BUILDING INFRASTRUCTURE IN AMERICA:
OVERVIEW OF THE BUILD AMERICA BUREAU
AND THE U.S. DEPARTMENT OF TRANSPORTATION
RURAL TRANSPORTATION INITIATIVES

HEARING
BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION AND SAFETY
OF THE
COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
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TUESDAY, JANUARY 28, 2020

U.S. Senate,
Subcommittee on Transportation and Safety,
Committee on Commerce, Science, and Transportation,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10 a.m., in room
SH–216, Hart Senate Office Building, Hon. Deb Fischer, Chairman
of the Subcommittee, presiding.

Present: Senators Fischer [presiding], Wicker, Thune, Moran,
Young, Duckworth, Cantwell, and Blumenthal.

OPENING STATEMENT OF HON. DEB FISCHER,
U.S. SENATOR FROM NEBRASKA

The Chairman. The hearing will come to order. Good morning.
I am pleased to convene today’s hearing as Chairman of the Senate
Subcommittee on Transportation and Safety. This hearing will
focus on the Department of Transportation’s infrastructure develop-
ment programs housed within the Office of the Secretary of
Transportation. Specifically, we will examine the Build America
Bureau and the newly created rural opportunities to use transpor-
tation for economic success, or the ROUTES initiative, and the
Railroad Rehabilitation and Improvement Financing, or RRIF Ex-
press programs.

Everyone here can agree that the United States surface transpor-
tation infrastructure is critical to public safety and to the economy.
It connects people across this country. Many of us hear from our
constituents about the poor state of American infrastructure. Their
concerns have been confirmed by numerous studies, including the
often-cited infrastructure report card from the American Society of
Civil Engineers, which gave U.S. infrastructure a D+ in 2017. That
is unacceptable. To ensure we have the infrastructure we need for
the future, the U.S. transportation policy should focus on both im-
proving the infrastructure we currently have and building new as-
sets to accommodate increasing demand.

While infrastructure has always been a priority for this Sub-
committee, it is particularly important this year as we consider the
reauthorization of important Federal surface transportation pro-
grams. That is why today we will examine OT programs that affect
both urban and rural transportation infrastructure. As you know, Congress established the Build America Bureau in the FAST Act in 2015. The idea was simple, project sponsors should have a one-stop shop to access information on DOT grants and financing, streamlined application processes and technical assistance such as permitting and procedural advice.

The FAST Act specifically directed the Bureau to administer several programs, the Transportation Infrastructure Finance and Innovation Act loan program known as TIFIA and the RRIF loan program for rail, infrastructure for rebuilding America grant program known as INFRA, and private activity bonds.

Today, we have the opportunity to learn more about DOT's work to establish the Bureau, what the Bureau offers to aid project sponsors, and how Congress could better support the Bureau's work in a surface transportation reauthorization. In particular, I look forward to hearing about the Bureau's vision and strategy for how they plan to provide assistance and to coordinate with project sponsors.

I also look forward to hearing specific details from the witnesses about how DOT will implement the TIFIA rural project initiative, RRIF Express, and the ROUTES initiative. As we have seen, project sponsors especially in our rural areas may not be aware of the resources available to them through DOT or they simply may not have the means to access this assistance.

My colleagues and I often receive questions from stakeholders asking how to access these important programs. Many of my constituents will be interested to know what rural project sponsors can expect if they reach out to DOT for assistance. I hope today's witnesses can help us better direct constituents to helpful resources that will guide them in their efforts to improve our Nation's infrastructure, and I look forward to the testimony of our panel.

At this point, I would like to invite my colleague and Ranking Member Senator Duckworth for her opening comments.

STATEMENT OF HON. TAMMY DUCKWORTH, U.S. SENATOR FROM ILLINOIS

Senator DUCKWORTH. Thank you so much Chairman Fischer. Thank you again for holding today's hearing. I want to thank our witnesses for joining us today to highlight the opportunities and challenges facing the DOT's Build America Bureau and DOT's efforts to advance major infrastructure projects in rural America.

As this Committee knows well, every sector of our economy and every corner of the Nation benefits from reliable, efficient transportation. I would go a step further and say that our Nation's global competitiveness is dependent on our safe, reliable, and efficient transportation network. Despite this dependence however, investments in transportation infrastructure have not kept pace with need and public expenditures on infrastructure as a percentage of GDP has declined to the lowest levels in a generation.

The American Society of Civil Engineers gives our infrastructure a D+ rating and estimates that we must invest $2 trillion by 2025 to rebuild, maintain, and expand our transportation infrastructure. In pursuit of reliability and efficiency, Congress has established a variety of credit and grant programs administered by DOT to in-
vest in major projects all across the Nation. For states, local governments, and other stakeholders, the Build American Bureau is DOT’s one-stop-shop for Federal transportation funding and financing opportunities. The Bureau’s core responsibilities is administering finance programs like RRIF program and TIFIA.

Meanwhile, the Office of the Secretary has taken the lead on implementing INFRA grants to enhance our Nation’s great network and build grants to benefit projects of local or regional importance. While many worthwhile projects have advanced thanks to these programs, I do hope that today’s hearing will shed light on stakeholder concerns about burdensome application processes, high front-end costs, and extreme uncertainty in securing Federal support. For example, I have heard from RRIF applicants who spent many months and more than $1 million to not get a RRIF loan. Meanwhile, an opaque project selection process for the INFRA and Build programs undermines stakeholders’ confidence and DOT’s merit-based decisionmaking.

For example, the portion of Build funding invested in rural projects increased from 33 percent to more than 70 percent over the past three years. Yet during that same period, transit awards diminished from 27 percent to 8 percent. The Trump Administration has made no secret of its focus on rural investments and I agree that many rural communities face stronger headwinds when applying for Federal resources than their urban counterparts. That is why it is critically important for DOT to ensure its practices and policies reflect the transparency that Congress and the public require to make informed decisions and ensuring a level playing field for all stakeholders regardless of mode or geography.

I hope that today’s witnesses will shed light on many of these concerns and help this Committee identify opportunities to further enhance DOT’s credit and grant programs and maximize outcomes for U.S. taxpayers. Thank you, and I yield back.

Mr. Szabat. Thank you, Chairman Fischer. I would like to ask the witnesses for their opening statements at this time. We will begin with Mr. Szabat, who is the Assistant Secretary of Aviation and International Affairs and performing the duties of the Under Secretary for Policy. He has extensive experience with transportation policy since joining the Department in 2002.

STATEMENT OF HON. JOEL SZABAT, ACTING UNDER SECRETARY OF TRANSPORTATION FOR POLICY, U.S. DEPARTMENT OF TRANSPORTATION

Mr. Szabat. Thank you, Chairman Fischer, Ranking Member Duckworth, and members of the Subcommittee. We appreciate the opportunity to share with you the steps this Administration and the Department of Transportation have taken to facilitate better transportation in America’s rural communities. Safety is the first priority of Secretary Chao and the entire Department.

Data shows that the Federal Government ought to increase its focus on rural transportation safety. Rural transportation networks are also vital to economic growth, creating opportunity and ensuring that no one is left behind. Many rural communities in the United States continue to face transportation disparities. While
only 19 percent of Americans live in rural communities, 69 percent of highway lane miles are in rural areas.

Truck drivers, essential, unheralded, and literally the prime movers of our economy, spend roughly half their working days and nights rowing across rural roads. And two-thirds of all U.S. rail freight originates in rural areas. Consequently, there are disproportionately more highway fatalities in rural areas, 72 percent of large truck occupant fatalities, 67 percent of pickup occupant fatalities, and 58 percent of SUV occupant fatalities occur in rural areas.

In fact 46 percent of total highway fatalities in our country occur on rural roads, at a rate twice that of urban. So it is vitally important not only to growth and competitiveness but to safety that the transportation infrastructure needs of rural communities be addressed. The U.S. Department of Transportation is working hard to address these inequities in several ways.

The Administration recognizes that rural transportation is a life-line for farmers, working families, seniors, veterans, individuals with disabilities, and tribal residents among others. For that reason, the Administration is placing considerable emphasis on underserved communities, including those in rural America. Here I’ll spotlight two particular initiatives.

The Rural Project Initiative allows more sponsors of infrastructure projects in rural communities to tap into the Department’s major loan programs, enabling projects that might not otherwise get done and the rural opportunities to use transportation for economic success, or ROUTES initiative helps rural communities access Federal transportation grant funding and loan programs. It also improves data sharing to help rural communities better analyze their transportation needs.

Access to rural transportation can be a significant challenge for seniors, people with disabilities, and low-income communities. So the ROUTES initiative will address the rural public transit lifeline as well. We have exceeded our rural transportation obligations as laid out in the 2015, FAST Act. We continue pressing forward with new ways to improve rural mobility because our whole Nation, including urban citizens and businesses, depend on it. While we have increased focus on rural areas, we remain intent on improving transportation systems throughout the Nation. Connecting urban and rural transportation networks are critically important for domestic production and export of agriculture, mining, and energy commodities, as well as the quality of life for all Americans.

The disparity in transportation conditions between urban and rural communities are exacerbated because urban communities often are better equipped to seek out Federal resources to address their needs. Our initiatives work to redress the balance. The most meaningful way to help rural America’s transportation infrastructure is through the discretionary grant. Since Fiscal Year 2016, the rural share of discretionary funds awarded nearly doubled in the nine transportation programs that distinguish between rural and non-rural.

Just two months ago, Secretary Chao announced the latest, better utilizing investments to leverage development or build discretionary grant awards. In the last three rounds of Build, an infrastructure for rebuilding America or INFRA grants, each around
$900 million, the rural share of the awards ranged between 50 percent and 64 percent. As detailed in my written testimony, key operating administrations in the Department, transit, highway, and rail, also increased their focus on rural safety and mobility as indicated by their Fiscal Year 2019 funding priorities.

These awards are only a sample of the Department’s effort in the past thirteen months to champion rural transportation improvements to discretionary grant awards. In some, they total over $2.4 billion. In addition to efforts by DOT operating administrations, our innovative financing arm, the Build America Bureau, has also played a key role in supporting development of rural transportation infrastructure. Credit programs such as TIFIA and RRIF, which Dr. Farajian will speak to next, are powerful tools to better address rural transportation needs.

Special thanks are due to Dr. Farajian, his staff, and his supervisor, the Chief Infrastructure Funding Officer of the Department, Dan DeBono, for their work with rural communities. I also commend Secretary Chao’s Senior Policy Advisor, Jannine Miller, who has been the driving force in shaping our rural initiatives. Thank you, and I look forward to your questions.

Thank you, Chairman Fischer, Ranking Member Duckworth, and Members of the Subcommittee. We appreciate the opportunity to share with you the steps the Trump Administration and Secretary of Transportation Elaine L. Chao have taken to facilitate better transportation in America’s rural communities.

Rural transportation networks are vital to the Nation’s economic growth, creating opportunity, and ensuring that no one is left behind. Yet many rural communities in the United States continue to face significant transportation challenges. For example, while only 19 percent of Americans live in rural communities, 69 percent of highway lane miles are in rural areas, nearly half of all truck vehicle miles traveled occur on rural roads, and two-thirds of all U.S. rail freight originates in rural areas.

One result of these challenges is a disproportionate high rate of highway fatalities in rural areas.

- 72 percent of large truck occupant fatalities,
- 67 percent of pickup occupant fatalities, and
- 58 percent of SUV occupant fatalities occur in rural areas.

In fact, 46 percent of total highway fatalities in our country occur on rural roads—and the fatality rate on rural roads is twice that of urban roads. This is of special concern because safety is the Department of Transportation’s Number One priority. So it is vitally important not only to growth and competitiveness, but to safety, that the transportation and infrastructure needs of rural communities be addressed.

The U.S. Department of Transportation is working hard to address these inequities through a number of initiatives, including:

- **Funds Administration.** The Department distributes about $70 billion annually for infrastructure needs, much of which goes to State governments via formula stipulated by law. Yet DOT has several discretionary grant programs as well. Since FY 2016, the rural share of discretionary funds awarded nearly doubled in the nine transportation programs that distinguish between rural and non-rural. And the number of awards made to rural projects more than tripled.

- **Rural Project Initiative Implementation.** This initiative allows more sponsors of infrastructure projects in rural communities to utilize the Department’s major loan program, which offers very generous financing and loan repayment terms.
• ROUTES Initiative. The Rural Opportunities to Use Transportation for Economic Success (ROUTES) initiative helps rural communities access Federal transportation grant funding and loan programs. It also improves data sharing to help rural communities better analyze their transportation needs. As part of this initiative, the Department established a ROUTES Council, which supports rural communities to better identify and assess their transportation needs, and re-balance DOT discretionary grants to address those needs. Rural Transit. Access to transportation can also be a significant challenge for seniors, people with disabilities and low-income communities in rural areas. Public transportation is a lifeline for them. So the ROUTES initiative will be addressing public transit in rural areas, as well. Addressing rural-urban transportation disparities will help ensure a more inclusive transportation network for the future. That’s a goal that all countries can and should incorporate into their national transportation plans.

The Administration recognizes that transportation in rural areas functions as a lifeline for farmers, working families, seniors, veterans, individuals with disabilities, tribal residents, and others. To that end, this Administration has placed considerable emphasis on underserved communities like those in rural America. We have met and exceeded our obligation regarding rural transportation in the 2015 FAST Act, and we continue pressing forward with new ways to improve rural mobility. In addition to efforts by DOT Operating Administrations, our innovative financing arm, the Build America Bureau, has also played a key role in supporting development of rural transportation infrastructure. Of course, while we have increased focus on rural areas, we are as intent as always on improving transportation systems throughout the Nation.

Rural transportation networks

Rural transportation networks are critically important for domestic production and export of agriculture, mining, and energy commodities as well as the quality of life for all Americans. For example, two-thirds of rail freight originates in rural areas, and nearly half of all truck vehicle-miles-traveled (VMT) occur on rural roads. And, 70 percent of America’s road-miles are in rural communities.

At the same time, 90 percent of posted, or limited weight, bridges, which heavy trucks cannot use, are in rural areas. Freight-hauling truck drivers in rural areas often contend with lengthy detours to find a bridge able to handle the weight; these detours consume fuel and time. In addition to the problem of weight-limited bridges, 80 percent of the bridges in the U.S. that are rated to be in poor condition are in rural areas.

