrak to reinvest Northeast Corridor operating profits back into the corridor's infrastructure needs, and reduce the backlog of state of good repair needs on the Northeast Corridor.

Mr. YODER. Okay. Did any of your colleagues have——

Mr. BUTTERS. On the rail infrastructure?

Mr. YODER. Yeah. We use that tool to encourage investment. I didn't know if there was any thoughts on how that—if that is an important tool?

Mr. BUTTERS. Well, all I would probably offer is that as related to the issues that we are dealing with with crude oil rail safety, the more investment in infrastructure, that is, one-third of the cause of derailments is track failure, and so I believe that the more we are focusing on those areas, we can also reduce potential for train derailments, which not only will affect hazardous materials, but obviously any train that moves across those trails.

Mr. YODER. Great.

Mr. DARLING. Any investment in infrastructure is good. Freight moves by rail, and it is important that we continue to move freight in this country safely.

Mr. YODER. Great. As we debate our priorities in this committee in terms of funding and support of transportation, are there other issues we should be looking at? You know, the safety initiative sort of came out of discussions in this committee last year. Are there initiatives in your budget that are new that the committee should be aware of, or are there things that are on the horizon that this committee should be considering for future prioritization?

Mr. BUTTERS. Very good question, Congressman. Obviously we are currently focused on—because of the energy renaissance, the movement of crude oil. One of the things we anticipate will be our next challenge is natural gas, because one of the byproducts of these productions is natural gas, and quite a bit is being developed. Currently, some of it is being flared or burned off, which that will probably be coming to a halt, which means that product will need to be stored and transported.

A lot of the LNG import facilities that were approved back in the 1980s are now have been requested permitting for export, which means we will see a movement from natural gas to liquefaction and for export. As well as there is a very strong move to utilize LNG as a fuel, not only to power railroads, maritime vessels, and other power units, but we will see a dramatic increase in the movement of this product as a commodity. So that is an area that we are looking at.

We need to ensure that containers that move that product are properly and safely designed. Alaska has already requested a special permit to move natural gas up because of the challenges they have with energy up there.

[The information follows:]

In the hearing, we thoroughly covered crude by rail/safe transportation of energy projects and grade crossing and pedestrian safety. These are two the three areas of emphasis in FRA's FY 2016 budget. The third is passenger rail safety. FRA has requested 15 new staff to execute FRA's upcoming systems safety regulations which require that passenger railroads ensure that maintain an internal culture that puts safety first. Seven of these staff would be field inspectors that would regular asses the 40 commuter rail operators around the nation, similar to FRA's review of Metro North for Operation Deep Dive. That effort revealed a general lack of attention to safety by the railroad. FRA has also requested new funds to implement the Clear Signal For Action program that supports peer to peer coaching by railroad employees. Pilots have shown this approach is highly effective at improving safety performance. In addition, FRA has requested funds for a study to ensure that new electrification technology funded under FRA's high performance rail program is safely deployed across the nation.

Mr. YODER. I appreciate your testimony. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you. Now let's recognize our resident Texas football player, Mr. Cuellar.

INTERNATIONAL CROSSINGS

Mr. CUELLAR. Thank you so much, Mr. Chairman, and thank you for all being here. Let me ask you, Administrator Feinberg, you know, as you know, there is a study that goes from Oklahoma down to Texas, passenger train. I added some language that it doesn't stop in San Antonio, should go down to the border. And in talking to our Mexican counterparts, and we had a meeting with Secretary Foxx about a year ago, I believe, with some of the folks from Mexico and the Texas Department of Transportation who is doing the study right now. It has been brought to my attention that there is currently no standards or protocols for passenger rail lines between the United States and Mexico, so the Department of Transportation, Texas has asked if you all could work with, you know, with them and with, you know, your Mexican counterparts to develop those standards in preparation of a passenger cargo line.

You know, we already have a lot of cargo, that trains are coming from the U.S. and Mexico, but in particular, the passenger. We are looking at working with you all, and I think the study will be finished this summer, but if you all could work with the Texas folks to develop, and the Mexican counterparts, to develop those standards, that would be very appreciated.

Ms. FEINBERG. We would be more than happy to do that. We have a particularly close relationship with our counterparts in Canada as we have worked to finalize the crude-by-rail rule, and we can absolutely do more to work——

Mr. CUELLAR. And you are right. You got the Canada. I am now looking at the southern part, so if——

Ms. FEINBERG. Exactly. No. My point is that we can absolutely do more to work closely with our Mexican counterparts, absolutely.

Mr. CUELLAR. Okay. Thank you.

The other thing is, last year I added some language. I am asking the chairman, the committee to continue this language. It got accepted last time. It is the congestions we have at international—at international crossings, international road crossings. In Laredo, we get a lot of—thousands of rail cars a day, and sometimes—we had a meeting. We had your, I think your Dallas folks there. They were very, very, very helpful.

Ms. FEINBERG. Great.

Mr. CUELLAR. They did a good job, and I want to appreciate the work that they did. But we are still trying to see if we can find more efficiency and streamline the process because what is happening, those lines come across, those rail trains come across, and then they stop in the middle of the city of Laredo and they block and they block, whether it is emergency vehicles or people going to work or going to school, they—they block the blocks, the streets too long.

So, I know the language calls the GAO to do a study to find, and I am sure they are working with you, so I would ask you to just continue working with GAO as they prepare that study on the efficiencies. I think that is more on you all, but we brought in the GAO to work with you all.

Ms. FEINBERG. Of course. We are happy to do that. Blocked grade crossings are a danger for every town they exist in, and so is congestion. We are happy to continue to work with them on that.

[The information follows:]

INTERNATIONAL FREIGHT RAIL BRIDGE

Title 23, section 133b refers to the Federal Highway Administration's (FHWA) Federal Aid Highways Surface Transportation Program. With respect to rail projects, the program may only pay for railway-highway grade crossing improvements, including projects to raise the clearances of road bridges to allow douhle stacked containers on trains. The program could not fund the construction an international freight rail bridge.

Beyond STP, depending on the scope and characteristics of the project, the planned international freight rail bridge may be eligible for assistance through various other DOT programs. FRA and its modal partners are available to work with project sponsors to explore funding options.

Options include:

- FHWA's Congestion Mitigation and Air Quality program. Freight rail projects are generally eligible under this program as long as a project can demonstrate an air quality benefits.

- FHWA Cross Border Initiative (CBI). If the bridge was a combination of car/truck and rail, then the combination would be eligible. Only highway related projects within a 100 mile distance of the border are eligible. If the rail project currently is causing traffic backup and a "new" construction would reduce or eliminate the backup, then it may also qualify. A freight rail project with no highway component would not be an eligible activity for CBI funding.

- Office of the Secretary (OST) Transportation Investment Generating Economic Recovery (TIGER). The competitive TIGER program has broad eligibility including passenger and freight rail transportation projects, port infrastructure investments (including inland port infrastructure), and intermodal projects.

- DOT Loan Programs. Rail infrastructure improvements are eligible under both the Railroad Rehabilitation and Innovative Finance loan program and the Transportation Infrastructure Finance and Innovation Act loan program.

- Private Activity Bonds. The Secretary may allocate authority for tax exempt private activity bonds for highway and freight transfer facilities. Qualified facilities include:
    - Any surface transportation project which receives Federal assistance under Title 23, United States Code (as in effect on August 10, 2005, the date of the enactment of section 142(m)
    - Any project for an international bridge or tunnel for which an international entity authorized under Federal or State law is responsible and which receives Federal assistance under Title 23, United States Code (as so in effect)
    - Any facility for the transfer of freight from truck to rail or rail to truck (including any temporary storage facilities directly related to such transfers) which receives Federal assistance under Title 23 or Title 49.

Mr. CUELLAR. Finally, the last question is—because I have some pipeline questions on flaring, and I don't know if will I have time, but I have a question. On the funds that are available for highways and bridges activities under title 28, section 133(b), there is a line that talks about freight rail transportation projects. Does that cover international rail projects also? Because this is something I have been trying to get the attention of the committee is that there is always a focus on national guard, setting up fences and walls on the border, and more border patrol, but I am looking at the infrastructure.

Does that cover international rail projects like, for example, in my district, Laredo, we get 12,000 trailers a day and then rail cars in the thousands also, and there is a rail bridge there, and I know other parts of the border are looking. Does that—that section also, the freight rail transportation projects cover international also?

Ms. FEINBERG. I tell you what, Mr. Cuellar, why don't we come back—why don't we go back and come back to you with not just an answer on that but options—a variety of options that may be available. Does that make sense?

Mr. CUELLAR. Yes.

Ms. FEINBERG. So not just an answer on that but we will look at everything.

FLARING

Mr. CUELLAR. All right. And maybe I can just get one last question on flaring. I represent a large—probably the largest part of the Eagle Ford than any other Member of Congress. Talk about flaring, and you can see that during the day, you can see this at nighttime. What are we doing to work on flaring? I mean, there has got to be a more efficient way to capture that, and I don't know what the technology is, I don't know what the costs are, but I see this flaring, I mean, every time I travel in any district, and I think it is a waste, and I don't know how it affects the environment, but just I wish we could capture that flaring.

Mr. BUTTERS. Well, that is a very good question. Part of—the big challenge is there is an environmental impact on burning of natural gas. So there is going to be a steady focus on eliminating that and prohibiting that from happening. So what that means is that gas has to be captured and stored. I am not a geologist, but with the new unconventional production, the ability to pump that gas back into the ground and store it is not an option, so that gas will have——

Mr. CUELLAR. Can we follow up on that?

Mr. BUTTERS. Absolutely.

[The information follows:]

FLARING OF GASEOUS AND LIGHT HYDROCARBONS

Flaring of gaseous and light hydrocarbons prior to transportation is not regulated by PHMSA. However, we continue to monitor and evaluate the impacts of crude oil pretreatment on transportation safety. Flaring occurs in production and is normally regulated by the State, unless on Federal lands. States permit flaring when there is no suitable means to store or otherwise transport the gas. However, greenhouse gas considerations are curbing the activity, and the State of North Dakota has laid out goals to eliminate flaring over the next few years except during an upset condition at a rig or production platform. PHMSA's Office of Hazardous Materials Safety will continue to conduct inspections and take enforcement action on shippers that do not comply with their responsibilities to properly characterize, classify, and package crude oil regardless of how it is treated prior to transport. PHMSA will also continue to work with stakeholders, including other government agencies such as the Department of Energy, to research and identify best practices for testing and classifying crude oil.