Not surprisingly, a disproportionate number of roadway fatalities occur in rural areas based on exposure measures like population and VMT. While only one-fifth of the Nation’s population lives in rural areas, in 2018, 46 percent of the Nation’s highway fatalities occur on rural roads. Breaking that down into deeper categories, in 2018, 72 percent of large truck occupant fatalities, 67 percent of pickup occupant fatalities, and fifty-eight percent of SUV occupant fatalities occur in rural areas. And, the highway fatality rate per 100 million VMT in rural areas is more than twice that of urban areas. It is worth noting that 44 percent of personal vehicle miles traveled on rural roadways are driven by urban residents traveling to destinations outside their home metro areas, so rural roadway safety matters for our entire country.

Many people living in rural and tribal communities can ill-afford to drive the considerable distances they must travel to work and other destinations. That is why 81 percent of U.S. counties provide rural transit service. The disparity in transportation conditions between urban and rural communities is exacerbated because urban communities are better equipped to seek out Federal resources to address their needs. Rural areas often lack the capacity to fully compete for Federal transportation infrastructure funding.

This Administration is working hard through the Department of Transportation to ensure that rural and all other communities are treated fairly and equitably.

The Department’s Efforts and Achievements

ROUTES: Rural Opportunities to Use Transportation for Economic Success

Addressing these disparities calls for a sharper focus on our investments in rural areas to meet national priorities such as improving safety and economic competitiveness in all parts of the country. That’s why Secretary Chao launched the ROUTES initiative, in October 2019. The ROUTES initiative will improve how the DOT considers rural project applications in our discretionary grant programs, including ensuring that project costs, local resources, and the benefits to the American people
and economy are appropriately considered. Under this initiative, ROUTES will provide rural areas with user-friendly information to improve planning and development of grant applications. It will also give projects in rural communities due consideration in grant programs, to assist in meeting their transportation needs.

Under the initiative, the Department has already begun collecting input from stakeholders on the benefits rural projects offer for safety and the economy, as well as the types and degrees of assistance rural projects require. The Department recently issued a Request for Information (RFI) seeking input on a number of rural transportation-related issues. This includes comments and data pertaining to current unmet needs in rural transportation, barriers rural communities face in addressing these transportation needs, stakeholders' experiences with applying to and using DOT discretionary grant and credit programs, and opportunities for the DOT to improve its services and technical assistance to rural communities in relation to these grant and credit programs, within the limits of statutory requirements. The RFI closed yesterday, and, as of Friday January 24, we had already received input from 130 respondents, and we expect this is just the beginning of an effort to launch more data-driven approaches to better assess the need for and benefits of rural transportation infrastructure projects.

Given the feedback we have been receiving, we are trying to make DOT's discretionary grants easier for rural applicants to understand. For instance, we are currently developing a Toolkit that will help rural (and other) applicants identify which discretionary grant programs could help fund their particular safety and infrastructure priorities. We expect to make the Toolkit available this spring.

We have also established the ROUTES Council, an internal deliberative body of DOT leadership that will review and use input from the RFI as well as other public input to improve the alignment of the Department's discretionary funding programs with the needs of rural communities to address National transportation goals. The Council held its first meeting in November 2019 and met again on-schedule in January. It will review feedback received through the RFI and seek additional input from stakeholders, starting with State DOTs, local governments, and national organizations. The Council will identify critical rural transportation concerns, coordinate efforts among DOT's Operating Administrations, and shape the resources ROUTES avails to rural stakeholders.

Other Efforts

In addition to the new ROUTES initiative, the Department is also seeking other opportunities to benefit rural and other communities. Just two weeks ago, for example, Secretary Chao announced an interactive map application showing transportation infrastructure against a background layer featuring the U.S. Internal Revenue Service's designated Opportunity Zones and the U.S. Census Bureau's Urbanized Areas. Using the map, potential investors can discover which Qualified Opportunity Zones, many of which are in rural communities, offer good transportation connectivity. At the same time, other investors can identify rural Opportunity Zones that would benefit from private investment in transportation.

Grants

As previously mentioned, a meaningful way to help rural America is through discretionary grants. Just two months ago, in November 2019, Secretary Chao announced the award of $900 million to 55 infrastructure projects in 35 states through the Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grants program. Fifty percent of that investment was awarded to 31 projects in rural communities. In the previous year, the Department awarded $965 million—64 percent of its $1.5 billion appropriation—to 62 rural projects.

Last July, the Secretary announced the award of $856 million in Infrastructure for Rebuilding America (INFRA) grants. Fifty-four percent of those awards, $465 million, went to rural projects, far exceeding the FAST Act's statutory requirement of 25 percent. And, 10 percent of the FY 2019 INFRA investment was awarded to small projects with costs between $5 million and $25 million, most of which were in rural communities. Two weeks ago, the Secretary announced the Notice of Funding Opportunity for the FY 2020 INFRA grants, and the Department will continue to adhere to or surpass the statutory requirements.

The Department's Operating Administrations were also mindful of rural America in their FY 2019 funding practices. For example, in FY 2019, the Federal Transit Administration (FTA) awarded $119 million in Buses and Bus Facilities Discretionary Grants, 28 percent of the program's total awards, to projects in rural communities. FTA also awarded 41 percent of its Innovative Coordinated Access and Mobility Pilot Program grants, $3.9 million, to rural projects, and a full 100 percent of its Tribal Transit Program awards, $5 million, went to rural communities.
Also in FY 2019, the Federal Railroad Administration awarded $179 million in Consolidated Rail Infrastructure and Safety Improvements (CRISI) awards to rural projects, 31 percent of its awards for that year. And, in August 2019, the Federal Highway Administration awarded $225 million in grant funding under the Competitive Highway Bridge Program (CHBP) to 20 bridge improvement projects in 18 states, all of which have population densities fewer than 100 persons per square-mile.

These awards alone, only a sample of the Department’s effort in the past 13 months to champion rural transportation improvements through discretionary grant awards, total more than $2.4 billion. These grants are a powerful tool the Department is using to address rural transportation needs, in addition to the Operating Administrations’ formula grant funding, much of which is also targeted for rural communities.

The Build America Bureau is developing products and processes specifically tailored to rural communities

Authorized by the 2015 FAST Act and established in July 2016, the Department's Build America Bureau administers the Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation and Improvement Financing (RRIF) credit programs, administers the INFRA grant program, allocates Private Activity Bonds, and serves as a one-stop shop for project sponsors to assist them in navigating the complex regulatory, governance and financial processes necessary in delivering successful transportation projects.

New Executive Director

The Bureau’s Executive Director, Morteza Farajian, Ph.D., joined the Department in April 2019. Formerly, he served as Acting Deputy Secretary of the Virginia Department of Transportation (VDOT) and Director of that State’s Public-Private Partnership (P3) program office.

Three Loans Issued During the Past 90 days

Dr. Farajian’s experience as a practitioner is already paying tangible dividends as three new loans have been issued by the Bureau in just the past 90 days alone. These loans, totaling $1.6 billion, will result in the delivery of $6 billion in new transportation infrastructure The Bureau’s participation in these projects alone has generated more than $3 billion in non-Federal capital investment, further leveraging Federal dollars.

The Bureau is implementing two overarching goals that will benefit American transportation infrastructure in general and rural communities in particular:

- Enhance the pipeline of eligible projects to fully utilize the capacity provided by Congress, and;
- Diversify the pipeline of eligible projects by geography (i.e., urban and rural, new States, etc.), size, and type (i.e., highway, transit, rail, port, etc.), to ensure an equitable distribution of program benefits.

To achieve these goals, the Bureau is focusing on three key activities that will enable increased utilization and a more diverse pipeline of projects. They are:

- Conduct active, focused outreach to prospective borrowers that may not know of the Bureau, or of its new products and services. This activity includes the development and delivery of products that are best suited to underserved borrowers;
- Enhance the scope and scale of technical assistance to project sponsors, especially new, smaller borrowers, and;
- Continue to streamline the credit process, improving efficiency and reducing costs to borrowers.

The Bureau has considerable lending capacity and expertise to significantly expand its loan portfolio, including loans to rural borrowers.

Tailored Products

Historically, the TIFIA loan program has financed large, complex highway, bridge and transit projects that largely serve urban communities. We have the capacity to continue to support these projects. However, the TIFIA and RRIF loan programs—with some modifications (within our existing authorities)—can be tailored to focus on helping other geographic areas and asset classes that have, until now, not received Bureau assistance. One area of Bureau innovation that has been particularly valuable for rural communities is the effort to develop products tailored to the specific needs of these communities.
TIFIA Rural Project Initiative

The first of these is the TIFIA Rural Projects Initiative (RPI), which Secretary Chao announced in November, 2018. RPI represents a targeted and significant easing of financial barriers to participation in the TIFIA program—while maintaining robust creditworthiness standards to protect taxpayers. By combining existing authorities, the Bureau offers qualified borrowers a number of significant benefits.

An eligible RPI project is one that is not inside a U.S. Census Bureau-designated urbanized area with a population greater than 150,000 persons and that has eligible project costs not greater than $100 million. For qualifying projects with total eligible costs between $10 million and $75 million, the usual application costs (e.g., the cost of procuring independent financial and legal advisors) may be paid by DOT. This often represents a savings of several hundred thousand dollars. Eligible RPI may borrowers receive a 50 percent interest rate reduction. As of mid-January, a rural project could receive a loan at a fixed interest rate of slightly over one percent for 30 or more years. Additionally, some rural borrowers may benefit from the Bureau’s flexibility—we can also provide short-term assistance at even further reduced interest rates. In addition to the lower interest rate available under RPI, eligible project sponsors under this program can borrow up to 49 percent of a project’s eligible costs instead of the 33 percent ceiling more typical of a TIFIA loan.

Currently, the Bureau is providing technical assistance to develop 12 RPI projects in eight states. This represents approximately 10 percent of the projects in the Bureau’s pipeline.

RRIF Express

Small and medium-sized freight railroads represent a significant opportunity for economic growth in rural communities. Even small marginal savings in shipping costs for agricultural, mining, energy or manufacturing goods can have a major impact in global competitiveness, and about 80 percent of short line and regional freight railroads are in rural America. As such, the Bureau has developed a pilot program that focuses on improving the borrowers experience for short line and regional railroads, called RRIF Express, which I announced in mid-December, 2019.

Although the Bureau has, since its inception, closed four loans under the Department’s RRIF program, in its current form, RRIF is significantly undersubscribed by smaller railroads. Like TIFIA RPI, RRIF Express eases several financial barriers for prospective borrowers. A qualifying RRIF Express borrower is a U.S. Class II or III short line or regional railroad, seeking a loan up to $50 million that meet the requirements set forth in the Notice of Funding Opportunity.

The cost of paying for the Bureau’s external financial and legal advisors and the Credit Risk Premium often poses a significant obstacle for prospective RRIF borrowers. Under the RRIF Express initiative, these costs are paid by DOT, using funds from appropriations. In addition, RRIF Express also promises to expedite the credit process by streamlining reviews and speeding the procurement of outside advisors.

The 90-day application window for RRIF Express opened on January 13, 2020 and we hope to receive a healthy number of qualified expressions of interest.

Innovative Procurement Model—Short-Term Design Build Finance

The TIFIA loan program can provide loans of up to 35 years after the date of substantial completion. However, we are learning that some jurisdictions, including State DOTs, might benefit more from shorter-term loans to increase efficiency and reduce the costs of projects they otherwise would deliver in phases. A high proportion of these jurisdictions are in rural America.

When projects are phased, costs and schedules can increase considerably: multiple mobilizations, de-mobilizations, numerous contracts and sequential construction all impact cost and schedule. Future phases of construction also incur cost escalations, often exceeding four percent annually.

Additionally, because rural projects often are not good candidates for tolling, they often overlook Bureau credit as a financing option at all.

To address these gaps, the Bureau has introduced an innovative procurement concept that offers alternatives that allow project sponsors to construct projects more quickly in a single phase, potentially reducing costs due to single contract, single mobilization, but also avoiding annual cost escalations incurred by future phases.

Under this concept, projects can proceed into construction of all phases in a single procurement and utilize shorter-term loans, further reducing costs. This procurement can take the form of a Design-Build-Finance procurement, where the developer actually borrows from the Bureau while also delivering into service new or upgraded transportation options more quickly.
Because the Bureau can lend to the contractor and not the public sponsor, this can be particularly useful for projects whose sponsors lack borrowing authority, or those who typically use a pay-as-you-go infrastructure funding model.

In short, the Bureau—in engaging jurisdictions that have not typically borrowed from TIFIA and/or RRIF—is finding that a one-size-fits-all approach to lending is not optimal and offering a wide variety of financing options can help a far more diverse pool of applicants deliver their projects more efficiently and at lower cost.

Education & Technical Assistance

Since April, 2019, the Bureau has increased its Outreach and Project Development (OPD) team by 150 percent, adding six staff members, all of whom bring considerable experience. This team has been instrumental in performing more up-front planning with project sponsors and providing more technical assistance to project sponsors earlier in the project cycle.

This earlier and more active engagement will facilitate a faster credit process with less re-work and inefficiency, especially for smaller, first-time borrowers such as rural project sponsors. It also will help project sponsors avoid inadvertently making the project ineligible for a loan by taking actions such as initiating non-qualified procurements, missing critical environmental review requirements or not sourcing materials in the United States. Sponsors of larger projects, typically urban or suburban, often avoid this type of misstep thanks to experienced internal resources and to the participation of outside consultants and advisors. Project sponsors less experienced with Federal processes and less able to access the valuable expertise of outside consultants cannot benefit from this advantage, an inequity that earlier Bureau participation from a more well-staffed OPD team will remediate. In addition to allowing the Bureau to support more projects earlier in their development, a fully staffed OPD team allows the Bureau to educate more prospective project sponsors about the Bureau’s products and services.

While the Bureau continues to represent itself at the larger, main-stream infrastructure and public-private-partnership (P3) conferences and events, we have also targeted the events that cater to smaller jurisdictions, rural communities, towns and counties. To educate potential project sponsors and access more prospective projects, the Bureau is now focusing on these venues, including, for example, the 4th National Technical Assistance Conference of the Rural Transit Assistance Program this past October. We look forward to introducing the Bureau, its products, and its services to the membership of the National Association of Towns and Townships this March.

We have also participated in regional meetings sponsored by the U.S. Department of Commerce’s Economic Development Administration (EDA), including sessions in West Virginia and southeastern Massachusetts, where the EDA convenes planners from distressed communities seeking technical assistance to develop the infrastructure needed for economic growth.

The Bureau has also increased its work with like-minded organizations such as the Association of American State Highway and Transportation Officials, planning associations, contractors and industry groups. This has borne considerable fruit already.

The Bureau’s recent engagement with the American Short Line and Regional Railroad Association was instrumental in the successful launch this past December of the RRIF Express pilot program for Class II and III short line and regional railroads.

State visits

Another important recent initiative is the Bureau’s outreach to new States. Under this initiative, the Bureau has reached out specifically to States with little or no DOT credit experience or other Bureau engagement. Many of these states are largely rural.

Bureau leadership visits the State capital for a full day of meetings introducing the Bureau to the State DOT director or secretary, participants from the Governor’s office and congressional delegation, key State legislators, administrators of the various State DOT departments, economic development organizations, planners, and county and municipal leaders. Many of the participants during these visits indicate they had never heard of the Bureau or the Department’s credit programs and that they plan to utilize the Bureau and its products and services in the future.

Since June 2019, the Bureau has visited with ten new states, including Alabama, Mississippi, Wisconsin, Minnesota, North Dakota, Montana, Nevada, Connecticut, Pennsylvania, and Louisiana. Those visits have resulted in nearly two dozen prospective projects. Currently, the Bureau has visits planned with Tennessee and New
Mexico, and specific discussions are underway with four other states: Arkansas, Arizona, Maine, and Vermont.

Regional Infrastructure Accelerators

Another element in the Bureau's ongoing mission to provide more technical assistance to rural communities is the Regional Infrastructure Accelerator program. By pooling resources, regional accelerators can assist local governments in developing improved infrastructure priorities and financing strategies for the accelerated development of projects, many of which would be eligible for TIFIA, RRIF and other innovative programs. Accelerators will act as multipliers of the Bureau's existing staff and resources, helping develop infrastructure planning and delivery capacity in rural communities and elsewhere.

As a result of last month’s $5 million Congressional appropriation, the Bureau is developing a Request For Information to seek input from interested parties about the most effective, transparent and expedient ways to structure and deliver the accelerator program. Upon receipt of public feedback, we intend to issue a Notice of Funding Opportunity to fund, through grants, a small number of Regional Infrastructure Accelerators as a demonstration program that will continue to explore more innovative and efficient ways to identify, finance and deliver projects—especially in small town America.

Conclusion

The Department of Transportation and its Build America Bureau have placed a long-overdue emphasis on Rural America. Through the ROUTES Initiative, discretionary grant programs and the innovative solutions offered by the Bureau, we have been focusing, and are continuing to focus, all available resources and authorities on solutions for rural communities. Focused Bureau outreach, tailored products such as TIFIA RPI, RRIF Express, Build It Now and others, combined with technical assistance and streamlining the process have already begun to produce tangible dividends for small-town America.

We know we have much more work ahead as we continue the important job of solving those challenges and improving the both the safety and connectivity of transportation in rural America. We look forward to working with the Committee and other partners to continue to remove barriers to safety, economic growth and mobility for rural and urban communities alike.

Thank you.

The CHAIRMAN. Thank you, Mr. Szabat. I see we have been joined by the Ranking Member of our Committee, Senator Cantwell. I would like to recognize you at this time for any comments you would like to make.

STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Thank you, Chair Fischer. Thank you so much for you and Ranking Member Duckworth for holding this hearing. There couldn’t be anything more dear to our heart in the Northwest than building infrastructure, and I would like to welcome former Superior Court Judge McCarthy who is now in a new role as the Co-Chair of the Northwest Seaport Alliance.

Judge McCarthy has done great work as a port Commissioner and working on a lot of the issues on the waterfront because he was also a longshoreman. So the perspective I hope that he will bring to this morning’s hearing is his diverse background on these issues at a point in time when United States freight is supposed to expand by 40 percent over the next decade. I think we feel that on the Pacific coast as we are shipping so much West coast product all the way to Asia—I mean so much Midwest product all the way to Asia.

The throughput of these ports is essential and so is your work here on the Subcommittee and helping us get a surface transportation bill, and the key focus of this Committee which is the infra-
structure piece. So, thank you. I couldn’t be more thrilled that you are having his hearing this morning. I know both of you and your states are committed to getting improvements to freight mobility, so thank you so much, and thank you to our witness, Mr. McCarthy, for being here this morning.

The CHAIRMAN. Thank you, Senator Cantwell. Next, I would like to recognize Dr. Farajian, who is the Executive Director of Build America Bureau. Before he joined the Department in April 2019, he served as Acting Deputy Secretary of Transportation and was Director of Public Private Partnerships at the Virginia Department of Transportation. Welcome, doctor.

STATEMENT OF MORTEZA FARAJIAN, PH.D.
EXECUTIVE DIRECTOR, BUILD AMERICA BUREAU,
U.S. DEPARTMENT OF TRANSPORTATION

Mr. Farajian. Thank you, Chairman Fischer, Ranking Member Duckworth, and members of the Subcommittee. We appreciate the opportunity to share with you the steps that the Build America Bureau has taken to facilitate better transportation in America’s rural communities.

As you know, under Secretary Chao’s leadership, the entire Department has placed an emphasis on rural America. In addition to implementing the ROUTES initiative and the discretionary grant programs that Mr. Szabat just talked about, we have been working on new programs that directly support the Administration and Secretary Chao’s priorities for more efficient transportation infrastructure investment in America. In general, the Bureau is implementing two overarching goals: enhance the pipeline of eligible projects to fully utilize the existing capacity, and diversify the pipeline of eligible projects to ensure an equitable distribution of program benefits.

To achieve these goals, the Bureau is focusing on three key initiatives: continuing to streamline the credit process, improve efficiency, and reduce costs to borrowers, conducting focus outreach the potential borrowers, and enhancing the scope and scale of technical assistance to project sponsors, especially new, smaller borrowers. There are 33 states that have not taken advantage of the Bureau’s credit programs in the past 15 years. Some of them have shovel-ready projects and non-Federal revenues that can be leveraged to deliver those projects.

Since June, we have visited with ten of these states. These visits have resulted in nearly two dozen perspective projects that have been added or pipelined. During these visits, we typically meet with a diverse audience from the Governor’s Office to State duty leadership and individual jurisdictions such as Mayors, counties, and regional planners. Many of these participants have never heard of the Bureau, but when they learn about the opportunities that our programs provide, more detailed conversations about specific projects tend to follow.

In addition to our outreach efforts, we are also developing innovative products to create a more diverse pipeline of projects. Historically, the TIFIA loan program has financed large complex highway bridge and transit projects that primarily serve urbanized and
suburban communities. The Bureau’s other credit program, RRIF, is significantly undersubscribed by smaller railroads.

About 80 percent of the track operated by these short-line and regional freight railroads is in rural America and serves as an economic engine for agriculture, mining, energy, manufacturing, and other industries. While we will continue to support the existing projects, we have tailored initiatives under both TIFIA and RRIF programs to diversify our portfolio and help new project sponsors who until now have not benefited from Bureau’s assistance to the same level. The first of these is the TIFIA rural project initiative which Secretary Chao announced in November 2018.

Under this initiative, qualified rural borrowers receive an interest rate that is currently around 1 percent. This can be a game changer for small communities, particularly when comparing it to the savings from annual construction cost escalation, which is currently around 4 percent. As of today, we have 13 projects under the rural project initiative in 7 different states. This represents approximately 10 percent of our existing pipeline. As we continue to visit new states, this number will likely continue to climb. The second initiative is RRIF Express that was announced last month to assist short lines and regional railroads.

A qualifying RRIF Express borrower is a short line regional freight railroad seeking a loan up to $50 million. RRIF Express covers advisor fees and a substantial portion, if not all, of the credit risk premium that has posed a significant obstacle for small railroads. It also expedites the application and review process.

In short, a one-size-fits-all approach to lending is not optimal. Therefore, in support of the Administration and Secretary Chao’s infrastructure in rural priorities, the Bureau will continue to diversify the pipeline of projects by providing innovative financing programs and educating new borrowers, especially those in rural America. We look forward to working with the Committee—with the Subcommittee, to eliminate obstacles, develop new products and services, and continue to streamline our processes. Thank you.

The CHAIRMAN. Thank you, doctor. Next, I would like to join Ranking Member Cantwell in welcoming Mr. McCarthy. It is so nice to have you here. Mr. McCarthy is the Co-Chair of the Northwest Seaport Alliance and a Commissioner at the Port of Tacoma. He has previously served as a Pierce County District and Superior Court Judge, a longshoreman, as well as a Member of the Port of Tacoma Commission. Welcome, sir.

STATEMENT OF HON. JOHN MCCARTHY, PORT OF TACOMA COMMISSION PRESIDENT AND CO-CHAIR, THE NORTHWEST SEAPORT ALLIANCE

Mr. McCarthy. Good morning Chairwoman Fischer, Ranking Member Duckworth, Ranking Member Cantwell, and members of the Subcommittee. Thank you for the invitation to be here today. The Northwest Seaport Alliance is the fourth largest container gateway in North America, created to manage the joint marine cargo facilities of the ports of Tacoma and Seattle. Our cargo activity employs over 58,000 people, but our focus is much bigger with hundreds of thousands of jobs across rural and urban areas that depend on our facilities.
The Alliance does not view the world through our urban or rural lands because our success is embedded in both. More than a quarter of the U.S. GDP is a result of cargo that moves through seaports. Truly seaports serve the entire Nation not just the communities where they are located. Our port is a great example of this. Nearly 60 percent of our imports move beyond the region and our exports originate from all 50 states.

As the number two U.S. agricultural port, we are an essential partner to our Nation’s farmers. As it relates to waterborne trade, for example, from Nebraska, 8 percent of the state’s containerized exports and 26 percent of its containerized imports pass through the NWSA. And from Illinois, we handle at least 10 percent of each of that state’s top 10 containerized imports.

We are also an important gateway for Illinois’s containerized export products, including 12 percent of its soybeans and 23 percent of its cereals. Beyond these examples, the Alliance handles about 90 percent of containerized exports from Montana, half of the container exports from Oregon and Idaho, and at least 20 percent from Minnesota, the Dakotas, and Iowa. All of these rural trade dependent commodities need efficient and reliable infrastructure to move goods to market, yet America’s port infrastructure is OK, just OK.

The American Society of Civil Engineers gives us a low grade, as mentioned by Senator Duckworth. Rapid advancements in freight are driving ports to make significant changes. For example, a tripling of the container capacity of ships in the last decade requires billions of dollars in new investments. And improving our port system requires that we also focus outside seaport gates across the U.S. freight networks. Bottlenecks and the cost of fixing them is often beyond the means of the communities where projects are located.

I greatly appreciate the Subcommittee’s efforts to increase understanding among policymakers and the public because I do not think our Nation has found the right approach to supporting U.S. ports and moving us beyond a low grade. Before I close, I would like to offer an example from the Northwest. NWSA’s main competitors are the Canadian ports of Vancouver and Prince Rupert. We are struggling to compete because the government of Canada has made the success of these ports a national priority and is providing substantial financial support to them.

In the past two years, Canada awarded $384 million to just these two ports, which is more than 75 percent of the two-year total for U.S. Department of Transportation support infrastructure development program. Canada is also investing in its freight corridors all the way into the U.S. heartland. This investment has resulted in a 15 percent reduction in our market share in recent years, causing job losses and fewer carrier costs that U.S. exporters depend on.

We are committed to maintaining a growing competitive gateway through investments in our port and connecting freight infrastructure, and we are leveraging hundreds of millions of dollars in private sector funds to remain a premier gateway, yet limited funding is a barrier to keeping pace with Canada.

And unfortunately, we have had little success securing Federal funding for our projects. The success of Canadian initiatives to enhance its freight network represents a successful partnership be-
between its ports and the Canadian government. In closing, I would respectfully recommend that the Subcommittee consider supporting increased funding for the Port Intermodal Improvement Program, freight formula funds, INFRA, and the elimination of the multimodal funding cap.

Thank you once again for the opportunity to share my thoughts about the importance of DOT programs and the interdependence of urban and rural areas as it relates to freight mobility and goods movement. I would be happy to answer any questions that you might have.

[The prepared statement of Mr. McCarthy follows:]

PREPARED STATEMENT OF HON. JOHN MCCARTHY, PORT OF TACOMA COMMISSION PRESIDENT AND CO-CHAIR, THE NORTHWEST SEAPORT ALLIANCE

Introduction

Good morning, Chairman Wicker, Ranking Member Cantwell, Chairwoman Fischer, Ranking Member Duckworth and members of the subcommittee. I am John McCarthy, Port of Tacoma Commission President and Co-Chair of The Northwest Seaport Alliance (NWSA). It is an honor to be with you today to discuss the importance of ports to the nation, including rural America, and the critical role Federal partnerships play in our ability to effectively serve the Nation’s economy. Thank you for the invitation to testify and for the work you are doing to address the challenges facing ports and our freight system.

Founded in 1918, the Port of Tacoma is an independent special purpose government with directly elected commissioners representing the people of Pierce County, Washington. The NWSA is a unique partnership formed in 2015 between the ports of Tacoma and Seattle (a similar special purpose government representing the people of King County, Washington) to jointly manage our marine cargo facilities, including the fourth largest container port complex in North America as well as substantial breakbulk, auto, military, and project cargo operations.

The primary mission of a port authority is to create and support economic activity by building transportation infrastructure and managing operations at our facilities. In our region, NWSA cargo activity employs over 58,000 people. But our job and our focus are much bigger than the Puget Sound region. The State of Washington is the most trade dependent state in the nation, with 40 percent of all jobs tied to trade, including hundreds of thousands in both rural and urban areas who work for importers and exporters that use our facilities.

These job impacts carry far beyond the Puget Sound region because ports are not simply local assets in urban centers. Our port system is a fundamental foundation of the U.S. economy, supporting every corner of the country. At the NWSA we cannot view the world through an urban or rural perspective because our economic success is deeply embedded in both.

The investments ports are making create nationwide benefits, but what we’re able to do locally is insufficient if our goal is to build a system that enables the U.S. economy to remain among the most competitive in the world. And that should be our goal. It is critical to view our ports and our freight system through the lens of national economic competitiveness and as strategic assets. The modernization of this critical transportation infrastructure should be a top Federal government priority and focus of Federal investment by all grant programs at the Department of Transportation (DOT), including those managed by the Build America Bureau. And as a representative of ports today, I want to highlight the important work the Bureau is doing with ports to drive Federal investment through programs like TIFIA and INFRA. On behalf of all ports we look forward to continuing to work with the Build America Bureau and DOT to facilitate Federal investment and support of our Nation’s ports and trade corridors.