Mr. CUELLAR. I don't have if any members—have you seen Google Map Nighttime? If you look at it on the Eagle Ford, if you look at the Google nights, you see this Milky Way, and if you are familiar with that area, there are no large cities there, and what it is, that is coming in from the Eagle Ford activities, not only from flaring, but you know, from the Christmas trees, you know, those rigs that we have there, but I would ask you to take a look at that. We will follow up on that.

Mr. BUTTERS. The issue is that the price of gas does not lend itself to moving it.

Mr. CUELLAR. We will follow up. Thank you.

Mr. DIAZ-BALART. Thank you, Mr. Cuellar, and we are scheduled to be on the floor later on today, so let's do another—on our next round—well, actually let me first recognize Mr. Joyce, and then I am going to be a little bit more strict about limiting our time after that. Go ahead, Mr. Joyce.

Mr. JOYCE. Thank you, Mr. Chairman, and I would like my full 5 minutes, if you don't mind.

Mr. DIAZ-BALART. You have your full 5 minutes.

Mr. JOYCE. Thank you very much, sir.

Mr. DIAZ-BALART. Of course, you just took 5 seconds.

FMCSA RULEMAKING

Mr. JOYCE. Welcome all here today. Acting Administrator Darling, on July 1 of 2013, you enacted restart regulations restricting drivers—truck drivers' hours of service based on a study that indicated regulations would impact driver performance. Last December, Congress suspended the enforcement of these restart restrictions pending a study of their true impact on safety, driver health, and the economy. I am told the restart restrictions enforced between July and December of 2014 had a negative impact on motor carriers and drivers and caused economic damage due to additional costs being passed on to manufacturers and retailers. How are you ensuring that the data collection for this study is relevant, accurate, and fair so the results that are representative are actual real-world impacts of the restart regulations?

Mr. DARLING. Thank you for that question. I want to start with the 2011 rule that was based in science and data, and we believe that was a good rule. We are currently undertaking a large nationalistic study on the hours of service. We hired Virginia Tech through a competitive process, and they have also subcontracted with the University of Pennsylvania, a Dr. Dinges, who is an expert in fatigue and also an expert in transport.

We have submitted our study plan to the OIG, the DOT OIG, which looks at what data we are going to be collecting and looks at the sample size, and they have validated our study plan. In addition to that, we have an independent peer review team that has also validated our study plan. We are currently in the process of doing the data collection needed to complete that study, and we will have that study completed within the timeframe put out by Congress.

Mr. JOYCE. If the rule is based on flawed data to begin with, wouldn't you think that it should be rechecked?

Mr. DARLING. The data that we use for the study?

Mr. JOYCE. Which started the restart regulations.

Mr. DARLING. The data in the 2011 rule is good data, and it is based on the most recent scientific information available at that time.

Mr. JOYCE. You would agree it would put more traffic on the roadway during the daytime instead of the evening, correct?

Mr. DARLING. There has been no evidence that this rule would put more traffic on the roadways during the day.

Mr. JOYCE. Did you study that?

Mr. DARLING. The 2011 rule.

Mr. JOYCE. Did you study that?

Mr. DARLING. Did we study that?

Mr. JOYCE. Yeah.

Mr. DARLING. We talked about it in the final rule. We haven't studied it yet, and there are no studies that are out there. I have asked my team to look into this because it has been an issue. And for us to look into the congestion issue that you raised, we will need industry to work with us, and we have been reaching out to industry.

CROSS BORDER TRUCKING

Mr. JOYCE. Great. Thank you. Moving on. As you know, you also moved to permit Mexican domiciled carriers to apply for long-haul operation into the United States. The DOT Office of Inspector General found it was insufficient to project safety performance to the universe of Mexico-domiciled carriers that may qualify for long-haul operating authority in the future with regards to the Mexican owned carriers that participated in this pilot project.

Can you tell me how much money DOT has spent on the 3–year pilot program to process applications, conduct pre-authority safety audits, and monitor and inspect what turned out to be a small sample of carriers? I understand it was 15, one quit, and then another one was thrown out or withdrew on their own.

Mr. DARLING. $200,000.

Mr. JOYCE. And you figure that, the study that has been done is adequate to maintain the safety of the American motoring traffic?

Mr. DARLING. The pilot program that we had in place sufficiently found that the Mexican carriers operated as safe as U.S. and Canadian carriers.

Mr. JOYCE. Okay. I yield back what little time I have, sir.

Mr. DIAZ-BALART. Thank you, sir. Mr. Ryan.

FMCSA RULEMAKING

Mr. RYAN. Thank you, Mr. Chairman. I always hate to follow the former prosecutor from Cleveland over there, Mr. Joyce. As you can tell his background, it is very good. So a couple of questions, Mr. Darling, on with regard to FMCSA. I know you are moving forward on rulemaking to increase insurance requirements for commercial motor vehicles which are currently set at $750,000 for general freight and then $1,000,000 and $5 million for hazardous. The docket for NPRM closed on February 26. When do you hope to publish the Notice of Proposed Rulemaking on this?

Mr. DARLING. Right now, we have an ANPRM, which is an advance notice of rulemaking, and that allows us to collect data on this issue. We are now reviewing all the comments we received as part of the ANPRM, and we will analyze that, and as soon as we do that, we should be able to make a determination on the rulemaking.

Mr. RYAN. So what is your general timeframe? Months? Couple of months?

Mr. DARLING. A couple of months, yes.

LIQUID NATURAL GAS

Mr. RYAN. Okay. I want to move into liquid natural gas. I represent eastern Ohio, northeastern Ohio, and we have a lot of opportunities with regard to the Marcellus Shale, Utica Shale, and one of the concerns and issue I have been working on really in a bipartisan way is how to get the liquid natural gas and move it and get it out of the country to export it. There are obviously diplomatic and geopolitical implications because of this with regard to Germany. And we were on a trip to Germany about a year and a half, 2 years ago, and the first question Chancellor Merkel asked was when are we getting our LNG from America? And representing a district that has LNG, I want to try to expedite that.

So, if you can talk a little bit about maybe what your concerns are as far as safety issues with regard with moving—regard to moving that out of eastern Ohio and the shale play and what concerns we need to be talking about, investments we maybe need to be making from this end.

Mr. BUTTERS. Thank you, Congressman. Obviously PHMSA is a safety agency. Our primary role is to make sure this product moves safely, whether it is by pipeline or other mode of transportation. One of the challenges with the shale plays is there is some limited pipeline capacity——

Mr. RYAN. Uh-huh.

Mr. BUTTERS [continuing]. To move the product to its ultimate destination, for example if it is crude oil, to a refinery, or if it is natural gas, to a facility that either distributes that to customers or exporting. So we are looking into how to ensure that if pipeline capacity is not available, that other modes would move this product in a safe way. And obviously, rail is a predominantly chosen mode because of the amount that can be moved. We anticipate that there is going to be an increased need for movement of this product by rail, so one of our priorities is to ensure that we are ready.

Obviously, price of gas drives a lot of this, but again, you know, as a safety agency, you know, our goal is to be ready. One of the challenges with the rapid development of this production is these gathering systems that exist in Ohio, and in the Marcellus play in Pennsylvania. The concern is that they are generally unregulated. We don't have any regulatory authority over a lot of production and gathering facilities, and some of these pipelines are pretty significant. The pressures, the compressor stations, the length of pipe and their location, they are moving through some populated areas which has a concern. So we are seeking some additional authority to make sure that those are done safely or encouraging the States to pick up that responsibility.

Mr. RYAN. Is that mostly State now or is it——

Mr. BUTTERS. It depends. For the most part, those gathering and production facilities are not really regulated by any agency. Pennsylvania is picking up some responsibility there, and some States are looking hard at it, but there is no Federal oversight right now.

Mr. RYAN. Ms. Feinberg, you want to comment on it?

Ms. FEINBERG. Sure, in terms of rail. I think three different companies have approached FRA at this point about being interested in moving liquefied natural gas. We are in the very early stages of conversations, and obviously what will drive all of our decision-making will be safety, but we are working on it.

Mr. RYAN. I appreciate that. So any quick recommendations from our end, so maybe some authority for being able to regulate some of those facilities, and then, is there anything else that would be on your wish list that we need to consider as we are drawing up the appropriations for this year?

Mr. DIAZ-BALART. In 2 seconds or less.

Mr. BUTTERS. Well, obviously research and development to make sure that we have got resources to ensure we are looking at all the options available to us.

Mr. RYAN. Okay. Thank you. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you. Mr. Culberson.

Mr. CULBERSON. I don't have any questions for the record. Thank you very much.

FRA STAFFING

Mr. DIAZ-BALART. All right. Thank you, Mr. Culberson. For our next round, Mr. Price and I were speaking, we are going to have to—since we all have to be on the floor relatively soon, I think we will try to limit it to maybe 4-minute rounds, and we will see how that goes. Let me start with that.

Let me go back to FRA's hiring and staffing issues. I know that FRA finalized a strategic human capital plan on September 25. It obviously deals with strategies to recruit and retrain, and do you know if you have started seeing any progress yet from that review?

Ms. FEINBERG. We have. Thank you for the question. We have. As you probably know, we have a couple of challenges that face us in terms of staffing up, particularly on inspectors, the way we would like. One is retirements; two is competition with the industry; and three is we have a lot of incredibly experienced inspectors that when a job comes open they may want to move from one region to another to get closer to home, closer to family, which is wonderful, and we want to keep them as part of the FRA family. But of course, as soon as they move from one region to the other, that opens up jobs where they were, and that has been a constant challenge for us.

We have done a couple of things to impact this. One is we finalized the strategic human capital plan; two, I have implemented a system where I now get a weekly report on how we are doing in terms of hiring, and where we are in the pipeline with all of those hirings. We believe that we are on track to meet our goal this year, and have been working closely with your committee to keep them posted.

Mr. DIAZ-BALART. Good. I appreciate that. And obviously it has always been a challenge. I know that FRA has 103 vacant positions, 40 of which are safety inspectors, and yet there is a request for 90 additional safety positions, and so we want to continue to work with you to make sure that we get that number right, that we don't just throw numbers that are not obtainable.

Ms. FEINBERG. Understood. Thank you. I believe we have 72 in the pipeline right now.