Seaports are Vital to the U.S. Economy

Every American depends on the success of our ports because seaports are vital economic engines. Nearly all the country’s overseas cargo volume moves through seaports: 99 percent by weight and 64 percent by value. International trade through seaports accounts for over a quarter of the U.S. economy and supports over 31 million American jobs. In 2018, seaports generated nearly $5.4 trillion in total economic activity and more than $378 billion in federal, state and local tax revenues.
Seaports are critical to the success of U.S. businesses. For agricultural shippers, ports often make the difference in whether their products are competitive in global markets. Manufacturers depend on highly efficient, reliable ports to get their goods to market and to take advantage of the just-in-time processes that are common practice in their industries. Strong ports provide critical advantages to exporters, including lower shipping costs, more frequent calls by ocean carriers serving more export markets, shorter time to market and greater vessel capacity and container availability. If we hope to increase U.S. exports and economic competitiveness more broadly, enhancing our port system is essential.

Seaports serve the entire nation, not just the coastal and Great Lakes states in which most seaports are located. Our port is a great example of this. Nearly 60 percent of our containerized import volumes are bound for the Midwest and other destinations outside the Pacific Northwest. Our export cargo originates from all 50 states. While our port is located in an urban area, we represent critical infrastructure for the Nation’s agricultural industry and the rural communities that depend on it. In fact, according to the U.S. Department of Agriculture, the NWSA is the second largest port in the country as measured by agricultural trade tonnage.

In specialized agriculture markets the importance is even more pronounced. For example, the NWSA is the Nation’s leading export gateway for refrigerated agriculture products, representing nearly 20 percent of national volumes. In the Northwest, among the top eleven export markets for both apples and pears, nine of them depend on our seaports. For Washington’s potato industry 70 percent of the 10 billion pounds of potatoes produced were exported, the vast majority of which passed through NWSA seaport facilities.

The Washington state forage product industry is one of the best examples of how competitive ports can affect jobs in an export-dependent industry. Forage products like hay are the largest export by volume through the NWSA. However, our state’s hay exports have been constrained by limited vessel capacity and container availability, which have been exacerbated by our loss of market share to expanding Canadian ports, as well as by congested freight infrastructure. Given the relatively low margins, small increases in cost have serious implications for the future of the animal feed industry in the Pacific Northwest.

As it relates to Nebraska, 8 percent of the state’s containerized waterborne exports pass through the NWSA, as do 26 percent of its containerized waterborne imports and 10 percent of total imports.

And in Illinois, the NWSA handles at least 10 percent of each of the state’s top ten containerized waterborne imports. We also are an important gateway for critical export products, including 12 percent of Illinois’ containerized soybean exports, 23 percent of containerized cereal exports, 15 percent of oilseed exports, 10 percent of meat exports, and 15 percent of dairy exports.

Beyond these examples, the NWSA handles about 90 percent of containerized cargo from Montana, half of containerized exports from Oregon and Idaho, and at least 20 percent from Minnesota, the Dakotas, and Iowa. Most U.S. soybeans are grown in the Midwest and 23 percent of all U.S. soybean exports including those from Nebraska and Illinois are shipped through bulk and container terminals in the Pacific Northwest.

All of these rural, trade-dependent commodities need well maintained, efficient and reliable infrastructure to move goods to market both in the U.S. and abroad. Currently, it costs two to three times MORE to ship a container of apples from the Washington state to the East Coast than it does to ship it to China. And of that cost of shipping to Asia, as much as 40 percent is the cost of moving it from the packing facility to the port itself. These products cannot move without sufficient port and freight infrastructure. This is why rural America understands and supports ensuring ports and freight corridors into and through urban areas are well maintained and efficient.

Our Port System’s Infrastructure Challenges

Unfortunately, our ports and our freight system do not always get the attention they deserve. I greatly appreciate the subcommittee’s efforts to increase understanding among policymakers and the public because I do not think our Nation has found the right approach to supporting its ports.

America’s port infrastructure is OK. Just OK. The American Society of Civil Engineers gives us a C+ in their Infrastructure Report Card. Building a more modern port system requires that we address a long list of shortcomings. Because the scope of this challenge is so great, additional Federal investment and focus will be needed if we are to be truly successful in this endeavor.

We need to not only maintain what we have in a state of good repair, but also expand our ability to handle more cargo. This requires ongoing and often significant
investment, as many seaport terminals are in need of major rehabilitation. In addition, ports need to increase our capacity and efficiency to manage increased volumes. By 2045, DOT estimates that container traffic at ports will be driven by a doubling in the volume of imports and exports transported by our freight system.

Remaining competitive requires more than simply maintaining the status quo. Rapid developments in our industry are driving ports to make transformational changes. One of the most significant dynamics is the dramatically increasing size of container ships. The average ship calling at NWSA terminals about ten years ago could hold 5,000 to 6,000 twenty-foot containers. Today we receive calls on a weekly basis from container vessels that can hold more than 13,000 containers, and 18,000-container ships are on the way soon. These vessels are longer than five Boeing 747s and larger than an aircraft carrier. Accommodating these larger ships require major investment at ports, including deeper berths and navigation channels; larger cranes and stronger docks to support them; electrical grid upgrades; additional, high-efficiency cargo-handling equipment; and improvements to container yards and inter-modal facilities.

Alongside these projects, ports often must make investments to mitigate the impacts of rising cargo volumes on neighboring communities, which bear a disproportionate burden in supporting U.S. trade flows. In addition, government regulations, community expectations and customer demands increasingly require that we build infrastructure in a more resilient and environmentally friendly fashion. While necessary, this increases costs considerably.

Modernizing port terminal infrastructure at a pace sufficient to remain competitive globally is already challenging enough for ports. Yet improving our port system also requires that we look outside seaport gates to the road and rail infrastructure that connects ports to the rest of the national freight system. Upgrading this infrastructure is even more costly than for marine terminals. An additional challenge is that the roads, rails, bridges, tunnels, and waterways that connect ports with the markets they serve are typically outside port boundaries and thus are the responsibility of municipalities, counties, states or the Federal government. Bottlenecks in the supply chain can be found all over the country, but the cost of prioritizing and fixing them is often beyond the means of the jurisdictions in which the projects are located. Furthermore, building a railroad overpass, for example, might be more important to an exporter in a faraway state than it is to the local community that must approve taxing themselves to pay for that overpass. This is why the work of the DOT and Build America Bureau is important to ports. We need Federal investment to bridge the gap through grant programs like INFRA or loan programs like TIFIA to help communities bring to fruition these critical infrastructure projects that provide nationwide benefits.

To that end, U.S. ports have identified $66 billion in needed investments in terminal, road, rail and waterway infrastructure over the next ten years.

**Significant Near-Term Investment in Freight is Key to U.S. Competitiveness—A Pacific Northwest Example**

I would like to offer an example from the Pacific Northwest that demonstrates the high stakes of the decisions our Nation faces about how to prioritize ports and freight infrastructure and what role the Federal government should play. To me it a case study for why maintaining the status quo is not sustainable.

The port business is competitive, especially over discretionary cargo bound for inland regions that can be shipped through any number of ports. NWSA’s main competitors are the nearby Canadian ports of Vancouver and Prince Rupert, which in recent years have been aggressively targeting U.S.-bound cargo. A key reason why we have struggled to overcome the competitive threat from our neighbors to the north is because the government of Canada has designated the development of their West Coast ports to capture U.S. bound cargo as a national priority and is providing substantial financial and policy support to ensure they succeed.

Canadian Federal government funds have helped Vancouver and Prince Rupert build highly competitive marine terminals and are continuing to support their expansion. In the past two years the government of Canada awarded $US 384 million to the ports of Vancouver and Prince Rupert alone for projects that support goods movement through those ports. Canadian Federal contributions in their trade gateways have been mirrored by Federal investments along the entire trade corridor that connects the ports to population centers in the Canadian and U.S. heartland. Transport Canada has launched initiatives and adopted wide-ranging policies to improve performance of their ports and the goods movement system. Because of the high priority Canada has placed on optimizing their goods movement system, they now offer an efficient and lower-cost alternative to shipping through ports in the U.S. Pacific Northwest. As a result, the NWSA lost 15 percent of our market share...
to the British Columbia ports in the decade following the opening of Prince Rupert’s container terminal in 2007. In addition to continuing to expand on the West Coast, Canada has plans to repeat this success on the East Coast.

The diversion of cargo from our ports to ports in Canada has resulted in the loss of U.S. transportation sector jobs. It also has reduced ocean carrier calls and, critically, the supply of returning containers that exporters depend on, which increases shipping costs and erodes or eliminates the competitiveness of their products in international markets—as demonstrated by hay growers in Washington state. If the Canadian ports continue to realize their goals for growth at the expense of U.S. ports, the economic consequences for our region and the agriculture exports from rural America I highlighted previously could be grave.

The NWSA is committed to maintaining a growing and competitive U.S. trade gateway in the Pacific Northwest. The cornerstone of our strategy to respond to the challenge from Canada is ensuring we have the high-capacity, high-efficiency infrastructure we need to remain a preferred port of call. The NWSA is making substantial investments to modernize our marine terminals and deepen our waterways. And we are contributing to projects in other jurisdictions that improve freight mobility through our port, including evaluating intermodal yards to strengthen our connectivity to rural communities.

Yet limited funding is a barrier to developing infrastructure at a pace sufficient to keep up with Canada. We already are leveraging hundreds of millions of dollars in direct private sector contributions in support of our infrastructure efforts. Unfortunately, even though our port is a critical economic asset for our nation, we have had little success in obtaining Federal funding support for these initiatives.

This resource challenge coupled with other cost drivers outside the control of our ports increases the Canadian advantage. For example, the major West Coast ports in the U.S. and Canada are blessed with naturally deep harbors that do not require regular dredging. Yet U.S. importers utilizing the ports of Tacoma, Seattle, Los Angeles and Long Beach still are charged an ad valorem tax of .125 percent, known as the Harbor Maintenance Tax (HMT), to maintain U.S. navigation channels. The collections at just these four naturally deep harbors account for approximately one-third of total HMT collections, but our ports receive almost nothing in return. Conversely, Canadian West Coast ports do not charge an equivalent tax, which creates a cost differential on average of $125 per container that is driving U.S.-bound cargo to Canadian ports. Similarly, rail rates to move containerized cargo from West Coast ports to the Midwest are significantly higher than those charged by the two Class I Canadian railroads.

How Can the Federal Government Help?

We need to rethink our Nation’s approach to port and freight infrastructure policy and funding. The success of Canadian initiatives to enhance its West Coast ports and the infrastructure that supports international trade demonstrates the positive returns a better partnership between ports and the Federal government can bring, including job growth and increased export competitiveness. A more proactive stance by the U.S. Federal government is justified given the importance of ports to the entire U.S. economy. And not only is greater Federal government involvement justified, it is absolutely necessary to overcome the policy and funding challenges ports are facing.

I recommend this subcommittee explore the following actions.

1. Increase funding for the Port Infrastructure Development Program/Port and Intermodal Improvement Program

The NWSA and other U.S. ports were encouraged by the creation of the Port Infrastructure Development Program, which is now known as the Port and Intermodal Improvement Program, and I would like to thank Chairman Wicker and Ranking Member Cantwell for your efforts to authorize it. Congress appropriated $225 million for this program for Fiscal Year 2020. While this will provide U.S. ports a tangible boost, it should be viewed as a beginning. As I highlighted above, nearly this level of funding was provided annually to just two Canadian ports by the Canadian Federal government. We urge Congress to prioritize this key program and to increase its authorized funding level in the upcoming reauthorization.

2. Increase funding for the FAST Act’s INFRA and freight formula programs

U.S. ports view the INFRA and freight formula funding programs created in the FAST Act as another step in the right direction. Yet funding levels for these programs are not sufficient to meet the needs of our gateways and trade corridors. The INFRA program is oversubscribed. In the combined FY19 funding round, DOT received $11 in unique requests for every $1 available. State plan-
ning efforts required by the FAST Act have demonstrated that the freight formula program also is underfunded. With the FAST Act expiring this year, Congress has an opportunity to increase funding levels for these programs.

3. **Remove multimodal funding caps on the INFRA and freight formula programs**

Freight does not move by highways alone, as the Committee well knows. Our freight system is multimodal, and our freight programs should reflect that reality if they are to be effective. The FAST Act funding programs currently have limitations on the amount of funding that can go to non-road projects. Funding for these multimodal projects is capped at $500 million over five years in the INFRA program and 10 percent of freight formula funding. I recommend these caps be removed. This will allow our Nation to more quickly modernize our seaports, as well as the first and last mile projects that connect us to the rest of the freight system to move goods, which have often fallen through the cracks in traditional Federal infrastructure funding programs.

In closing, I appreciate the opportunity to share my thoughts with you about the importance of DOT programs and the interdependence of urban and rural areas as it relates to freight mobility and goods movement. It is essential that we embrace a wholistic view of the supply chain to ensure that Federal freight investment is not viewed simply through a rural vs. urban lens. Without enhanced Federal support for freight we will continue to earn no better than a C+. And this mediocrity will not allow us to overcome the challenges limiting our export competitiveness, to support a modern global economy, or to compete with our neighbors to the north or south that seek to supplant U.S. ports as gateways to America’s heartland and beyond, which will result in grave consequences for rural agriculture communities throughout our country.

I appreciate the Committee’s continued leadership and the ongoing commitment of Senator Cantwell specifically to help bring freight to the forefront and drive economic growth.

Thank you for the invitation to testify today.

The CHAIRMAN. Thank you, Mr. McCarthy. We will begin with 5 minute rounds. So for our first round, I will start. Mr. Szabat, one purpose of the ROUTES initiative is to provide information to rural communities about available Federal funding and financing options, as well as other technical assistance. Can you provide more details about how the ROUTES initiative will work for rural project sponsors? For example, if a rural project sponsor calls or e-mails asking for technical assistance, can you walk us through what they should expect in response?

Mr. SZABAT. Thank you, Senator, for the question. And first, I will caveat my response for saying this is a brand new program and initiative, and it is designed from the start to evolve. So we will have a feedback loop with our the rural communities which we work with and the goal is—so I will just say the way in which we respond to an inquiry that comes in today may not be the same process that we have six months from now when we get their feedback.

But with that, I would say I can give an example of what we are doing right now. We have just concluded a request for information from rural communities and they have come in with comments to say here is what we think, we the communities think the Department ought to do different and do better. So those communications have come to us and are being parsed by dedicated staff that we have within the Office of Policy in the Department, as well as within the our Build America Bureau.

And their responsibility is twofold. One, interactions and communications directly back to the communities so that they have somebody who they can deal with in the Department directly and not have to wait weeks or months at a time for a response. And second,
they are kicking that upstairs to the leadership in their offices and ensure that leadership is coordinated intermodal so that we don't have things that are stuck in one bucket, in a single silo of one mode. And our coordinating office or organization is called the ROUTES Council. If you have further questions about that, I would be happy to go into more detail.