[The information follows:]

FRA has sent staffing data on congressional staff in the past on request. Going forward, FRA plans to send inspector staffing reports to appropriations staff on a regular basis.

TANK CAR RULE

Mr. DIAZ-BALART. Sure. Great. Mr. Butters, this is something that we talked a little bit about, the final draft of the new tank rule, new tank car rule for—it has been in OMB for now more than a month, and any idea as to what the issues are, any specific concerns that you are aware of associated with this rule, and any idea when we will see it?

Mr. BUTTERS. Thank you, Mr. Chairman. The rule was sent over to OMB on the 5th of February under the procedure. They have 90 days to process and look at this rule. It is a complicated rule, a lot of moving parts, and one of the challenges is in trying to ensure that the cost benefit numbers are aligning. They have posed questions to us to clarify some of the provisions of the rule, and that is taking time. But we are all committed to getting this correct. Secretary Foxx, it is his top priority, obviously. It is our top priority. We want to make sure it is right, and so because of the nature of that regulation, those regulations, it is——

HOURLY SERVICE RESTART PROVISIONS

Mr. DIAZ-BALART. All right. In less than a minute to Mr. Darling. Mr. Joyce brought up the issue of the hourly service restart provisions. One of the concerns in an area like mine is whether it will drive more trucks into the highways at rush hour. Is that one of the issues that will be looked at about what potential effect it would have on that; and also, you know, the cost benefit of those, and I just want to make sure that that is part of what you guys are looking at.

Mr. DARLING. Again——

Mr. DIAZ-BALART. In 30 seconds.

Mr. DARLING. In the study that we are currently undertaking, the naturalistic study is not going to look at congestion. I have asked my staff to work with industry to do some research on the congestion question.

Mr. DIAZ-BALART. Which is a huge issue, in particular——

Mr. DARLING. Excuse me?

Mr. DIAZ-BALART. It is a huge issue, in particular in urban areas.

Mr. DARLING. And the study that we are currently undertaking is looking at fatigue, so I have asked my staff to look into it.

Mr. DIAZ-BALART. All right. Thank you. Mr. Price.

AMTRAK

Mr. PRICE. Thank you, Mr. Chairman. Since we are moving along here, I am going to ask, for the record, that each of you submit any issues you wish to highlight of the budget that we haven't touched on here this morning. What are the cutting edge issues? We understand that where we focused mainly here on the transport of crude and other energy products. We have touched on a number of other issues. If there are other highlights of your budget request, we would like to have you furnish that for the record, just so we see exactly what you are focusing on and what the budget implications are.

[The information follows:]

FY 2016 FUNDING REQUESTS

PHMSA requests funding in FY 2016 to continue our inspection, enforcement and regulatory work and to keep providing grants to state and local first responders, inspectors and enforcement staff. In addition, we request increases in several important areas including:

- $17.9 million to fund budget adjustments including the full-year cost ("annualization") of inspectors and other staff hired in FY 2015 under the *Pipeline Safety Reform*;

- $12.0 million for *Mapping & Information Systems,* namely the National Pipeline Information Exchange, to share the results of Federal, state and local inspection and enforcement with each other, allowing seamless identification of needed corrective actions that span jurisdictions (e.g., if a pipeline operator's unsafe condition is found in one state or locality, this system and mapping would alert other states where the pipeline operator may have the same condition). The initiative calls for $4.5 million for the design of the system, and $7.5 million for state and local inspection and enforcement staff support (training, technology transfer and assistance);

- $6.9 million to fund the *Expansion of Existing Programs Including Safe Transport of Energy Products* to add 40 staff to meet the demands of moving energy products from remote extraction points by roadway, waterway and rail; and

- $3.3 million for the design and implementation of the Risk Management Framework to improve the identification of the riskiest movements of hazardous materials, allowing PHMSA to focus its inspection, enforcement, and regulatory resources where they can do the most good.

I have presented the Federal Motor Carrier Administration (FMCSA)'s FY 2016 Budget Request of $668.5 million. The budget request implements the second year of the GROW AMERICA Act as a continuation of the Moving Ahead for Progress in the 21st Century (MAP-21) authorization, and it aligns with the Agency's 2012-2016 Strategic Plan and the United States Department of Transportation's (DOT) Strategic Framework and Roadway Safety Plan (RSP). The request is substantial, but it provides the resources necessary to pursue our safety mission and accomplish the program requirements given to us by Congress. Without the funds and staffing requested, we will be unable to fully realize our safety programs to meet the requirements of MAP-21 especially in the areas of the Motorcoach Initiative, Information Technology, Energy Products and New Entrant audits.

My number one priority within my FY 2016 request is the increase of $26.3 million for FMCSA's Grants Programs and the proposed multiyear reauthorization language that would simplify the grants programs. The FMCSA relies on its partnerships with State and local enforcement agencies that provide over 12,000 officers to increase its nationwide enforcement capacity. The FMCSA partners have expressed the desire to have a less cumbersome grant process. The proposed language for the grants would put more money in the Formula, Motor

Carrier Safety Assistance Program and would greatly reduce the administrative burden of duplicative paperwork.

I also note that, in recent years, the Appropriations Committees have directed FMCSA to utilize its unobligated balances for specific purposes. FMCSA has proposed that the Agency be allowed to reuse contract authority from prior fiscal years to support our grant programs in the future. The Appropriations Committee could provide an increase in funding availability without prejudicing our reauthorization request, legislation within the purview of the relevant authorizing Committees. This approach would be very helpful for FMCSA because it would allow us to put the funds provided by Congress to work, rather than keeping them idle. No additional funding would be required to expand our support to our State partners and increase safety efforts on behalf of the American public. An amount of $30 million in additional OBLIM would allow FMCSA to sustain that increase over 4 years, to ensure that the States have a smooth level of funding.

In our Operations account, a provision similar to the FY2015 Omnibus would allow us to support our ongoing Capital Improvement Plan needs. We have approximately $4.0 million which would be able to support this purpose.

The FRA's FY 2015 budget addresses three pressing safety issues:

1) Increasing movement of crude oil and other energy products – The FRA is seeking 45 new staff for the Safe Transport of Energy Products
2) Passenger rail safety issues that surfaced in the wake of Metro-North accidents last year - The FRA is seeking 15 new staff to enhance passenger rail safety
3) Highway-rail grade crossing and pedestrian safety - The FRA is seeking 24 new staff for grade crossing and pedestrian safety.

Additionally, the FRA is seeking continued support for railroad research and development. Last year Congress appropriated $2 million for the establishment of a Short Line Safety Institute. Seven initial pilot safety assessments are now underway to examine the safety culture within the short line industry. The FY 2015 budget proposal also requests $2 million for further research and development on the safe transport of liquefied natural gas.

I am going to move, Ms. Feinberg, to a question about Amtrak that I hope you can respond to. You have requested dramatic increases for passenger rail programs. You proposed that they be funded through mandatory funding out of a new transportation trust fund. Apart from that method of funding, let me talk about the level of funding. The request for current passenger rail service, Amtrak, is $2.45 billion. You also break down the funding for Amtrak by the line of business, the Northeast corridor, the State corridors, long-distance routes, national assets, and Americans With Disability Act improvements at stations, all of which, of course, are important lines of business.

But I wonder, assuming the current funding levels of $1.4 billion, no the requested $2.45 billion, could Amtrak successfully operate under a line of business program? What segments of the operations would likely be particularly strained if the budget comes in closer to the current level than to the requested level? What kind of level of funding does it take, in other words, for this line of business approach to work?

Ms. FEINBERG. Thank you for the question. As I discussed earlier, we specifically separated the budget into lines of business so that we could be as transparent as we possibly could. That said, particularly at a lower level of funding, it is important for Amtrak to still have the discretion to be able to move like any company would, money from one account to another.

So, in other words, I think we have been really transparent about the fact that the Northeast corridor is the driver of profits at Amtrak and of revenue at Amtrak, but of course, they do need the discretion to be able to move it to long distance lines of business, which would probably be the line of business that I would be most concerned about.

Mr. PRICE. So that discretion becomes especially important with limited funding?

Ms. FEINBERG. Yes, sir.

Mr. PRICE. Yes. All right. Let me quickly put another question on the table, and we may have to take most of this for the record, but it is important, and I want to register it. Your budget, in addition to Amtrak funding, requests an additional $2.3 billion for rail service improvement program, with $1.35 billion to develop high performing rail corridors. I am going to ask you, since the lights are on now, I thank you for that commitment, but I do want to submit a question for you to answer for the record, because in a State like mine, where we are grateful for that Recovery Act funding that has let us get those rail speeds up between Raleigh and Charlotte, we are still looking at Raleigh to Washington, and that Raleigh to Richmond corridor, and we don't know where that money is going to come from, and we need to know what is in prospect and what kind of leverage you see with Federal funding to bring forth support from other sources? Let me ask you to respond to the record for that.

Ms. FEINBERG. We absolutely will.

Mr. PRICE. Okay.

Ms. FEINBERG. I can say something very briefly, if that is helpful.

Mr. PRICE. Sure.

Ms. FEINBERG. One of Secretary Foxx's absolute top priorities is that Southeast corridor, North Carolina. Your state has been an exemplary partner to DOT and to FRA in terms of high performing rail. I know that our team feels like they have been working along just as they should, and I would suggest, both TIGER and RRIF going forward, we would, of course, love additional funding. We would love to be able to put more funding into North Carolina. We will give you a longer answer on the record, but both of those accounts are possibilities.

[The information follows:]

CURRENT PASSENGER RAIL SERVICE

The Administration's six-year $29 billion rail provision for surface transportation includes $14 billion each for Current Passenger Rail Service program and the Rail Service Improvement program. The former is focused on maintaining and achieving a state of good repair on the current rail network while the latter encompasses a suite of integrated investments to expand and improve the rail network to accommodate growing demand. All of the funding outlined in the Rail Service Improvement Program will be made available as competitive-based grants. States, like North Carolina, should expect to be able to favorably compete for this funding.

Mr. PRICE. Thank you.

Mr. DIAZ-BALART. Mr. Young.

DRONE TECHNOLOGY

Mr. YOUNG. Thank you, Mr. Chairman. You know, with new technologies come new opportunities and a new way of doing things, and it seems like from local to Federal agencies, people are starting to use drones to start enhancing their missions. And this is not a gotcha question in any kind of way, but you can use them for safety, data collection, forecasting, investigation, enforcement, there are so many reasons. I wonder if you have the ability, or do you use drones in your administrations at all for any particular mission? Has it enhanced that mission? How long have you been doing it? Is it working? How did it come about?