The Chairman. DOT's recent request for information regarding the initiative ask for feedback—and that is to look at the current unmet needs in rural transportation. How do you think the DOT can work to better address them? How can the DOT help rural areas in this country to be able to access even right now the funds that would be available for them through these initiatives?

Mr. Szabat. I appreciate the question, Chairman Fischer. There are several ways and much of this is informed by the feedback that we received from before the RFI and from what we have received already. One is clarity of the world definition. We have a collection of different programs that can serve rural communities. Many of them have different statutory definitions.

So we find it is helpful for us to put that together in one place and have a one-stop shop so that anybody who wants to come and discover what program or programs may assist them, that we can give them and not just say here is one example, here is another example, but give them a comprehensive list.

The Chairman. Do people need to call in? Do managers need to call in? Do they need to contact DOT in order to find that information? Is it available in a clear way on a website?

Mr. Szabat. Yes. Well, yes to the first and we are developing the second thing. I mean truly one of the issues that we have identified was we need to have more information and more up-to-date information and more quickly updated on our website. That is one of the first—one of the initial actions that we are taking.

The Chairman. When you are looking at different types of proposals or resources that are out there, what does DOT expect to provide as a result of the information that you get in? Is it going to be available in that toolkit that you are going to have out there?

Mr. Szabat. Yes——

The Chairman. User-friendly?

Mr. Szabat. Yes, user-friendly. So this is the intent. Among the amount of feedback that we receive is how complex it is to work through the range that we have, available grant sand loan programs, and the associated effect of that is, it is easier for communities that have a long history of working with the Department and these tend to be larger communities and they are better funded. They tend to have more success because they know better how to work through these wickets.

So through the toolkit we want to help try to redress the imbalance, level the playing field if you will, and provide guidance to rural communities both on—and all underserved communities, both on here is what you need, the information you need to have in order to apply, here is how you should organize it. The other thing that we can do is collect more, and we are doing, is collect more data and share that with communities so that they don't have to pay collect that information themselves. That is a longer-term
project that will not be part of the initial toolkit, but we anticipate the toolkit coming out later this quarter.

The CHAIRMAN. Thank you. I think that that is really important when you look at the limited resources maybe those underserved communities do face, and to make it easier for those communities to access funds that are available for them will be really helpful.

Usually larger communities, states, they have grant writers, they have the ability to access grants where smaller communities, underserved areas that definitely face long-term needs are unable to do that. So I commend you on that being a goal. Thank you. Senator Duckworth.

Senator DUCKWORTH. Thank you, Chairman. Dr. Farajian, I was a strong advocate for systems' approach to Federal transportation policy. And to maintain our global competitiveness in the 21st century, the U.S. will need to break down the outdated and inefficient modal silos that have developed over 75 years. Congress and DOT should do more to reflect the realities of supply chains that stretch from factories and shops in Illinois all the way across the world to homes, all around the world.

To this end, I authorized a provision in the FAA Reauthorization Act of 2018 that required DOT to study the benefits of expanding TIFIA program to include eligible airport related expenses. President Trump and I agree on very little, but we did agree on this one thing. So Dr. Farajian, the FAA Reauthorization Act required you to report to Congress within 9 months on the TIFIA airports study. That was 15 months ago.

Do I have your commitment that we will finally see the DOT study by the end of this first quarter of 2020?

Mr. FARAJIAN. Thank you very much, Senator, for that question. If I may, I want to mention that this is an important report for us and we have not taken it lightly. We have gone through a lengthy process of collecting the necessary information because we had to do a comprehensive market analysis and engage different stakeholders.

We have gone through the steps. It was a national study that we had to go through it and do a nationwide analysis of the market to figure out what are the funding and financing gaps in the market. We have also had to look at the impact to the budget and impacts of the existing programs. That also is something that we have spent a lot of time to look at those impacts and reflect those in the report.

Finally, we had to make recommendations on whether to expand eligibility under an existing program or establish an entirely new program. So that also takes a lot of analysis. There are a lot of details and we had to work through them. I am glad to say that we are almost done with the report.

Senator DUCKWORTH. So this quarter?

Mr. FARAJIAN. We should be able to finalize the report and put it in interagency clearance soon. Hopefully this quarter we will be able to put it in interagency clearance. And as soon as it is cleared, we will be happy to share that with the Congress.

Senator DUCKWORTH. I will be checking in with you on a regular basis to get those results. Thank you. I also mentioned in my opening statements, some stakeholders have spent seven figures to not
secure a loan and this is especially burdensome for rural communities and small communities. While the Bureau’s new RRIF Express program is a step in the right direction, I want to highlight that DOT approved only 6 loans in the last 8 years and less than 40 since the program’s inception in 2002. Clearly, the process is flawed.

To be fair, Congress enacted a credit risk premium mechanism, more to appease a Congressional budget office and hide the true cost of investing in rail infrastructure than addressing the practical needs of rail stakeholders. In the interest of time, I will be asking you to submit for the record, Dr. Farajian, a list of recommendations for this Committee to consider in the next reauthorization bill to improve the RRIF program. Will you do that?

Mr. FARAJIAN. Talking about the RRIF program, if I may, I would like to also mention that as someone who used to be a borrower of the programs that Bureau was providing in the past when I was in Virginia, I completely understand some of those concerns that you just mentioned.

The program, the RRIF program that you mentioned is definitely a little bit challenging because the borrowers need to go through the process with us in order to understand what the CRP is going to be. And it requires a lot of studies, a lot of analysis, gathering information to be able to provide them with accurate information about what they should expect.

Senator DUCKWORTH. I am sorry, I am running low on time. Can you just send us a list of recommendations?

Mr. FARAJIAN. Yes, we can do that.

Senator DUCKWORTH. Thank you. Dr. Szabat, I have a very short amount of time, but if you could tell me here and then also in writing as a followup, can you tell me more about the pilot program that Secretary Chao announced, the $38 million multimodal First Responders safety technology pilot program. Where is DOT putting the—where are you pulling the $38 million from? When is DOT expected to begin accepting applications? This is something that is very near and dear to my heart as well as Senator Durbin and other Senators.

I think we have all lost public safety officials who have been killed on the side of the road doing their jobs. And then we want to make sure that our First Responders are protected.

Mr. SZABAT. Thank you, Senator, for your interest in this important initiative that we also care and Secretary Chao cares very much about. This targeted investment about $38 million, we intend it to build to demonstrate the benefits of a vehicle to infrastructure technology for emergency response vehicles using the 5.9 gigahertz safety band. We anticipate that the funding opportunity will come out shortly and happy to give you more details for record.

Senator DUCKWORTH. Thank you. I am over time. Thank you.

The CHAIRMAN. Thank you, Senator Duckworth.

Senator CANTWELL. Thank you, Madam Chair. And again, thank you to the witnesses for being here. Mr. McCarthy mentioned the juggernaut that Seattle and Tacoma are on moving product. In Washington State we shipped $440 billion in freight products in 2018. That is a lot and I guess we are quite significant in the total
of U.S. agricultural products. One of the things that you mentioned, which I wholeheartedly agree with, is that communities are often left without the resources to take care of moving all that freight.

I consider it to be almost like the last mile here. Ports are the most critical aspect and they are right there, the last mile. It is almost as if America’s ports on local streets are like clogged arteries. They are key to making it through the system and yet they are clogged.

So, I wanted to ask our two DOT witnesses if they supported lifting the multimodal cap on the INFRA program so we could put more money into freight infrastructure so that we can solve some of these problems of congestion that are taxing at the last mile or in other aspects of building capacity, and certainly in the rural communities. But this congestion problem is certainly causing us great problems. So Mr. Szabat or—

Mr. SZABAT. With your permission Senator, I will take first crack at that question because you—I appreciate it very much. You are addressing one of the most important challenges we have. Safety is the Department’s top priority but congestion mitigation in all modes of transportation, getting that right mix of multimodal use of transportation, are also high priorities for us. And so you mentioned the challenge of the possibility of raising the cap. We have got about $158 million in INFRA funding that is still available to allocate to multimodal projects or component projects in this current fiscal year——

Senator CANTWELL. So are you ready to give that to Mr. McCarthy?

Mr. McCarthy. $385 million.

Senator CANTWELL. OK, and why? Because they want them to be able to take business competitively from us. So their government is making that investment and at the same time the Chair’s product, I guarantee you, is sitting too darn long because it can’t get through the congestion.

So we have to wake up, that this Nation’s economy for the future is very much based on the Pacific being able to move export product to Asia and we have to make this investment. Again, I’m glad that you have some extra left over money, but I want to know how much are you willing to increase the multimodal cap, because we are going to have this debate and I am definitely going to be for lifting the cap.

Or doing are you for doing something else, if you don’t want to—if you want to leave the cap, what else can we do? Because this is a problem. So are you for lifting the cap or not?

Mr. Szabat. I am tempted to say, yes, to answer your question of which you gave me the option of both yes or no, but I will not give that as a formative an answer. The Administration does not have the position on lifting the cap. So we don’t—the challenge that we have is the $158 million that we have.
I suspect that the port or ports in Puget Sound could put to good use every single dollar of that money and more but the challenge of this is a national program because in there are other ports and other transportation needs, multimodal transportation needs across the country. So lifting the cap to assist a particular project or mix of projects does not address the overall need of transportation investment from all sources, not just the Federal Government.

Senator Cantwell. I was illuminating the fact that other countries are being more aggressive and that we pay the price for the lack of that investment. I am sure that we can get a very broad coalition of people who say we should be spending more on freight. When you look at the numbers, you are going to see a 40 percent increase in freight.

We should be celebrating that now we have on a global basis for the first time in 2018, a tipping point. The majority of the world’s population is middle class. What does that mean? They are going to eat and consume things that America can produce and export to them. It is a tremendous market, but if we can’t get our products there because they are sitting somewhere in traffic, it is going to be a problem for us.

So I guess I know DOT’s position since you are the senior person here, but we love the yes, and we look forward to continue working with you in getting a robust administrative decision on more freight investment. Thank you, Madam Chair.

The Chairman. Thank you, Senator Cantwell. And Dr. Farajian, in my previous questions to Mr. Szabat, I was asking, you know, how are you going to make it easier for stakeholders, for managers to be able to access the grants that are available, what is needed, especially those with limited resources? I would ask you, in your testimony, you mentioned state visits, which we would like to get you to Nebraska as well. I noticed you haven’t been there. But you mentioned state visits is one thing but are there other actions that the Bureau can take in order to inform states and localities about the services that are available to them especially with regard to the rural initiatives?

Mr. Farajian. Chairman Fischer, thank you for that question. That is an excellent question. Since I joined the Department, we have worked very hard to make sure that we have a comprehensive outreach plan to reach out to those who have not heard about their programs in the past or will have a difficult time to understand how they can take advantage of some of those programs.

So let me just explain to you briefly what are some of the steps that we have taken. State visits is one of the successful efforts that we have gone through, because when we go, we meet with them face to face, we spend about a day with them at different levels, as I mentioned in my oral testimony. We try to meet with them at different levels, educate them about our programs, answer their questions, and also explain to them how the process works. That has been a very successful effort for us.

But beside that, we have conference calls with them, we have webinars for them, we go to different conferences and industry gatherings, not only to the big ones that folks who are familiar with our projects typically attend, but to those that people from rural communities, counties, cities often go and participate in
those. So that is the outreach program that we have in place. Our outreach team is very active in terms of reaching out to people and answering any questions that they may have.

Sometimes they reach out to us with questions. We will spend time, walk them through the answers, walk them through the process. Besides that, as I mentioned also in my oral testimony, we have tried to tailor our products so that they are not just benefiting larger projects the way that they were being used in the past.

Some of the new projects that we have added to our pipeline are smaller projects. They are not going for a 35, 40 year loan. They actually are going for shorter type of loans. They are simpler, not as complicated as some of the larger projects. So we have put those also in the toolbox. So those who want to take advantage of those tools also have access to those tools as well.

The CHAIRMAN. Thank you. Also, Dr. Farajian and Mr. Szabat, a question to you both. As you are developing these rural transportation initiatives, have you or others at DOT identified any statutory, regulatory barriers that may have limited the Department’s ability to support rural communities or to carry out these initiatives?

Mr. SZABAT. Senator, with your permission, I will take the first crack at that answer. As we review the statutes and as we identify areas and get feedback from the rural communities, we intend to have a feedback loop with Congress, with these members of this Committee who are interested, to inform you of what those issues may be that we identify.

So for example, one thing that we know is almost certain to come up, we have nine different programs that distinguish between rural and urban and they have a range of different definitions of what constitutes a rural and urban community. There may be some advantage in having them more uniform or there may be advantages in keeping some of these programs defined the way they are. This is part of the conversation.

We have to have the rural communities before we make any recommendations ourselves to our processes, the interagency review, and then coming to you to talk to Members of Congress. Similarly, on the regulatory side, I think this is one of the main reasons we have the ROUTES Council established.

Take a look at what we are doing internal within the Department of Transportation. What can we streamline and what can we do quicker and better that would serve the communities, and frankly, the best advice we are going to get on that is the input we get from the communities themselves as opposed to us looking at the tea leaves and trying to determine internally what we are doing that that works well for the communities and what we are doing that does not.

The CHAIRMAN. Thank you. Doctor?

Mr. FARAJIAN. I just want to add to what Mr. Szabat just mentioned that we actually think that within the existing authorities and within the existing programs that we have there are plenty of opportunities, and we are more focused on finding where we can help rural communities to take advantage of those programs in areas that were not explored in the past.
Maybe, for example, TIFIA rural project initiative is something that I want to bring up. That is a program that, as I mentioned in my oral testimony, is getting a lot of attention especially from rural communities. We have 13 projects in seven different states. It is a program that can greatly benefit rural communities projects that are under $100 million, and it is a program that doesn’t require any modifications, any changes to the existing requirements that we have. We can easily implement it and we are going through that process with our rural stakeholders.

The CONGRESS. I would ask that if both of you could follow up with me on what this Committee should do to address any of the concerns that are out there in the future so that we can make sure that these efforts to help rural development are going to happen.

So, I would appreciate that. I am going to keep going. Dr. Farajian, Congress appropriated funding for RRIF credit assistance, including $25 million in Fiscal Year 2018 to address the cost of the RRIF credit risk premium. What impact do you expect this assistance will have on the utilization of the RRIF program?