Mr. BUTTERS. I can respond. We did, several years ago look at drone technology to help increase pipeline safety inspections. We believe that does present a real opportunity to improve our ability to oversee the 2½ million miles of hazardous gas and liquid pipelines that run across this country. In fact, this morning I heard that Virginia Tech is actually doing some testing with energy pipelines to determine how those drones could be used, so we believe it is a technology that shows real promise. It is really the sensors that can be mounted on those drones. They can really pick up some of those potential problems on the pipeline system.

Ms. FEINBERG. We have actively been working with railroads as well to use drones for track inspections.

Mr. YOUNG. Okay.

Mr. DARLING. We have not.

Mr. YOUNG. Okay. Just curious. Thank you very much.

Mr. DIAZ-BALART. Thank you, sir. Mr. Ryan.

NATURAL GAS

Mr. RYAN. Thank you, Mr. Chairman. Back to the natural gas. One of the issues is trying to drive up demand. So trying to get the fueling stations, the fleets, I think, you know, part of it is tax credits and incentives for consumer demand, trucking industry, what, so on and so forth. Is there anything that you have, any programs to help facilitate through some existing programs that you may have incentives for the fueling stations or the fleet or personnel use or anything we can do from this end to help stimulate that demand?

Mr. BUTTERS. Well, from PHMSA's perspective, we are engaged in developing, obviously, around safety, small and liquefaction capability to allow the availability of that fuel for, fueling vehicles as we see that technology—or that utilization of that energy as a source for fuel for power units. Obviously, safety is the driving factor in our role, but we recognize that that is clearly an evolving arena, and we want to make sure that we are ahead of it safetywise.

Mr. DARLING. We have money in our fiscal year 2016 budget to look at the safe commercial use of alternative fuels. Our research will be used to help us make a determination on how to go about this.

Mr. RYAN. And what did you ask for in that account?

Mr. DARLING. We asked for a total of $9.7 million for all of our research. We haven't broken out the actual number for this research.

Mr. CUELLAR. Just in the last minute or so, just an opinion on the opportunity for liquid natural gas for the fueling stations and all the rest.

Mr. DARLING. Yes.

Mr. CUELLAR. Seems like from our vantage point, obviously, I am biased because——

Mr. DARLING. Uh-huh.

Mr. CUELLAR [continuing]. It would benefit our community, but what is your opinion on expediting the natural gas piece?

Mr. DARLING. I will ask my staff to do that, and we can work with your staff to figure out ways of going about it, the expediting the use of liquefied natural gas.

[The information follows:]

TRANSPORTATION OF LIQUEFIED NATURAL GAS

LNG, or Liquefied Natural Gas, is transported in the United States under the proper shipping name of "methane, compressed" or "natural gas, compressed." This is important because the transportation of methane by highway is one of the commodities listed in 49 CFR 385.403 as needing a Hazardous Materials Safety Permit (HMSP), when it is transported in a bulk package of 3,500 gallons capacity or more.

At this time, 867 motor carriers are identified in our database as transporting methane. Of these, 167 motor carriers indicate that they transport methane in quantities requiring an HMSP. Another 700 motor carriers indicate that they transport methane, but in lesser quantities. The breakdown by region is:

	Non-HMSP	HMSP
Eastern	177	49
Midwest	135	35
Southern	152	25
Western	236	58

At this time, it appears that the capacity to transport methane by motor carrier is evenly distributed throughout the United States and adequate to meet demand. As LNG/methane use expands, motor carriers have the opportunity either to apply to FMCSA for authority to transport the commodity or, for those already in the LNG/methane transportation industry, to expand their fleets to handle demand.

Mr. RYAN. Thank you, Mr. Chairman. A minute to spare.

Mr. DIAZ-BALART. For the record, I share your bias on that one, too.

Mr. RYAN. Excellent.

Mr. DIAZ-BALART. Right. Mr. Jenkins.

SAFE TRANSPORT OF ENERGY PRODUCTS

Mr. JENKINS. Thank you, Mr. Chairman.

Ms. Feinberg, you were already asked a little bit about STEP, the Safe Transport of Energy Products initiative, and I don't expect you to be able to see it, but FRA's budget proposal has a map of proposed routes for hazardous crude oil transportation. And you are seeking, in your budget, funding for enhanced inspectors and focus on safety for certain routes.

What concerns me, as I look at the list of the routes that these enhanced safety efforts for managers that you are seeking funding for, none of these routes have the route we are familiar with and the route we have had two horrific incidents in. Was this budget proposed prior to the Mount Carbon incident, and are you, I am hoping, would suggest, at least an addition or a modification, so that the route that impacts our neck of the woods, which isn't on your list currently, might be so? Can you give me an update?

Ms. FEINBERG. Not only was it written prior to Mount Carbon, but prior to my arrival at the FRA as well. I was not aware that we specified particular routes and could have missed some, so I want to make sure that the map isn't inaccurate. I want to make sure that we have provided the correct list. I certainly am, very familiar with the crude that is moving through West Virginia, I spent 6 days there with the most recent derailment, as you know, it is obviously a route that is getting a lot of crude, and we should take a look at it.

[The information follows:]

CRUDE OIL ROUTE MAP

The map in FRA's budget depicts crude oil by rail shipments based on sample data collected in 2012, which was the latest data when the budget was produced. It shows the general pattern of crude by rail moving from the Bakken region to points east and west. FRA recognizes that the exact crude oil traffic has changed since that time and will likely continue to change as different regions become centers for domestic energy production. This is why FRA regularly checks with its safety experts in the field when allocating its resources including its railroad safety inspector workforce.

In its FY 2016 budget, FRA has requested new crude route managers to monitor safety issues along entire routes, regardless of where the oil is transported. These staff would track potential changes in the movement of oil and would anticipate issues along any new routes.

Mr. JENKINS. I appreciate the opportunity for you all to reevaluate your budget request, because I want to make sure as an advocate for safe rail traffic that we are investing in those areas that tragically have already demonstrated we have got areas of concern.

Ms. FEINBERG. And to be clear, we have asked for additional inspectors, and also, we have—are looking at technology that can be used on those routes as well, our ATIP technology which runs along the track and inspects it.

Mr. JENKINS. Last question. Amtrak funding for Cardinal line under your budget request. I am a staunch advocate and appointed as a new member of the Transportation Subcommittee. Are we in good shape on the cardinal for Amtrak and the funding associated with that and the mechanisms and you can do this offline, if you like, but I just want to make sure we are appropriately funding that important rail transportation service.

Ms. FEINBERG. Understood. That entire line of business is really important. We can absolutely come back to you and sit down with your staff if that is helpful and walk you through how we are looking at it.

[The information follows:]

AMTRAK CARDINAL SERVICE

Amtrak's Cardinal service operates three days a week between New York Station and Chicago Union Station, stopping at eight stations in West Virginia. The Cardinal is one of fifteen Long Distance services operated by Amtrak. Amtrak has continued to operate the Cardinal service with the support from Congress's Fiscal Year 2015 appropriation.

Mr. JENKINS. Great.

Ms. FEINBERG. And how we are working with Amtrak on it as well.

Mr. JENKINS. Great. Thank you very much. Thank you, Mr. Chairman.

Mr. DIAZ-BALART. Thank you, sir. Mr. Joyce.

FMSCA SMARTPHONE APP

Mr. JOYCE. Thank you, Mr. Chairman. Acting Administrator Darling, I understand you recently launched a smartphone app?

Mr. DARLING. Yes.

Mr. JOYCE. And that contains safety information, including compliance safety and accountability scores. The release of the app is troublesome, considering the data used to compile those CSA scores is considered to be unreliable and potentially misleading. The relationship between scores and crash risk is impacted by a number of flaws. Do you agree with the recent GAO testimony saying that the improvements to data driven oversight could better target high risk carriers?

Mr. DARLING. The data that is used in that app is good data. The GAO was concerned about the methodology. We were concerned about how they looked at the methodology used in our safety measurement system. GAO's approach to the methodology looks at 20 inspections before you actually give a rating. We believe that that is reactive rather than proactive. The system that we currently use and the methodology that we currently use looks at up to five inspections. One of the guiding principles that we have in the agency is to remove bad carriers from the road. We want to get those carriers off the road as soon as possible.

Again, the data is good; the information is used to make decisions and prioritize carriers that we have to get to before they have a crash; and people use that to make decisions, and it is transparent data.

Mr. JOYCE. Well, wouldn't you be singling out large carriers when the bulk of the traffic is really small carriers?

Mr. DARLING. No, we are singling out all carriers. We are looking to catch the worst of the worst, and get those off the road, and then deal with the other carriers that are not complying with our regulations.

Mr. JOYCE. No further questions. Thank you.

Mr. DIAZ-BALART. Thank you. Mr. Culberson.

FMSCA PREPASS PROGRAM

Mr. CULBERSON. Thank you, Mr. Chairman.

Commissioner Darling, for 22 years, we have had a lot of success across the country. States have had a program in place using an E-screening and bypass program called PrePass——

Mr. DARLING. Uh-huh.

Mr. CULBERSON [continuing]. For trucks to essentially precheck themselves. States across the country have used this program very successfully with carriers who have a good safety record. Kind of like precheck when you go to the airport. Works very well. States are obviously the primary regulator for safety violations on trucks, and it has worked well. They have had a system in place now in 31 States. I am a pretty zealous advocate of the 10th Amendment, a big believer that we should let the local government and State government do the things that they do well and limit the Federal Government to those things that local or State governments are not able to do.

And I notice that you are proposing to spend about 30—you are currently spending about $30 million to create a Federal wireless roadside inspection program that would obviously preempt the existing and very successful State system in an era when we are spending money we don't have and in the face of a system that is working.

What is the need? Why would you create a program to preempt a very successful State program, and you are proposing—I think you are spending $30 million today to create this Federal bypass system. What is the reasoning behind this, and why would we want to preempt a very successful State program that has been working well for 22 years?

Mr. DARLING. The PrePass program works really well, and I thank you for the question. We are not looking to preempt that. We are looking to set standards so that the systems that are used are consistent across the country. We also are looking for the wireless enforcement which allows law enforcement to look at carriers as they do roadside inspections. One of the things that we have been saying is that we have a three-legged stool in how we look at carriers. We have traffic enforcement with inspection, which allows us to stop a carrier and determine if the carrier, has either had lane deviations or been speeding, in addition to that, to find out if the driver or the company is out of service. Second is just general inspections; have them go by a weigh station and get inspected to determine if the driver and the vehicle are safe to be on the road; and then the third part of that is for us to go in and actually do investigations on the company. That is the compliance reviews.