Mr. FARAJIAN. Chairman Fischer, that is an excellent question. I was asked a question about some of the challenges that currently the RRIF program is facing. That program, the RRIF Express pilot program that you just refer to is our effort to streamline our process and utilize the RRIF programs, especially for short line and regional railroads.

If a project—if they have a project, short line and regional railroads, who have a project that is less than $50 million, if it qualifies under the program, they can come to us and borrow up to $50 million for their project costs, and we with the money that you just mentioned has been appropriated to us, are able to pay for credit risk premium of that loan as well as some of the advising fees that typically they pay. We have also streamlined our process to make it faster. We have set up a team within the Bureau that is meeting on weekly basis, looking at interests that we are receiving under that program.

We have advisors that we can bring on board quickly to look at the applications that we receive. Our goal is to make that program streamlined and fast and efficient, as fast and efficient as possible. We have received very good feedback so far on that program.

As a matter of fact, just this afternoon at 2 p.m., the American Short Line and Regional Association is hosting a webinar to educate some of the potential borrowers on how they can take advantage of the program. And the application period has been open for 2 weeks. It is just the beginning of it.

So it will be open for another two and a half months, and we are very optimistic that based on the feedback we have received so far, that it is going to generate very good results.

The CONGRESS. Thank you. Mr. McCarthy, I see you——

[Laughter.]

Mr. McCARTHY. Well, it is really interesting to listen to these two gentlemen. I am learning some things.

The CONGRESS. Well, we need to hear from you as well because you represent an industry in an area that is extremely important to our country, as was pointed out by Senator Cantwell. You men—
tioned in your testimony that container vessels are getting larger, noting that 18,000 container vessels could be coming to port soon.

Mr. McCarthy. Yes.

The Chairman. What effect do these larger vessels have been on port operations, and what actions are ports taking now to mitigate any negative effects such as congestion at these facilities? I have had the opportunity to visit ports on the West coast and on the East coast, down to Florida. It is fascinating what is going on at our ports and changes that are being made, but no matter which port I have been at, there is deep concern about the congestion problem.

Mr. McCarthy. Absolutely. It wasn't too many years ago that most of our vessels were 6,000 to 8,000 equivalent unit containers. And as you mentioned, we are looking at 18,000 TEUs, which is substantial. It creates a lot of activity over a short period of time, which as you point out congest our roads, rail, and other infrastructure.

So ports are struggling to develop that infrastructure within the vicinity of the gateway. So, we are doing innovative things like extended gate hours where we would operate on 24 hours a day if possible, which has a dual benefit. For example, if I am not putting congestion on the roads when people are commuting to and from work. So that is the type of innovation that we are doing. Those come with expenses involved but our cranes are getting bigger, our ships are getting bigger, but a lot of it is the same activity.

But that expanded activity, as you say, does pose a challenge with us that we are working through. We do need assistance as local communities to bring those facilities so that they are more than competitive with Canada, so that our U.S. products will find their way to their markets outside of the United States.

The Chairman. We have heard on this Committee about technology and how technology can make some major changes. From the Port of Long Beach, Dr. Hasegawa testified before the Subcommittee about their work that they are doing on a port optimizer and that provides all stakeholders with more clear advanced information about the movement of freight. Is the Northwest Seaport Alliance working on similar technologies or practices to better utilize the current infrastructure you have while we are waiting to build and not just maintain, but to expand?

Mr. McCarthy. Yes. In the last couple of years, we have expanded our efforts to track, for example, the length of time that a truck is at the terminal and waiting for the terminal to open up. And we have programs similar to those in Port of Long Beach and Port of Los Angeles, although by a different name, but for the record, I would like to provide some additional details on those and provide them to you for the record, if I could.

The Chairman. That would be wonderful. Thank you. I also wanted to talk to you, sir, about concerns that I have heard from shippers, particularly agriculture shippers, and that is the result of the congestion and delays at port facilities. As you know, the Federal Maritime Commission is currently reviewing a proposal to clarify how it is going to assess the reasonableness of the detention.

And what is the Northwest Seaport Alliance policy on the fees that you have for detention? And do you have recommendations for
addressing the underlying issues which I hope to receive from you on the port congestion and delays, lack of clarity where the freight is, so that the port facilities don’t need to assess those fees in the first place? My folks don’t want to pay them. That is what I am saying to you.

Mr. McCarthy. I understand. That is a fair question and one that I have heard throughout our State. For example, we grow about 10 billion pounds of potatoes and export about 70 percent of them, apples and cherries, and other agricultural products. And also we are huge exporter of hay.

And so I recently met with those that generate and compress the hay for export and we have talked about those issues, and the issue primarily centered around the fact that they have certain number of trucks they sent over to our gateway. They are tied up. They are unable to do, for example, two loads in a different, you know, in the same work cycle. It expands their costs. Those are the type of delays that are directly related to our infrastructure issue problems.

As to the detention fees itself, that is another one of those issues, if you don’t mind, I would like to for the record provide some additional information to you.

The Chairman. Thank you. Thank you so much. I understand Senator Thune will be returning? Senator Thune will not be returning. So I am just going to ask a couple more questions, if I may.

Mr. Szabat, last year the Congressional Research Service issued a report showing that several highways that are projected to have the largest increases in truck traffic between now and 2045, and that includes large portions of I–80 in my state of Nebraska as well as interstate portions in Illinois and Texas and a handful of other States.

Can you tell me, does the DOT take into consideration future increases in traffic demand or other similar metrics when developing infrastructure policy? And should Congress consider future freight demand, such as truck traffic demand along Interstate 80, when developing surface transportation infrastructure policy, particularly as it relates to the National Highway Freight Program?

Mr. Szabat. I appreciate the question, Senator. The short answer is yes to both aspects of your question. First, when we look at applications for our discretionary grant program, one of things that we are looking at is reduction and congestion immediately, but also what is the forecast growth. And a second aspect which plays into that is, what is the economic impact. We try to measure benefit-cost analysis for each of these projects——

The Chairman. When you look at the impact, do you look at the impact within a state, within a locality, within a state, within a region or nationally?

Mr. Szabat. So the—you will recall that when these programs—the grandfather of all of our discretionary grant programs was TIGER, and these were for projects of regional and national significance.

And much of that remains within the criteria we have for our programs today. So when we evaluate it, we look not just at the local benefit, but for example, you know for highway project like I—
80 in Nebraska or from any of our rail or highway projects, what is its benefit nationally to moving freights, whether it is to the ports in the Pacific Northwest or someplace else because investing in a highway just for the sake of the people who live around that stretch rarely makes sense. It makes sense for its impact on the Nation.

And then second, as you very much aware, we are working on a national freight strategy and a national freight network. And in both cases, in both of those, we are looking not just at a snapshot in time as to where are the freight flows today, but where are the opportunities to reduce congestion and develop, if you will, shift freight flows to better utilize the network so that we can get the maximum economic benefit at the least infrastructure investment cost.

So I think all of that would flow into an answer of if you are asking for a personal recommendation for should Congress consider these factors going forward, I would give an emphatic, yes.

The CHAIRMAN. Thank you. Also in Nebraska last year, we experienced severe flooding that caused extensive damage to our surface transportation infrastructure, including railroad infrastructure. When a short line railroad in Nebraska had significant damage, it had nowhere to turn to at DOT for grant assistance. Congress has previously allocated grant funding to repair critical short line infrastructure following disasters. Mr. Szabat, would the Administration support Congressional grant funding short line railroads could access to help recover after disasters?

Mr. Szabat. Thank you, Senator. You have identified a critical gap in how we, the Government, approach some modes of transportation are not done unequally in certain circumstances. As the Administration has not taken a position on the legislation, I cannot say that we would or would not support. I do say I would look very much forward to working with you, members of your staff, other interested members in Congress to provide whatever information or assistance that you need, both in developing a proposal and possibly in developing the Administration's position.

The CHAIRMAN. Thank you, sir. We will be in touch. Additionally, Dr. Farajian, would the RRIF Express program, including the credit risk premium assistance, be available for short line railroads to use to repair infrastructure following disasters?

Mr. Farajian. Thank you. Thank you for that question, Senator. There are some eligibility criteria for different types of projects that can use RRIF Express. Right now, I don’t know exactly what is the situation that you are describing, but my staff will be happy to meet with any potential borrower and answer their questions, look at the specific project that they are trying to borrow, to develop—to spend money on it.

And if the project is eligible, yes, the answer is that RRIF Express could be a source of financing for that project. However, I should also mention that the duration that the application period is open is as of now just for 3 months and it is going to expire on April 13. So that is just something that I wanted to have on record. A note that was published, it specifically says that applications can be received between January 13 and April 13.
The CHAIRMAN. Thank you very much, doctor. I would like to thank all three of our panelists today. I appreciate you coming in and sharing your expertise with us.

The hearing record will remain open for two weeks and during this time Senators are asked to submit any questions for the record. Upon receipt, the witnesses are requested to submit their written answers to the Committee as soon as possible.

Again, thank you so much for your participation on this very important subject. Thank you. The hearing is adjourned.

[Whereupon, at 11:05 a.m., the hearing was adjourned.]
APPENDIX

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO HON. JOEL SZABAT

INFRA and BUILD funding. The FAST Act provide $4.5 billion over five years for the Nationally Significant Freight and Highways Grant Program, also known as the INFRA program. In that same time period, Congress has provided $4.4 billion for the National Infrastructure Investments Grant program, also known as BUILD.

Question 1. Mr. Szabat, how much funding would be needed to support all the applications received for INFRA and BUILD grants last year?
Answer. In 2019, eligible applicants for the INFRA and BUILD program requested approximately $19.4 billion in grant funding from the Department. The continued overwhelming demand for the Department’s discretionary grant programs demonstrates the significant unmet infrastructure needs across the country. Eligible BUILD applicants requested $9.6 billion, and eligible INFRA applicants requested $9.8 billion.

Question 2. How much funding would be needed to support all of the applications subject to the multimodal cap under the INFRA program?
Answer. For the 2019 round, approximately $1.2 billion of $9.8 billion in requested grant funding would have been subject to the multimodal cap. At the beginning of the round, approximately $200 million of the original $500 million was still available to be awarded.

Freight Infrastructure. The FAST Act required the Department to develop a National Strategic Freight Plan by December 2017. The FAST Act also required the Department to establish a National Multimodal Freight Network to assist in the prioritization of Federal freight investment. DOT was required to issue a final network by December 2016.

Question 3. How is the Department able to appropriately prioritize Federal freight investment through programs like INFRA and BUILD when these items are not yet completed?
Answer. The Department recognizes the importance of Federal freight investment to the safe and efficient movement of freight throughout the United States. Through discretionary programs, the Department has included evaluation criteria that allow the Department to identify priority freight projects. For example, in the most recent INFRA notice of funding opportunity, the Department has included whether a project primarily serves freight and goods movement as a factor in the economic viability criterion evaluation.

Question 4. When can we expect the Department to finalize these items?
Answer. The Department has completed the National Freight Strategic Plan and it is expected to be released in FY20. The completion of the National Freight Strategic Plan will directly lead into the identification of the National Multimodal Freight Network.

GAO Report. Last March the GAO issued a report titled Action Needed to Guide Implementation of Build America Bureau and Improve Application Process noting that the Build America Bureau lacks a plan to guide ongoing and future efforts, as well as any kind of performance indicators to assess its progress. A year later, all five of the GAO’s recommendations remain open.

In response to a recommendation calling for a detailed implementation plan that sets goals and a timeline for the Bureau’s continued efforts and prioritizes work to carry out the multiple responsibilities given to the Bureau in the FAST Act, DOT stated it did not plan to create a detailed implementation plan as that would detract from higher priority efforts.

Question 6. What are the Bureau’s top priorities, and what steps has the Bureau taken to establish goals or timelines for ensuring that states and local governments
are able to complete the application process and receive necessary funding in a timely manner?

Answer. The Bureau top priorities are to:

- **Enhance** the pipeline of eligible projects by providing proactive educational outreach and technical assistance to potential borrowers in utilizing the TIFIA and RRIF programs, and their capacity to fill market gaps by leveraging substantial local and private co-investment.

- **Diversify** the pipeline of eligible projects by geography (i.e., urban and rural, new States, etc.) size, and type (i.e., highway, transit, rail, port, etc.), to ensure an equitable distribution of program benefits.

The FAST Act directs the Department to establish technical assistance programs to educate borrowers on how to access the Department’s credit programs. In addition, the FAST Act made certain changes to the TIFIA program set forth in Chapter 6 of title 23 and established other programs to facilitate access to the Bureau’s credit programs. To meet these requirements, the Bureau has established several programs as outlined below and initiated an effort to educate state and local government officials on how they can identify potential projects and innovative approaches to benefit from the Department’s credit programs. Also, the Bureau has taken several steps to ensure that states and local governments can complete the application process and receive necessary funding in a timely manner, and we continue to refine and streamline our processes wherever possible. For example:

- The Bureau has merged both the Letter of Interest (LOI) and the loan Application forms so that a borrower can submit a single version of each form for either a RRIF or TIFIA loan or both.

- The Bureau has implemented the FAST Act’s new streamlined process for TIFIA applicants with highly rated credits not affected by project performance and the project is ready to go.

- To address the needs of rural borrowers, the Bureau implemented the TIFIA Rural Projects Initiative that educates sponsors regarding the TIFIA program’s statutory benefits for eligible small, rural projects, including application fee relief, ability to finance a larger share of eligible project cost, and a reduced interest rate equal to half the rate applicable to standard loans.

- The Bureau launched the RRIF Express pilot program in December, 2019. Eligible applicants will receive reduced fees, Credit Risk Premium (CRP) relief and expedited loan processing.

- In FY 2020, the Bureau will launch the Regional Infrastructure Accelerator demonstration program that was authorized under the FAST Act and funded under the Further Consolidated Appropriations Act, 2020, aimed at helping project sponsors develop capacity, obtain technical assistance and more easily access the TIFIA loan program at the regional level.

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**RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TAMMY DUCKWORTH TO HON. JOEL SZABAT**

**Question 1.** Secretary Chao recently announced a $38 million multi-modal First Responder Safety Technology Pilot Program to equip emergency response vehicles and transportation infrastructure, like traffic signals and public transit, with “V2X” technologies using the 5.9-gigahertz safety band to enhance safety for emergency responders. Per your commitment during the hearing, please provide additional details about this pilot program, including but not limited to: the specific source(s) of funding for the pilot program, the anticipated timeline for issuing the Notice of Funding Opportunity and completion of the application process, criteria that have been identified for inclusion in the pilot program including, any specific requirements for utilization of the 5.9 GHz band, as well as minimum and maximum grant award limits.

**Answer.** The Department plans to invest up to $38 million for the First Responder Safety Technology Pilot Program (First Responder) through the Federal Highways Administration’s Advanced Transportation and Congestion Management Technologies Deployment (ATCMTD) Program (see 23 U.S.C. § 503(c)(4)) and the National Highway Traffic Safety Administration’s vehicle safety research program (see 49 U.S.C. § 30182). This pilot program seeks to fund projects that equip law enforcement, fire, and emergency medical services (EMS) vehicles, and potentially other public vehicles (e.g., transit and tow trucks), and related infrastructure (e.g., traffic control signals and highway-rail-grade crossings signals) with vehicle-to-everything
communication technologies. This pilot program seeks a creative and innovative approach to adopt V2X technologies that will use the 5.9 Gigahertz Safety Band of spectrum in a technology-neutral manner.

Question 2. One hundred people die every day on the roads in the U.S. V2X technologies is expected to significantly improve the safety and efficiency of our transportation system. How does FCC’s proposal for reallocating the 5.9 GHz spectrum impact the development and deployment of V2X technologies, like advanced driver-assistance systems (ADAS) such as Left Turn Assist (LTA) and Forward Collision Warning (FCW)?

Answer. Many of today’s vehicles use “conventional” sensors (e.g., radar, camera, lidar) for Advanced Driver Assistance Systems (ADAS), such as forward collision warning (FCW), blind spot warning (BSW), automatic emergency braking (AEB), rear cross-traffic alert, and others. Notably, left turn assist (LTA) is not available on vehicles today as this application cannot be reliably implemented with conventional sensors. Vehicle-to-everything (V2X) technology, with its ability to detect other V2X vehicles beyond just line-of-sight, enables new safety applications such as LTA, intersection movement assist (IMA). In addition, V2X can also improve the performance of existing safety applications (such as FCW, BSW, and AEB) by augmenting conventional sensors to identify collision threats more reliably and accurately.

To date, all development and deployment of V2X safety applications are based on dedicated-short-range-communications (DSRC) technology using channel 172 of the Safety Band for vehicle-to-vehicle (V2V) and channels 174–184 for vehicle-to-infrastructure (V2I). If the FCC proposal for reallocating 5.9 GHz spectrum were to be implemented, these applications would need to be moved to channel 180 and radios and roadside installations re-engineered for that channel. While the applications should operate the same on channel 180, testing would also be necessary to determine whether interference from Wi-Fi operations on adjacent channels may impact the safety performance of the applications. USDOT has completed initial testing.

Additional analyses are underway on unlicensed Wi-Fi effects on the remaining channels 182–184 as well as with effects to other emerging technologies. Results are provided on the Safety Band website as they are completed.

Question 3. Please describe which of the pilot deployments on USDOT’s map are actively using all 75 MHz today for the Dedicated Short-Range Communication (DSRC) safety operations and what are the specific DSRC safety operations? How many vehicles have these technologies installed, and why do the pilot projects require more than 30 MHz of spectrum?

Answer. The Department surveyed the sites for channel usage approximately a year ago. Approximately 35 percent of sites responded to our survey. At that time, there were no sites using all 75 MHz of spectrum. There was a total of seven sites using multiple channels. Notably, New York City, which is one of USDOT’s Connected Vehicle Pilot sites, is using six of the seven available channels; while Michigan, which has been hosting several deployments, is also using six of the seven channels. The specific DSRC safety applications supported by these sites include:

- Curve Speed Warning
- Dynamic Ridesharing and Shared Use Transportation
- Eco-Approach and Departure at Signalized Intersections
- Emergency Vehicle Preemption
- Evacuation and Reentry Management
- Freight Signal Priority
- Integrated Multi-Modal Electronic Payment
- Oversize Vehicle Warning
- Parking Space Management
- Pedestrian and Cyclist Safety
- Queue Warning
- Reduced Speed Zone Warning/Lane Closure
- Restricted Lane Warnings
- Road Weather Motorist Alert and Warning
- Smart Park and Ride System
- Signal Phase and Timing (Spat) messaging
- Speed Warning and Enforcement
- Transit Signal Priority
Basic Safety Message (BSM): Supports multiple V2V applications that are being implemented in CV pilot sites such as forward collision warning; blind spot warning; intersection collision warning; and red light violation warning, and emergency brake light warning.

Work Zone Safety Monitoring

We estimate there are approximately 16,000 vehicles equipped with V2X technology at these deployment sites with several thousand more in the planning stages. While most of the pilot sites are presently using less than 30 MHz of spectrum, additional spectrum allows for anticipated expansion of V2X services and applications into the future. Examples of applications and services requiring additional spectrum include: vehicle-to-pedestrian (V2P) safety applications; platooning and cooperative-automation applications; and expanded vehicle-to-infrastructure messaging.

Questions 4. The Government Accountability Office's (GAO) 2019 report, *Surface Transportation: Action Needed to Guide Implementation of Build America Bureau and Improve Application Process* (GAO–19–279) recommended that the USDOT Under Secretary of Transportation for Policy ensure that the Build America Bureau develop and adopt a public statement that outlines USDOT's and the Bureau's policy goals and appetite for risk for the RRIF program. USDOT stated in their response that they did not fully concur with this recommendation, but did not provide any additional explanation for their reasoning. Please describe the Department’s appetite for risk related to the RRIF program.

Answer. In the Department’s letter response to the GAO, we noted that we do not believe that a risk appetite statement for the TIFIA or RRIF loan programs would be feasible. In that letter, we noted the following reason:

“The loan programs in the Bureau cover a diverse portfolio of public, private, highway, transit, rail, intermodal, airport and seaport projects that range widely in size, complexity, location and financial structure. Given that diversity, a single statement designed to cover the whole portfolio would, by necessity, make the program inaccessible to some project sponsors. Developing the significant number of separate statements that would be necessary to address each project scenario needs would not be feasible. The Bureau has a due diligence process designed to appropriately vet the creditworthiness and potential risk of projects seeking credit assistance.”

Question 5. FMCSA recently announced a two-year delay in the implementation of the entry-level driver training (ELDT) rule due to information technology issues with the Training Provider Registry (TPR). According to FMCSA, changes to USDOT internal requirements for cloud-based IT systems are primarily responsible for the delay in the completion of the TPR technology platform. What is the current status of the TPR? Has the Office of Management and Budget (OMB) approved the Information Collection Request for ELDT? Please describe the changes to USDOT's internal requirements that necessitated this delay, when and why the determination to make those changes was made, the estimated timeline for completing those changes, and whether other USDOT rules or project deadlines have been—or are expected to be—impacted by these changes. Additionally, please describe how this delay will impact state driver license agencies (SDLA) or may otherwise impact safety.

Answer. On June 4, 2020, FMCSA launched the TPR website, followed by the release of the Web Services Handbook, which will allow the SDLAs, training providers, and American Association of Motor Vehicle Administrators to meet the IT technical requirements for interfacing with the TPR. FMCSA is currently finalizing several components of the TPR, including the TPR system testing tools for external users interfacing with the TPR, the training provider registration and search functionality, and the ELDT certification transmission and retrieval functionality.

Based on our project plan, FMCSA estimates that SDLAs will begin receiving ELDT driver-specific information by the beginning of 2021, and we are planning to allow training providers to begin registering for the TPR in October 2021.

With regard to the details about the technical challenges in initiating the IT development phase the Agency has shared this information with stakeholders via the preamble of the February 4, 2020, Interim Final Rule (IFR) to ensure interested parties were aware of all the factors the Agency considered in making the decision to issue the IFR, and they too could consider those factors in providing comments to the rulemaking docket.

Finally, in response to the question about the status of the Information Collection Request, OMB approved FMCSA's request on June 26, 2020.
Question 6. What concerns and impediments have States raised with USDOT regarding the implementation of the entry-level driver training rule? What is USDOT doing to assist States in addressing those concerns and impediments? Has the FMCSA established any dates or deadlines for states by which states must make decisions on the format of IT systems, where to store data, and any other required steps for compliance?

Answer. Several SDLAs have raised important questions and concerns regarding the transmittal of ELDT certification information to the States through the Commercial Driver's Licensing Information System (CDLIS) and the Commercial Skills Test Information Management System (CSTIMS), as well as obtaining the information from the Training Provider Registry. Further, States questioned the need for a second verification that an applicant completed the required ELDT training prior to the issuance of a CDL.

In response, FMCSA made clarifying changes to the ELDT rules, eliminating what would otherwise have been a duplicative requirement imposed on the States. The Agency revised the rules to clarify that the State must verify an applicant’s completion of required ELDT at the point of testing, not issuance (and testing). Additionally, FMCSA amended the rule by removing the requirement to perform CDLIS inquiries, which would limit the State to one interface option for accessing the TPR. FMCSA has worked closely with, and will continue to work with, the American Association of Motor Vehicle Administrators (AAMVA) and the SDLAs during the implementation phases to address these issues in a way that minimizes the administrative burden on States to the greatest possible extent.

We also encourage States to apply for funding through FMCSA’s Commercial Driver’s License Program Implementation grant program to help offset the costs of implementing the ELDT rule. Implementation of the ELDT rule is important to the FMCSA, so much so that we offer 100 percent reimbursement for these mandated projects. FMCSA has not established any deadlines for States, other than the proposed compliance dates. However, the Agency has set a high priority on the development of an IT environment by October 2020, for the SDLAs to begin testing their connectivity to the TPR. We have also determined that the ELDT certification information will be stored in the Training Provider Registry. The Agency believes that storing the training information in the TPR should further alleviate administrative burdens on States. As we further develop the TPR, we will continue to communicate the system requirements to the States to help assist them with creating or modifying their existing IT systems.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TAMMY BALDWIN TO HON. JOEL SZABAT

Question 1. The Consolidated Appropriations Act of 2020 directed the Department of Transportation to continue to partner with State DOTs, metropolitan planning organizations, local and Tribal governments and other entities to assess vulnerabilities and analyze opportunities to improve the resiliency of federal, state and local transportation assets. According to the report language, such partnerships should include additional pilot projects and ensure geographic diversity. Further, in that report language, DOT was directed to expand its technical assistance and trainings to help these entities revise current practices to develop reliable indicators of vulnerability and actionable mitigation measures in all phases of transportation planning, asset management, project-specific planning and development, and operations toward improving resiliency and reducing lifecycle costs.

Please provide me with the status of implementation of each item above.

Answer. The Department of Transportation’s Federal Highway Administration (FHWA) continues to partner with States and metropolitan areas to increase the longevity of the Nation’s highways by assessing vulnerabilities and incorporating resiliency throughout all phases of transportation decision-making. This includes funding pilot projects, developing resources, facilitating information exchange among transportation agencies, and providing technical assistance.

The FHWA continues to work with State DOTs, Metropolitan Planning Organizations, and local agencies across the country to develop lessons learned and share this information nationally through the development of resources on incorporating resilience into all aspects of transportation decision making.

FHWA is expanding its technical assistance and training workshops to help State and local officials. For example, FHWA is currently working with the National Highway Institute (NHI) to develop training for addressing resilience in highway project development and preliminary design. FHWA is also working to provide tech-
technical assistance and identify resilience related impacts and opportunities in the form of “rapid resilience assessments” to State DOTs following various natural and other hazard events.

Question 2. On December 3, 2019, Senator Duckworth and I wrote to Secretary Chao and Administrator Dickson about implementation of Section 440 of FAA Reauthorization. We have not yet received a response to our letter, which requested an update on the status of DOT’s review and revision of regulations related to training programs for air carrier personnel, including contractors, who provide physical assistance to passengers with disabilities to ensure that training programs are offered annually and include hands on training. I look forward to a response to that letter.

Please provide me with the status of implementation of Section 440 of FAA Reauthorization.

Answer. I have summarized below and included a copy of DOT’s response to your letter referenced above.

Section 440 requires the Department to review, and if necessary revise, applicable regulations to ensure that passengers with disabilities who request assistance while traveling receive dignified, timely, and effective assistance from trained personnel. Section 440 also requires the Department to review, and if necessary revise, applicable regulations related to covered air carrier training programs for air carrier personnel, including contractors, who provide physical assistance to passengers with disabilities to ensure that training under such programs occurs on an annual schedule for all new and continuing personnel charged with providing physical assistance, and includes as appropriate, instruction by personnel with hands-on training for employees who physically lift or otherwise physically assist passengers with disabilities, including the use of relevant equipment.

The Department has completed its initial review of the applicable regulations related to assisting passengers with disabilities in enplaning, deplaning, and connecting between flights, and to training for employees and airline contractors who physically lift or otherwise physically assist passengers to determine whether regulatory changes may be needed. The Department’s review of its regulations and complaint data, pursuant to section 440, revealed that the Department receives a significant number of complaints from consumers alleging that they did not receive prompt or timely wheelchair or guide assistance at the airport. This suggests that airlines may not fully understand their obligation to provide prompt passenger assistance for passengers with disabilities in moving within the airport. Accordingly, through issuance of the Spring 2020 Unified Agenda, the Department announced its plans to amend its regulation to clarify airlines’ responsibility to provide prompt assistance to passengers with disabilities who request assistance in moving within the airport.

Also, the Department shared information regarding its review with the Air Carrier Access Act Advisory Committee (ACAA Advisory Committee) at its first meeting, which was held on March 10 and 11, 2020. The ACAA Advisory Committee consists of representatives of passengers with disabilities, airlines, airports, and others. It is tasked with identifying and assessing the disability-related access barriers encountered by passengers with disabilities.

The Department has established three subcommittees of the ACAA Advisory Committee. They are the Subcommittee on Ticketing Practices and Seating Accommodations, Subcommittee on Stowage of Assistive Devices, and the Subcommittee on Assistance at Airports and Related Training. The Subcommittee on Assistance at Airports and Related Training will be focusing on the issues identified in Section 440 of the FAA Reauthorization, and will report its findings to the full ACAA Advisory Committee in a public meeting. The Department believes it would be beneficial to engage the expertise of the ACAA Advisory Committee as part of its review pursuant to Section 440 to help inform the Department’s decision.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TOM UDALL TO HON. JOEL SZABAT

Question 1. As you are aware, visibility is limited on rural roads, and poor conditions and obstacles are prevalent, some risks could be mitigated by increasing the number of road signs to warn drivers of potential, unforeseen dangers. Does the DOT support increasing road signage to better communicate possible dangers such as fallen rocks and boulders, wildlife crossings, and train tracks which may help decrease high fatality rates on rural roadways?