So we are looking to have a three-legged stool. Any wireless service that connects law enforcement to our information is a good thing, and we are looking to make sure that we have a standardized process for doing that.

Mr. CULBERSON. I appreciate your answer. Those are all things, of course, that the existing PrePass system has done very successfully over the years, so it is essentially another example of Federal duplication in an area that is not needed, and you are preempting State law, and they are the best folks to, I think, do the job and——

Mr. DARLING. There are other systems that are out there besides the PrePass, so we are looking to have standards to make sure that all the systems are the same.

Mr. CULBERSON. To preempt state law.

Mr. DARLING. We are not preempting state law, Mr. Culberson.

Mr. CULBERSON. Thank you very much.

Mr. DIAZ-BALART. Thank you, Mr. Culberson. Let me first thank the members for sticking to the time limit. We were able to get a couple of rounds in, and I especially want to thank Mr. Darling, Mr. Butters and Ms. Feinberg for being here today for your answers. I would ask, respectfully ask, since—I know I have a number of questions and so do other members of the committee, that you and your staff work expeditiously to get those answers cleared and returned within 30 days, please. Obviously those answers will help us craft the funding recommendations for fiscal year 2016.

Mr. Price, anything you would like to add?

Mr. PRICE. No. I would just echo your thanks to the witnesses this morning. We look forward to working with them in these next weeks as we draft the bill.

Mr. DIAZ-BALART. Absolutely. Again, thank you all very much. I thank the members, and with that, we will adjourn the subcommittee. Thank you.

Federal Railroad Administration, Pipeline and Hazardous Materials Safety Administration, and Federal Motor Carrier Safety Administration

Fiscal Year 2016 Questions for the Record

Chairman Mario Diaz-Balart

Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

House Committee on Appropriations

Mr. Diaz-Balart #1

FMCSA Insurance Premiums

I am concerned about FMCSA changes to financial responsibility requirements. Large insurance premium increases could threaten the very survival of small operators.

Question: Mr. Darling, your own research shows less than 1% of accidents exceed current standards. So, why does FMCSA believe they require revision?

FMCSA Answer: FMCSA has not made any decision on whether to propose revisions to the motor carrier financial responsibility requirements. On November 28, 2014, we issued an Advance Notice of Proposed Rulemaking (ANPRM) (attached to these QFRs) pertaining to financial responsibility. In that ANPRM, we sought information pertaining to a potential increase in the financial responsibility limits as well as other issues relating personal injury and bodily injury damages that exceed the levels of minimum financial responsibility. FMCSA has received over 2,000 comments in that docket, which closed on February 26. Once the Agency has fully analyzed the information that we received through the ANPRM, we will decide whether to propose a revision to the motor carrier financial responsibility requirements and will make that decision public.

Mr. Diaz-Balart #2

FMCSA Insurance Premiums

Question: Does FMCSA have any idea how much annual premiums are likely to go up?

FMCSA Answer: In the Nov. 2014 ANPRM, FMCSA sought comment (See question 2 at 79 Fed. Reg. at 70842) on the impact on insurance premiums of an increase in financial responsibility requirements. FMCSA does not yet know the impact on annual premiums. As noted above, FMCSA is analyzing the comments and will consider the effect on insurance premiums in any proposal to revise minimum financial responsibility requirements.

Mr. Diaz-Balart #3

FMCSA Insurance Premiums

Question: We are talking about hundreds of thousands of businesses, many of them small businesses. Do you know how many might go out of business as a result of higher insurance costs?

FMCSA Answer: In the Nov. 2014 ANPRM, FMCSA sought comment on the "Impacts of Increasing the Minimum Level of Financial Responsibility." 79 Fed. Reg. at 70842. FMCSA is considering the comments it received in response to this request and will certainly take the impact on businesses into account as it decides whether to propose an increase in the motor carrier financial responsibility requirements.

Mr. Diaz-Balart #4

FMCSA Insurance Premiums

Question: No reasonable minimum could cover every crash. Inevitably, some number of large crashes would exceed the threshold. So, how is FMCSA weighing what amount is enough and what amount is too high?

FMCSA Answer: FMCSA has not made any decision to propose revisions to the motor carrier financial responsibility requirements. If it decides to propose new levels, it will explain the rationale for the specific level(s) selected in a Notice of Proposed Rulemaking (NPRM).

Mr. Diaz-Balart #5

National Pipeline Information Exchange

Mr. Butters, the Administration has requested $12 million for a National Pipeline Safety Exchange. However, the request only covers phase 1 and it is not clear how much it will cost to complete the system.

Question: What exactly is PHMSA proposing to build in 2016?

PHMSA Answer: In 2016, PHMSA would use funding to purchase the infrastructure (hardware, software, and licensing) for $4.5 million. This will include secure Information Technology and Back-Up and Recovery (Disaster Recovery) capabilities. To encourage states to participate, in 2016, $7.5 million would fund the connection, training and technology transfer with the first 25 states (estimated $300,000 per state). PHMSA would work with the state inspectors to share pipeline inspection and enforcement data. In addition, PHMSA will transfer existing inspection and enforcement history into the NPIX system.

The system will have two other important benefits. First it will share the safety inspection records by operator and by element of the inspection and communicate those results to all impacted inspectors in states with common operators and common practices. Simply put, a dangerous practice or pipeline element found in one location will be quickly be communicated to all inspectors and operators that should have an interest in the condition identified. In addition, NPIX will plot the results of inspections along the available Pipeline mapping systems giving a better optic of the coverage of inspections.

Mr. Diaz-Balart #6

National Pipeline Information Exchange

Question: Assuming Congress provided the $12 million, how many more years and how much more money would it take to finish the job? And how much will it cost per year to maintain?

PHMSA Answer: NPIX will be developed over three years. PHMSA estimates the cost for years one (2016) and two (2017) would be $12,000,000 per year. Maintenance cost in subsequent years will be $630,000 per year.

Mr. Diaz-Balart #7

National Pipeline Information Exchange

Question: It is my understanding that this system will conform and share state-level data. Will that place additional burdens on the states or on the industry?

PHMSA Answer: No, the request includes funding all training, technical assistance and technology transfer for states that join.

Mr. Diaz-Balart #8

National Pipeline Information Exchange

Question: We are talking about consolidating detailed pipeline network data. Does this system present any added security risks? What cyber security features would the system have?

PHMSA Answer: This system would not present any additional security risk. The NPIX system security features would model others within PHMSA's infrastructure and adhere to the same security policies, procedures and guidelines required by FIMSA, NIST, DOT and DHS.

Mr. Diaz-Balart #9

PHMSA Fees

PHMSA once again requests new Hazardous Materials fees even though Congress has repeatedly turned the proposal down.

Question: Congress funded your entire 2015 request for Hazardous Materials without charging any new fees. So, why would you still need to charge these fees? Is the industry in perpetual need of another $12 million in DOT services?

PHMSA Answer: This proposal is for a user fee to offset the costs of processing applications. This fee would supplant not supplement PHMSA's budget. It is the Administration's policy to charge the user a fee directly related to the cost of the activity. The proposed fee is similar to other fees PHMSA is charging for Pipeline Safety and Emergency Preparedness Grants.

Question: Is this fee really meant to fund necessary services? To be honest, it seems like you are just using it every year to game your budget.

PHMSA Answer: The proposed Special Permit and Approvals fee in the Hazardous Materials Safety appropriation would be used to cover a $12 million portion of the $64 million request to provide for additional staffing and much needed process improvements. It is the Administration's policy to charge a fee directly related to the cost of the activity.

Mr. Diaz-Balart #10

Response to Rail Accidents this Year

Since the beginning of the year, there have been 5 accidents - two crude oil, and 3 grade crossings.

Question: Ms. Feinberg, what safety measures have you taken in response to these accidents?

FRA Answer: We share your concerns regarding these recent events.

As to grade crossing safety, in February 2015, FRA launched a new campaign to strengthen enforcement and safety awareness at grade crossings.

- Phase 1 called on local law enforcement agencies to
  - show a greater presence at grade crossings;
  - issue citations to drivers that violate rules of the road at crossings; and
  - consider rapid implementation of best practices for grade crossing safety.

- Phase 2 will aim to—
  - employ smarter uses of technology;
  - increase public awareness of grade crossing safety, including distracted driving;
  - improve signage;
  - work closer in partnership with States and local safety agencies; and
  - call for new funding for greater safety at grade crossings.

On the crude oil issue, we've taken more than two dozen actions to date to ensure the safe transportation of energy products by rail, including issuing emergency orders and safety advisories, reaching voluntary agreements with the industry, and improving regulations.

This effort includes increased track and mechanical inspections, speed restrictions, more emergency-response training, routing protocols, and emergency–response inventories. Additionally, the FRA is investigating the recent derailments in Galena, Illinois, and Mt. Carbon, West Virginia, to determine the root cause of these incidents and the factors that may have contributed to them.

FRA also has been assisting PHMSA in preparing its final rule that is considering establishing new requirements for trains transporting large volumes of flammable liquids (including crude oil); improving tank car standards; and ensuring proper classification of materials. The Department received over 3,200 public comments representing over 182,000 signatories in response to the August I, 20 14, proposed rule, "Enhanced Tank Car Standards and Operational Controls for High-Hazard Flammable Trains (HM-251)." We have carefully considered these comments in the development of our final rulemaking action. PHMSA submit1ed the draft final rule on February 5, 2015, to OMB.

Federal Railroad Administration, Pipeline and Hazardous Materials Safety Administration, and Federal Motor Carrier Safety Administration

Fiscal Year 2016 Questions for the Record

Ranking Member David Price

Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

House Committee on Appropriations

Mr. Price #1

Hours of Service

Over the last couple of years, the regulation of hours of service requirements for truck and bus drivers has been challenged in the courts and has been the subject of various legislative proposals. The final FY15 bill included a provision that suspended the most recent rule's 34-hour restart provision while FMCSA conducts a naturalistic study on the impacts of the restart provisions.

Question: In plain English, please describe the differences between the two restart provisions – those in effect on June 30, 2013, and the requirements in the most recent hours of service rule.

FMCSA Answer: The June 30, 2013, rule allowed a driver to restart his or her 60- or 70-hour "clock" by taking 34 consecutive hours off duty. On July 1, 2013, two limitations were added to the restart:

(1) A driver could only use the provision once every 168 hours (7 days), and
(2) The restart had to include two rest periods between 1a.m. and 5a.m.

As a result of the language in the FY 2015 appropriations act, these two limitations were suspended. Use of the restart provision is therefore unlimited, as it was on June 30, and any 34 hour period will qualify.

Mr. Price #2

Hours of Service

Question: Please provide a summary of the research that FMCSA completed in advance of the restart provisions that were put into effect on July 1, 2013 (that have since been suspended).

FMCSA Answer: Research studies have demonstrated that long work hours, both daily and weekly, lead to reduced sleep and, in the absence of sufficient recovery time, chronic fatigue. Fatigued drivers have slowed reaction times and a reduced ability to assess situations clearly. In addition to the safety concerns, research has linked long work hours and the resulting curtailment of sleep to a range of serious health effects, particularly when combined with a job that is basically sedentary, like truck driving. An extensive list of research used to support the Hours of Service rule is attached.

Mr. Price #3

Staffing

The FY16 budget request includes $13.3 million to annualize 122 pipeline and hazardous materials positions that were provided in the FY15 bill.

Question: How many positions have been filled to date and how many are in process? Is the agency on track to get all of the FY15-funded positions filled by the end of the current fiscal year?

PHMSA Answer: As of April 6, 2015 all of the positions funded in the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235) signed on December 16, 2014 are either being recruited or are filled. Specifically, out of the 122 positions provided to PHMSA in FY 2015, 33 positions have already been hired and 89 are being recruited. PHMSA is on track to fill the remaining vacancies by September 30, 2015.

These 122 new positions will allow PHMSA to keep up with the growing need for inspections, training Federal and state inspectors, and monitoring the rapidly increasing amounts and methods used for transport of hazardous materials, oil and natural gas. New Pipeline safety staff will evaluate the condition of pipeline in the U.S. and will use a risk based model to monitor the movement of more than 6.1 million tons of hazmat – including explosive, poisonous, corrosive, flammable and radioactive materials. New Hazmat staff will include inspection and oversight of the Safe Transport of Energy Products and the Risk Management Framework to assign our limited inspection staff to the areas of greatest risk.

Mr. Price #4

National Pipeline Information Exchange

As in previous years, PHMSA's FY16 request includes $12 million for the National Pipeline Information Exchange to improve mapping of pipelines.

Question: Why does the agency believe this is an important safety tool? What is lacking now in the exchange of information between State and Federal enforcement officials? What resources will State partners bring to this effort?

PHMSA Answer: PHMSA is trying to resolve a big problem with NPIX. We do not have a detailed national map of the pipelines that can be used for comprehensive, risk-based resource planning. State Grant programs receive 80% of their pipeline program funding from PHMSA's federal grants, but states currently only report the number of days worked to PHMSA - ***not*** the specific inspections conducted or findings. PHMSA is currently not aware if a state inspector has found unsafe conditions or recommends that inspections be done more frequently on a specific part of the line. Hence, PHMSA is severely limited in its ability to build risk-based tools, because inspections – currently the biggest test of risk – are not all reported in the same place or formats. NPIX is the nation-wide integrated solution to this problem, and it is being done by leveraging Geographic Information Systems (GIS) and Global Positioning Standards (GPS).

Once NPIX is built on this GIS/GPS platform, it will help PHMSA utilize technology and evaluate the level of accuracy for knowing where a pipeline is. GPS provides higher levels of accuracy than federal pipeline maps. Currently, an operator has to report where a pipeline is with plus or minus 500 square feet of accuracy. As you are aware, PHMSA fund the "811- Call Before You Dig" grant program, but the program is only as good as the ability to know where the pipes are.

This system is being built off the same inspection forms that every state inspector completes. The problem is that states currently are required to keep copies of the forms. We are now making this an integrated IT solution, which should expedite state-level processing as well. PHMSA has had several states request to be early-adopters of the program. The program cost includes training, technical assistance and technology transfer for states.

Mr. Price #5

Grade Crossings

There are 212,000 public grade crossings across the country. Last year alone, there were 2,280 collisions at those crossings, resulting in 267 fatalities and 832 injuries. Many states have been doing their part to eliminate hazards at highway-railway grade crossings, but the federal funding stream has been inadequate to meet either the demand or the need.

Question: In FY14, Congress directed funds for the FRA to provide grants for grade crossing improvement projects, as well as for positive train control implementation projects and rail corridor investment plan projects. The FRA issued a NOFA for these funds – totaling about $36.3 million – in July 2014, but these funds have not been awarded. Why has there been a significant delay in awarding these funds? When will these funds be awarded?

FRA Answer: On April 16, FRA announced the award of eight grant totaling $21.2 million to invest in highway-rail grade crossing safety, Positive Train Control implementation, and passenger rail planning. This funding is composed of new authority provided in the FY14 Omnibus Appropriations Act, as well as unobligated funds from the High-Speed Intercity Passenger Rail Program. The eight grants were awarded in six states and feature a wide array of projects:

Grade Crossing Safety

- **California Department of Transportation:** Pacific Surfliner Chesterfield Drive Crossing Improvements - $2,236,550
- **Illinois Department of Transportation**: Springfield, IL Ash Street Underpass - $2,000,000

Positive Train Control

- **Transportation Technology Center, Inc.:** PTC Implementation Project Interoperable Train Control Messaging Security - $432,000
- **Amtrak:** Wireless Communication and Key Management Implementation - $2,640,000
- **ARINC Inc.**: Implementation of PTC Shared Network and User Support - $4,992,799
- **Metropolitan Transportation Authority:** Metro North Hudson Line PTC - $3,000,000

Passenger Rail Planning

- **California Department of Transportation:** Coachella Valley-San Gorgonio Pass Corridor Investment Plan - $2,982,050
- **Illinois Department of Transportation:** Chicago Union Station Terminal Planning Study - $3,000,000

Mr. Price #6

Grade Crossings

Question: In FY15, Congress allocated an additional $10 million for grade crossing eliminations on rail lines that transport energy projects. What is the status of these funds and the anticipated timeline for awarding grants?

FRA Answer: FRA is currently developing the notice of funding availability (NOFA) to solicit applications for these funds. FRA anticipates publishing the NOFA in late spring. In meeting the statutory intent, FRA will solicit applications for projects that enhance grade crossing safety or make safety-based track improvements on rail routes that transport energy products. FRA plans to select projects that will yield the largest safety benefits while maximizing the limited funding available.

In addition, under the Department's Transportation Infrastructure Generating Economic Recovery (TIGER) program, we awarded projects in FY 2009-2013 that include grade crossing safety elements, and in FY 2014, TIGER funded a planning grant that will improve grade crossing safety.

Mr. Price #7

State responsibilities for Intercity Passenger Rail Service

The FRA has indicated that it plans to issue a determination that State agencies and authorities who contract for intercity passenger rail services are railroads, rail carriers, or railroads of record. At a February 2015 presentation to the AASHTO Standing Committee on Rail Transportation (SCORT), FRA staff advised that the agency would publish an interim rulemaking in the Federal Register during the second quarter 2015, and open a docket for a 60-day comment period, with the expectation that a final rulemaking could be issued during the fourth quarter of 2015.

Question: Under what authority would FRA proceed to make such determinations?

FRA Answer: FRA has jurisdiction over "every area of railroad safety" (see 49 U.S.C. 20103), including the safety of railroad operations. The Passenger Rail Investment and Improvement Act (PRIIA) of 2008 led to several important changes to the nature of the relationships among the National Railroad Passenger Corporation (Amtrak) and its State partners delivering intercity passenger rail services. As a result, some States have become more active in operating, funding, and overseeing passenger rail services. FRA holds States and other government entities operating, funding, or overseeing passenger services accountable for safety. In many cases, responsibility for the implementation of Federal railroad safety requirements is shared between the State sponsoring organization and the contract operators, contract maintainers, or equipment owners. Those shared responsibilities may be flowed down through the contracts issued by the State to the individual contractors. States are also responsible for providing oversight of all elements of these public contracts, including the safety requirements. While safety is FRA's top priority and will always remain so, FRA also views itself as a partner with States and other governmental entities operating, funding, or overseeing passenger rail service. FRA has begun conducting outreach with these stakeholders on this issue as part of developing FRA's long-term approach to working with partners to improve the safety, reliability, and efficiency of passenger rail service.

Mr. Price #8

State responsibilities for Intercity Passenger Rail Service

Question: Should states be determined to be railroads, they could face significant new responsibilities, increased liability exposure, and added service costs. Has the FRA sought feedback from affected states or done any work in collaboration with state partners through the Rail Service Advisory Committee? Please describe the anticipated impacts of such determinations.

FRA Answer: While safety is FRA's top priority and will always remain so, FRA also views itself as a partner with States and other governmental entities operating, funding, or overseeing passenger rail service. FRA recognizes that there has been understandable confusion on the part of States and other entities about their safety roles, borne in part as a result of FRA actions to address immediate safety and accessibility concerns on one service.

FRA has begun conducting extensive outreach with all stakeholders to educate and collaborate on solving these challenges. To date, FRA leadership has spoken with many States' rail program directors and on April 15th held a listening session with leaders from the States for Passenger Rail Coalition and American Association of State Highway and Transportation Officials' (AASHTO) Standing Committee on Rail Transportation to begin outreach on this issue and gain input and specific concerns from FRA's State partners. Later this month, FRA intends to hold a broader call with all sponsors of State-supported intercity passenger rail services to discuss roles and responsibilities for safety and compliance on these routes.

Upon receiving feedback from these meetings and any subsequent outreach activities, FRA will develop and communicate a plan for issuing information about the agency's position on responsibilities and expectations for service sponsors. FRA will continue to work together with its stakeholders to improve the safety, reliability, and efficiency of passenger rail service, and otherwise ensure compliance with the Federal requirements that the Department administers.

Federal Railroad Administration, Pipeline and Hazardous Materials Safety Administration, and Federal Motor Carrier Safety Administration

Fiscal Year 2016 Questions for the Record

Congressman Mike Quigley

Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

House Committee on Appropriations

Mr. Quigley #1

Transportation of Crude Oil

In recent years the number of accidents involving trains carrying crude oil has skyrocketed. These crashes have resulted in fires, explosions, deaths and millions of gallons of oil being spilled into the environment. While I'm pleased with recent progress made by DOT, FRA, and the railroads on new oil tanker regulations, last month's derailments in Illinois and West Virginia show that these kinds of accidents can happen even with newer model cars. We need to address this problem where it starts. We need to require the stabilization of highly volatile crude oil before it gets put on a train and shipped through populated area like Chicago.

Question: Administrator Feinberg, shouldn't the FRA require minimum volatility or stabilization standards for the transportation of crude oil?

FRA Answer: In collaboration with PHMSA, the Department of Energy (DOE) asked Sandia National Laboratories to prepare a study that was released yesterday: *Literature Survey of Crude Oil Properties Relevant to Handling and Fire Safety in Transport.*

- The report confirms that while crude composition matters, no single chemical or physical variable -- be it flash point, boiling point, ignition temperature, vapor pressure or the circumstances of an accident (such as the amount of fuel involved) – has been proven to act as the sole variable to define the probability or severity of a combustion event. All variables matter.

DOT is working closely with DOE on additional research into this product.

Mr. Quigley #2

Transportation of Crude Oil

Question: Ms. Feinberg, you've said that while the railroads have gone "above and beyond' to address safety concerns, other industries, like the energy industry, have not followed suit. How can we get them to take responsibility and help address the volatility issue?

FRA Answer: FRA believes that the industry needs to share data about the product, and consider treatment options prior to shipping. In addition, shippers need to ensure all components of the tank car--from the gaskets and o-rings in the valves, to the trucks and wheels--are maintained to Federal standards. The shippers should frequently audit the manufacture of all components and perform frequent inspections to ensure the tank cars will function as intended between inspections. Also, shippers should work closely with the railroads to analyze the effect on the infrastructure of unit train operations.

Mr. Quigley #3

Transportation of Crude Oil

Question: The stabilizing of crude oil before transport is being done down in Texas, why isn't it being done around the country?

FRA Answer: FRA has broad authority to regulate railroad transportation, including issuing penalties for violations of the rail safety and hazardous materials laws and regulations and issuing regulations and orders as necessary for every area of railroad safety.

We continue to work with our sister agencies to consider options to take immediate action to improve safety, including additional restrictions on operations and additional restrictions on which tank cars can be used.

FRA continues to work closely with PHMSA on both the research of the transportation of energy products as well as rulemakings involving tank car design, classification of flammable liquids (including crude oil), and oil spill response planning. This partnership will allow for unified and decisive action by the Federal government to ensure that the entire transportation system is safe and effective.

Mr. Quigley #4

Transportation of Crude Oil

Question: PHMSA has found several oil companies in violation of rules governing the transport of hazardous materials. Do we need tougher enforcement?

FRA Answer: Tougher enforcement is necessary in safety-critical areas such as track geometry, rail integrity, mechanical reliability, and tank car construction and maintenance. Focusing on these areas will produce meaningful improvements in the safety of the transportation of hazardous materials by rail.

For FY 2016, FRA's budget requests $3.4 million in new resources for the Safe Transportation of Energy Products (STEP). This includes:

- 45 new staff to (1) inspect for rail safety compliance along crude oil routes, (2) manage safety issues on the five main national crude oil corridors, and (3) oversee the manufacturing and retrofit of next generation tank cars; and
- $0.5 million to increase the mileage of a dedicated Automated Track Inspection Program vehicle on crude oil and energy product routes.

Mr. Quigley #5

Positive Train Control

Administrator Feinberg, each time I've brought up the issue of positive train control in this committee, the answer has essentially been the same. Secretary Foxx, Secretary LaHood, your predecessor Administrator Szabo have all acknowledged the challenges that freight and especially commuter railroads face in meeting the arbitrary deadline but have essentially punted on the question of what to do about it because there was still time to figure this out before the deadline. Time is nearly up. We've got nine months left. Both freight and commuters, despite their best efforts, simply cannot meet the deadline.

Question: Do you support a PTC deadline extension?

FRA Answer: DOT's proposed surface transportation reauthorization bill submitted April 29, 2014, the Generating Renewal, Opportunity, and Work with Accelerated Mobility, Efficiency, and Rebuilding of Infrastructure and Communities throughout America (GROW AMERICA) Act contains policy proposals and predictable, dedicated funding for rail to help meet the mobility needs of our growing population, modernize our infrastructure, and improve rail safety. DOT plans to submit a similar bill soon.

The positive train control (PTC) provisions in the GROW AMERICA Act would authorize FRA—

- to provide merit-based extensions of the Dec. 31, 2015, implementation deadline for railroads that demonstrate substantial progress in system implementation;
- to permit provisional operation of PTC systems.

Mr. Quigley #6

Positive Train Control

Question: Can you tell me what FRA's current plan is for December 31st of this year when we finally hit this unmeetable and arbitrary deadline? Has the FRA made any determination on how it will act should the deadline be reached, and no extension has been provided, and the nation's railroads have not yet fully implemented PTC?

FRA Answer: Section 104 of the Rail Safety Improvement Act of 2008 (RSIA)[1] clearly mandated an inflexible PTC implementation deadline of December 31, 2015, and only Congress has the authority to amend that statutory deadline.
Although the RSIA requires each covered railroad to complete full PTC system implementation by December 31, 2015, the statute and regulations do not provide for any automatic action or penalty if a railroad does not comply.

Recognizing the limitations of FRA's available enforcement tools as they apply to PTC system implementation, the Department has included potential solutions in the GROW AMERICA Act. More specifically, Section 9402 requests that the Secretary of Transportation, and by delegation FRA, be granted authority to: grant merit-based extensions of the current statutory deadline; establish and enforce specific implementation milestones against individual railroads; and allow the use of alternative methods of protection in lieu of PTC systems where safety will not be diminished. That section would also require coordination between DOT and the Federal Communications Commission (FCC) to assess the spectrum needs and availability necessary to fully and adequately implement PTC systems. The GROW AMERICA Act also proposes to assist publicly funded commuter rail agencies to implement PTC systems by providing $3 billion over 6 years for commuter railroads to support integration. Such flexibility, authority, and funding would allow FRA to be more responsive to the reality and obstacles of PTC system implementation while still holding railroads accountable.
FRA also plans to send an update to its August 2012 report to Congress this spring on the PTC implementation status, as required by the FY 2015 Transportation and Housing and Urban Development Appropriations Subcommittee report.

[1] Codified at 49 U.S.C. § 20157.

Mr. Quigley #7

Positive Train Control

Question: Will the agency order railroads to cease operations on those lines where PTC has not been fully installed, tested, and certified?

FRA Answer: Section 104 of RSIA clearly mandated an inflexible PTC implementation deadline of December 31, 2015, and only Congress has the authority to amend that statutory deadline.

Although the RSIA requires each covered railroad to complete full PTC system implementation by December 31, 2015, the statute and regulations do not provide for any automatic action or penalty if a railroad does not comply.

Although FRA has the statutory authority to assess civil penalties or take other enforcement actions for each day a railroad does not implement PTC after the required deadline, FRA has considerable discretion to decide whether to take enforcement action depending on the specific circumstances of noncompliance and all other factors related to a potential violation at that time.

Recognizing that FRA's available enforcement tools as they apply to PTC system implementation are but one solution, the Department has included other potential solutions in its proposed surface transportation reauthorization bill—the GROW AMERICA Act).

In the near future, FRA plans to send an update to its August 2012 Report to Congress on the status of PTC implementation, as required by the House Appropriations, Transportation and Housing and Urban Development Subcommittee Report 113-464, accompanying the FY 2015 Consolidated and Further Continuing Appropriations Act.

Mr. Quigley #8

Positive Train Control

Question: We have heard repeatedly that many commuter railroads have not yet been able to obtain the necessary communications spectrum required to implement positive train control. Does the FRA have a full understanding of what those continuing spectrum needs are? Has the FRA communicated recently with the Federal Communications Commission? What can be done to assist railroads in obtaining the remaining spectrum?

FRA Answer: FRA does not have the most up-to-date, specific status of the spectrum-acquisition efforts of all 41 of the railroads that the RSIA requires to implement PTC. The acquisition efforts of individual railroads are dynamic, and understanding them would require FRA's close involvement in the business operations of the individual railroads. FRA lacks sufficient personnel resources with the necessary business expertise to embed in each of these 41 railroads to follow their spectrum-acquisition efforts. As to the current status of passenger railroads specifically, I can provide some examples. To the best of our knowledge, based on discussions, Amtrak has the needed spectrum, Metro-North Railroad, Long Island Rail Road, and Massachusetts Bay Transportation Authority are very close to having the needed spectrum, and New Jersey Transit Rail Operations needs more spectrum.

FRA continues to work with FCC on addressing spectrum necessary for PTC implementation. Most recently, DOT and FRA executives met with senior management personnel from the FCC Wireless Communications Division. FCC has been cooperative in attempting to address industry spectrum needs within existing regulatory limits.

Mr. Quigley #9

Positive Train Control

Question: Former Administrator Szabo had testified on several occasions that it was the view of the Administration that it was unlikely that nationwide implementation of PTC could be achieved by the December 2015 deadline, and that the DOT/FRA was seeking provisional certification authority and the authority to extend the implementation deadline where appropriate, on a case by case basis. Is that still the position of the DOT and FRA?

FRA Answer: Yes, FRA believes provisional certification of PTC on high risk lines, combined with the use of legacy technologies such as Automatic Train Control (ATC) or Automatic Train Stop (ATS) on lower risk lines, represents the most economical, interoperable way to reduce the risks associated with PTC-preventable accidents until full implementation is achieved.

"Provisional certification" means FRA's granting authority to a qualified applicant, for a limited period, to operate and maintain a PTC system, pending FRA's completion of review and final approval of the applicant's PTC Safety Plan (PTCSP).

Ultimate responsibility for presenting a complete, consistent, current, and accurate safety case lies with the system developer and the railroad.

Mr. Quigley #10

Positive Train Control

Question: Last year, Administrator Szabo told this committee that "to meet the deadline, everything will have to fall perfectly into place, and in the real world, getting everything to fall perfectly is difficult to achieve." Why hasn't everything fallen into place?

FRA Answer: As indicated in FRA's August 2012 report to Congress,[2] full PTC system implementation, as RSIA requires, has been hindered by the breadth and scale of implementation, the complexity and variety of technological approaches, and the need to comply with other Federal laws.
In 2013, U.S. Class I freight railroads operated over almost 162,000 miles of track, on 60,000 miles of which RSIA requires PTC system implementation. Intercity passenger and commuter railroad operations account for an additional estimated 8,400 miles of track required to be equipped with PTC.

PTC system implementation is the largest, most complex, train control project since the Interstate Commerce Act of 1920 empowered the Interstate Commerce Commission to order the installation of automatic train stop or train control systems. Unlike the train control system of the 1920s, PTC is a complex, software-based system that also relies on wireless communications. As indicated in FRA's 2012 report[3] to Congress, a number of programmatic and technical issues were adversely affecting completion, all of which required resolution.

Subsequent to that report, two additional issues have arisen that could adversely impact the railroads' ability to complete full implementation. The first issue is FCC's review of tower installation under Section 106 of the National Historic Preservation Act of 1966 which temporarily stopped the installation of the 22,000 towers required for PTC. FCC has since developed an expedited review process with input from State Historic Preservation Officers and Tribal Historic Preservation Officers, and other stakeholders, but installation of the required towers was delayed during FCC's development of this new process. The second issue is unresolved mutual interference and desensitizing between the different types of radios used in the railroad PTC operating environment. Effectively, if radios interfere with, or desensitize, each other sufficiently, the affected PTC system(s) will not work. Even though railroads continue to make incremental progress towards implementation, it is unlikely that they will overcome all issues prior to the deadline.

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[2] FRA Report to Congress, *"Positive Train Control Implementation Status, Issues, and Impacts,"* August 2012
[3] FRA Report to Congress, *"Positive Train Control Implementation Status, Issues, and Impacts,"* August 2012

Mr. Quigley #11

Positive Train Control

Question: There has been a lot of discussion about how to prevent train accidents at grade crossings like the recent incidents in California and New York. As I understand it, positive train control is meant to prevent accidents in the following situations: trains are traveling too fast; trains are traveling beyond their authority; trains are traveling through a track switch left in the wrong position; and, trains enter a section of track where maintenance work is taking place. I know that the relevant facts are still being discovered but I'd like to know, Mr. Secretary, if you think positive train control could have prevented these accidents?

FRA Answer: Your understanding of the Congressionally-mandated PTC functions is correct. NTSB is leading the investigations into the Valhalla, New York, grade crossing collision and the Oxnard, California, track obstruction collision, so FRA cannot speculate whether PTC would have prevented these accidents. However, as PTC is currently required to be designed, preventing grade crossing accidents is not one of its required functions.

Mr. Quigley #12

Short Line and Regional Railroad Safety

Administrator Feinberg, in 2014, your department with the encouragement of members of this committee created a pilot program to improve safety culture and safety training on the smaller "short line and regional" freight railroads. This committee provided $2 million in funding for this effort in the FY15 bill. These efforts will develop safety culture assessment tools, and help foster the development of safety cultures on individual railroads.

Question: Can you talk about the efforts to date on this program, and highlight some of the public and railroad safety benefits you foresee coming from this program?

FRA Answer: FRA's Office of Research & Development (R&D) has supported early phase development of this program, the Short Line Safety Institute (Institute), which will provide education, training and employee development. FRA R&D has worked closely with project team members from the American Short Line and Regional Railroad Association (ASLRRA), Volpe, and the University of Connecticut (UCONN) to develop the Institute's mission, vision, and strategic goals. The primary goal of the Institute is to improve safety and develop a culture of commitment to safety in the short line and regional rail industry.

To date, FRA has made some very significant progress with the Institute. The project team has collaborated to develop materials, processes, and procedures to be used by the Institute in its safety culture assessments. These safety culture assessments are non-punitive, voluntary, confidential evaluations of a railroad's safety culture. Trained Institute assessors visit member railroads, assess their safety culture, provide recommendations on how to improve safety culture, and provide leadership, training, and education about safety culture and conformance. These assessments represent a voluntary, non-punitive partnership between the railroads, ASLRRA, and FRA R&D.

The project team has developed a comprehensive training curriculum for the assessments, retained and trained the assessors, and have conducted the first of the assessments.
The project team has compiled a list of railroads handling crude oil as candidates to be assessed in the pilot phase of the assessments. The pilot phase of the assessments will be used to test and refine the materials, processes, and procedures used in the safety culture assessments, and to help identify long-term training and education needs of ASLRRA members.

FRA R&D and ASLRRA both strongly believe that the Institute's long-term success depends on the continuing partnership with FRA, ASLRRA, UCONN, and Volpe. UCONN's work provides a strong theoretical basis of validated assessment tools and safety culture measurement processes in support of the Institute's goals. Volpe's work provides a mechanism for supporting and improving the pilot implementation as it is occurring, measuring the success of the overall initiative, and key support in the Institute's Organizational Development Plan. FRA's expertise in safety culture provides strategic input and a strong team-based approach for building a successful and sustainable Institute for the long-term.

FRA sees substantial benefits coming from this program. ASLRRA aspires to help short line and regional railroads implement a culture where safety is engrained in every facet of what they do and who they are, providing continuous self-examination as to the effectiveness of its safety processes. This vision requires an evolution beyond mere compliance to safety rules and regulations to a culture that is committed to safety behaviors in every aspect of its operations.

This program furthers FRA's research and development goals by producing validated safety culture assessment tools that may be used by other railroads, organizations and industries to better understand and enhance their safety culture. The development, implementation, and pilot testing of rapid assessment tools is unique. The systematic methods being developed for conducting Peer Safety Reviews by the Institute is also unique. The potential safety benefits from this initiative extend far beyond the railroad industry to other industries and the general public.

Mr. Quigley #13

Short Line and Regional Railroad Safety

Question: Administrator Feinberg, Rep. Yoder, Quigley and Young have requested funding that was provided in FY15 and also included in the FY16 Budget request to improve safety culture and safety training on the smaller freight railroads. I understand that the FY14 and FY15 grants are progressing. Can you tell this committee why you think a cooperative focus on safety culture is an important tool to assist smaller freight railroads, particularly those hauling crude oil and other hazardous materials?

FRA Answer: We believe the cooperative focus on safety culture is an absolutely essential tool to assist smaller railroads. Evaluation research clearly shows that participatory, cooperative programs facilitate stronger commitment and use of tools and guidance documents for intended users than do more directive measures. The cooperative effort between ASLRRA and the FRA R&D team has already produced significant new approaches to ingraining safety in all facets of smaller railroads. These approaches have been developed through the collaborative actions of ASLRRA and FRA and likely would not have been developed but for this partnership. The continued focus on developing and evaluating the Institute's implementation and impact over time are critical to ensuring the program works, particularly to the smallest of the short line railroads.

The Institute is unique among FRA's safety programs in that it is non-punitive, voluntary, and confidential with a special emphasis on small railroads handling crude oil and other hazardous materials. FRA R&D has a long history of success with cooperative, non-punitive safety culture enhancement initiatives such as the Confidential Close Call Reporting System and the Clear Signal for Action program. Further, this collaborative effort is consistent with FRA's published policy statement concerning small entities that details the extra effort FRA must provide to assist small businesses consistent with the requirements of the Small Business Regulatory Enforcement Fairness Act. This Act recognizes that the size, scope, and resources of America's small business railroads are different from the well-resourced Class I railroads. 49 CFR Part 209 Appendix C highlights FRA's policy with small businesses accordingly: "FRA understands that small entities in the railroad industry have significantly different characteristics than larger carriers and shippers. FRA believes that these differences necessitate careful consideration in order to ensure that those entities receive appropriate treatment to enhance the safety of their railroad operations."

Due to a lack of resources in the short line railroad industry, FRA believes that continued long-term Congressional support is critical for the successful development, implementation, and institutionalization of the Institute. FRA plans to partner with the ASLRRA in this effort, now and in the future, providing continuing support for safety improvements in the short line railroad industry as the Institute evolves.

Mr. Quigley #14

Short Line and Regional Railroad Safety

Question: Administrator Feinberg, your budget request highlights the need for funding to continue programs to evaluate and improve safety culture and safety training on smaller freight railroads. Rep. Yoder, Quigley and Young are supportive of this initiative because it focuses not just on saying, "Safety First" but on ensuring that the culture of "Safety First" exists, from executive decisions about budgets down to the line workers operating equipment safely, and all points in between. Do you think this kind of company-wide assessment can enhance the effectiveness of FRA mission?

FRA Answer: The mission of FRA is to enable the safe, reliable, and efficient movement of people and goods for a strong America, now and in the future. Supporting short line and regional railroads in their efforts to transport hazardous materials can absolutely enhance the effectiveness of the FRA mission. We strongly believe that, in order to ensure the safe movement of goods—especially hazardous materials—we need to partner with short line and regional railroads and assist them with implementing non-punitive, voluntary programs aimed at enhancing safety culture.

I am convinced that this kind of company-wide assessment will enhance the effectiveness of the FRA's mission. The Institute is designed to ensure that all decisions on a railroad, including budgeting, operations, and maintenance are based on ensuring that those decisions are made with a focus and alignment on safety. We believe the program will result in establishing a commitment by the short lines to safety over the competing goals and demands of a rail operation – all to the benefit of railroad employers and employees, shippers, and the general public. I also believe that this kind of comprehensive approach on company-wide safety culture helps insure that safety programs do not just become a "check the box" kind of response to meeting government requirements.

Mr. Quigley #15

Bridge Inspection Technology (Metra Question)

Thank you for taking some time to meet with the CEO of Metra and his team a few weeks ago. They have informed me of their interest in working with FRA on a number of initiatives, including one to demonstrate a new and innovative bridge inspection technology utilizing electrochemical-based fatigue crack growth detection systems. This adds additional accuracy to standard visual inspection methods.

Question: Can you identify some potential next steps Metra can take to collaborate on a funding partnership with FRA to further demonstrate this innovative safety technology?

FRA Answer: FRA works closely with the Association of American Railroads (AAR) and individual railroads on new safety technologies. If there is a new technology that shows promise for a significant improvement to railroad safety, FRA quite often participates in the development and demonstration of the technology. Recently, the FRA has supported a program to develop and test new methods for structural health monitoring of railroad bridges. Metra can contact the FRA Office of Railroad Policy and Development to discuss potential future collaboration on research, development, and testing programs for bridge inspection.

WITNESSES