Answer. The Department, through the Federal Highway Administration (FHWA), establishes nationwide standards for traffic control devices, including signs, in the Manual on Uniform Traffic Control Devices for Streets and Highways (MUTCD).
The MUTCD is incorporated by reference in regulations found at 23 CFR part 655, and it applies to all roads open to public travel. State and local agencies must adopt versions of the MUTCD that are consistent with the MUTCD, and it applies to all roads open to public travel. State and local agencies must adopt versions of the MUTCD that are consistent with the MUTCD.

The MUTCD contains many warning signs for different types of road hazards, such as horizontal curves and intersections and occasional hazards such as fallen rock, wildlife, weather-related conditions, and road surface conditions. Some examples include Fallen Rock, Fog Area, and Deer Crossing. At passive highway-rail grade crossings (those without automatic gates or lights), a Stop or Yield sign is required depending on the visibility of trains to approaching drivers on the road. The Department currently promotes several countermeasures for rural road safety and highway-rail grade crossings to reduce crashes on rural roads, including: Chevron signs along curves, Intersection Warning signs, and Grade Crossing safety signs. States may use Highway Safety Improvement Program (HSIP) funding to install, replace, or otherwise improve signage, as long as it is to address a highway safety problem, and is consistent with the State's strategic highway safety plan.

Question 2. Costs to maintain and repair infrastructure in rural areas is increasing at a higher rate than tax receipts used to cover these costs, putting rural areas in a particularly difficult position. Is there a plan to alleviate pressure on rural communities and help address this imbalance of revenue to cost in rural communities?

Answer. The Department appreciates that rural communities face unique challenges, and is working to address them through a number of approaches, including the Department’s ROUTES Initiative. The Administration has reinforced its commitment to meeting rural needs through the President’s Fiscal Year 2021 Budget Request.

To better address rural needs, Secretary Chao launched the ROUTES Initiative in 2019. The ROUTES Initiative, which stands for Rural Opportunities to Use Transportation for Economic Success, includes a rural transportation infrastructure council and currently has three focus areas: (1) collecting stakeholder feedback to identify rural infrastructure project needs and challenges; (2) sharing user-friendly information with rural communities to assist them in understanding and applying for the Department’s discretionary grants; and (3) improving the Department’s data-driven approaches to better assess needs and benefits of rural transportation infrastructure projects. Modal administrations including the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Federal Railroad Administration (FRA), and the Federal Aviation Administration (FAA) will coordinate on the ROUTES Initiative.

Finally, the President’s Fiscal Year 2021 Budget request calls for a substantial increase in funding that could help address rural infrastructure needs. For example, the Budget proposes $35 billion for a new Bridge Rebuilding Program, including $12 billion to be allocated by formula for use on “off-system” bridges—often locally-owned and located in rural areas. The Budget also proposes another $25 billion for a new Revitalizing Rural America program, which would help rural communities deliver broadband, transportation, water, and other infrastructure projects.

Question 3. Rural infrastructure is disproportionately impacted by usage necessary to sustain economic activity in the area, specifically within the agriculture and extractive industries that are more prevalent in rural communities. These industries often use heavier, oversized vehicles that increase wear and deterioration of infrastructure and also lend to more dangerous traffic by causing sudden decreases in speed, prompting other vehicles to pass them using on-coming lanes, etc. These issues increase seasonally during peak recreation seasons. What are some ways DOT plans to address these issues?

Answer. In October 2019, Secretary Chao announced a major new initiative to address disparities in rural transportation infrastructure with the aim of improving safety and economic competitiveness throughout the Nation. The Rural Opportunities to Use Transportation for Economic Success (ROUTES) Initiative recognizes the importance of rural transportation networks to the agriculture and extractive industries, because transportation is essential for both domestic uses and the export of agricultural, mining, and energy commodities. As discussed in response to the previous question, the ROUTES Initiative will begin work in three focus areas. One area involves collecting ideas from stakeholders on the benefits rural projects offer for safety and economic outcomes, as well as the kind of assistance rural projects need. The other areas include providing rural communities with information to assist them in applying for the Department’s discretionary grants and improving data-driven approaches to evaluate needs and benefits of rural transportation projects. The Department is open to other ideas for addressing impacts to rural infrastructure resulting from economic activity.
Question 4. Insufficient rural broadband and wireless connectivity is an issue across the country that needs to be addressed. Do you support the “dig once” concept that pairs improvements in infrastructure, specifically roads, with the installation and improvement in wireless networks and broadband?

Answer. The Department agrees that it is important to expand access to broadband connections, and has been supportive of the Administration’s work on broadband, including participation in the American Broadband Initiative. Consistent with President Trump’s Executive Order 13821, “Streamlining and Expediting Requests to Locate Broadband Facilities in Rural America,” the Federal Highway Administration (FHWA) has been working with State transportation officials to improve utility coordination and accommodation in the highway rights-of-way to accelerate broadband infrastructure deployment. Additionally, FHWA encourages States to work with service providers on joint highway and utility planning, and to consider the use of innovative practices and technologies to minimize roadway excavation.

The FHWA is also developing a proposed rule to facilitate broadband infrastructure deployment in the right-of-way (ROW) of applicable Federal-aid highway projects. The proposed rule, which FHWA anticipates publishing, in the coming months will implement provisions of the MOBILE NOW Act (codified at 47 U.S.C. 1504) to ensure that States meet specific registration, notification, and coordination requirements for such broadband infrastructure ROW efforts.

Question 5. How is DOT working with rural communities to address often times unique issues in the formulation and implementation of infrastructure policy?

Answer. Planning policy and project development decisions are part of the Statewide transportation planning process. Some States have designated Rural Planning Organizations (RPO) or Rural Transportation Planning Organizations (RTPO) that work directly with rural communities to identify policy and planning needs. To assist in the formulation and implementation of infrastructure policy, FHWA provides technical support and expertise on design and construction specifications, policies, and procedures. FHWA Division Offices work with State Departments of Transportation in developing standard plans and specifications, and local agencies and rural communities follow their State’s policies. The FHWA also develops resources to help small towns and rural communities develop active transportation infrastructure that is safe and comfortable for people of all ages and abilities. The Department anticipates that the Rural Opportunities to Use Transportation for Economic Success (ROUTES) Initiative described in response to Questions 2 and 3 will build upon and enhance these efforts.

Question 6. The unique challenges that rural areas face require specific expertise in rural planning. The lack of such expertise leads to reduced planning, which then negatively affects the application for funding projects. According to officials in Sandoval County in New Mexico—a rural county in New Mexico—creating a dedicated funding source for planning and design of rural transportation needs could resolve this issue. Do you agree with this assessment? What steps is DOT taking to assist communities with technical assistance?

Answer. The Department agrees that planning is vital to understanding transportation needs in rural areas. The Statewide transportation planning process accounts for rural needs and offers opportunities for identifying and prioritizing transportation improvements in these areas. In some cases, the States have designated Rural Planning Organizations or Rural Transportation Planning Organizations that identify rural planning needs and priorities. In other cases, States work directly with local officials. The needs and priorities in rural areas can be different than those in non-rural areas; therefore, approaches that are sensitive to the needs of rural communities are important.

To assist communities, FHWA has produced resources to help rural transportation planners increase their skill sets and abilities through guidebooks and tools. For example, Regional Models of Cooperation, an Every Day Counts initiative, helps regions pool resources to address multi-jurisdictional transportation issues. Virtual Public Involvement another Every Day Counts initiative, enhances and broadens the reach of public engagement by making participation more convenient, affordable, and enjoyable for greater numbers of people.

Question 7. Is DOT looking at ways to update the scoring of grant applications in order to more fairly analyze the cost-benefit assessments that are sometimes harder to quantify in rural communities?

Answer. Benefit-cost analysis is one of several factors that the Department considers when evaluating grant applications. Such analyses are intended to provide an objective and fair assessment of benefits and costs for projects in both rural and urban areas. The Department is consistently looking to update and improve its guid-
ance on conducting benefit-cost analysis, while being cognizant of the resource and technical capacity constraints that potential applicants face, particularly those in smaller communities. Our staff also works with those applicants to help them better articulate and quantify the benefits of those projects through targeted webinars, debriefs, technical assistance, and, in the case of rural communities, initiatives such as ROUTES.

Question 8. Matching fund requirements are more challenging for rural communities to meet due to often limited tax bases. What efforts, if any, are being made to help rural communities learn about, and apply for Federal options for matching funds? Additionally, are there any efforts being made to allow non-DOT Federal funds to be used as matching funds? If no such efforts are being made, would it be possible to allow for rural areas to be required to match funds at a lower rate?

Answer. One of the main areas of activity for the ROUTES initiative is developing easy-to-use information for rural communities to help them better understand the Department’s discretionary grant programs. To that end, we are developing an Applicant Toolkit that provides an overview of all the Department’s discretionary grants and an introduction to the application process. Some of our programs do provide greater flexibility for rural applicants—for instance, BUILD does not require a match for rural projects. In many cases, of course, the rules for these programs are set by statute, but we are working closely with the modes to identify programs where we may have authority to provide useful flexibility for rural communities.

Question 9. Many rural communities have limited resources which make it hard to hire technical assistance for grant writing, and grant administration. In order to address this, do you think that DOT should provide funding for a program specifically aimed at providing such assistance and training to rural communities?

Answer. This is an area our ROUTES Council and Management Team are examining. We are also examining options to leverage existing Department programs that offer technical assistance to rural communities, such as FHWA’s Local Technical Assistance Program (LTAP) and Tribal Technical Assistance Program (TTAP), as well as FTA’s Rural Transit Assistance Program (RTAP). We are also exploring ways to partner with other Federal agencies such as USDA, who have extensive presence in rural communities.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO MORTEZA FARAJIAN, PH.D.

Railroad Rehabilitation and Investment Financing. The FAST Act provided the Department of Transportation $35 billion in loan authority for the Railroad Rehabilitation and Investment Financing (RRIF) program. However, only four loans have been provided since the passage of the FAST Act and only $6.2 billion in loans has been distributed.

Question 1. Outside of the RRIF Express program, what actions has the Bureau taken to encourage eligible entities to apply for RRIF loans?

Answer. Since establishing the Bureau in 2016, we have implemented a number of measures aimed at helping project sponsors access both the RRIF and TIFIA credit programs more easily. These range from establishing the Outreach and Project Development team that serves as the single point of contact for project sponsors and helps then navigate the regulatory and financial processes. We implemented a more formal and streamlined processes for the review of applications, including weekly meetings of the staff-level Credit Review Team and monthly meetings of the Council on Credit and Finance, both of which have served to reduce the time that it takes for a qualified borrower to obtain a loan. Additionally, we have harmonized the application processes between the TIFIA and RRIF program to the extent we can. We are also developing standardized loan agreement templates for corporate borrowers to make it easier for borrowers to get to financial close by saving time and reducing transaction expenses. We are providing increased in-house technical assistance, including help with environmental (NEPA) and permitting issues.

Question 2. What are the most common concerns that you hear from applicants regarding the RRIF loan application process and what are you doing to address those concerns?

Answer. The three most common challenges we hear from prospective borrowers, especially the smaller short line and regional railroads, are:

- The amount of time it takes to secure a RRIF loan;
• The cost of the Credit Risk Premium (CRP) and that the CRP cost is not known until late in the underwriting process; and
• The expense that the borrower incurs in paying for Bureau financial and legal advisors to review the loan application.

The RRIF Express pilot program was implemented to address each of these concerns and we anticipate learning much from this pilot to help us better understand how to serve the short line and regional railroads following its close-out later in the year.

Question 3. How many applications have you received so far for the RRIF Express Program and when do you expect to complete the application process for those applications?

Answer. The open application period for RRIF Express closed in mid-August, with ten initial Letters of Interest received at that point, which we anticipate would not utilize all $25 million in budget authority for credit subsidy that Congress appropriated. We are considering options to expand eligibility and extend the deadline in hopes of fully utilizing this budget authority. While it is difficult to predict when projects will reach financial close because much of the timing is driven by the prospective borrower’s rate of progress, we believe the application review process can be finalized within six months of receiving a complete application. We will be happy to share more details on the results of the pilot program and lessons learned once we have the information available.

GAO Report. Last March the GAO issued a report noting that the Build America Bureau lacks a plan to guide ongoing and future efforts, as well as any kind of performance indicators to assess its progress. A year later, all five of the GAO’s recommendations remain open.

Question 4. What steps has the Bureau taken to implement each recommendation and when can we expect each recommendation to be fully implemented?

Answer. The Bureau responded to the GAO’s report and recommendations in a letter dated June 28, 2019. A copy of the letter was provided to the Senate Subcommittee on Transportation, Housing and Urban Development. The Bureau has completed actions to address three of the five recommendations (Recommendations 3, 4 and 5), as of August 24, and GAO has closed one (Recommendation 5). The Bureau is on track to complete a deliverable that will address the two other Recommendations (1 and 2) and provide them to GAO by October 1, 2020.

ROUTES and the Budget. The Build America Bureau’s RRIF Express program and Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program’s Rural Project Initiative are key parts of the Department ROUTES Initiative. Not only is tailoring infrastructure programs to meet the needs of rural communities, but outreach and technical assistance are vitally important to ensure rural communities have access to these programs. The President’s Budget proposes reducing appropriations for the Build America Bureau by 15 percent to $4.25 million in FY 2021.

Question 5. How would this cut impact the Bureau’s ability to perform outreach and technical assistance to rural communities?

Answer. In addition to the resources appropriated to the Bureau for administration, the Bureau also has access to the administrative resources authorized in section 608 of title 23 for the TIFIA program, which we envision will be reauthorized for Fiscal Year 2021. Together, these funding sources for the Bureau’s administrative expenses will adequately support our rural and other initiatives. In addition, we recently received an appropriation to conduct a regional infrastructure accelerator demonstration program, which presents another opportunity to provide technical assistance to rural and non-rural project sponsors seeking TIFIA and other innovative financing. As such, the requested funding level in the 2021 President’s Budget for the Bureau’s administrative expenses will not negatively impact our ability to conduct this outreach.

Question 6. What other impacts would this cut have on the Bureau’s activities?

Answer. We do not anticipate any negative impacts on the Bureau’s activities resulting from the 2021 President’s Budget.

Question 7. At the hearing you testified that there were approximately a dozen applications being considered pursuant to the TIFIA Rural Projects Initiative. When do you expect to complete the application process and make awards pursuant to that Initiative?

Answer. While it is difficult to predict when projects will reach financial close because much of the timing is driven by the prospective borrower’s rate of progress and their timing needs, we do have a growing pipeline of projects that are interested
to use the TIFIA Rural Project Initiative, mainly due to our expanded outreach and technical assistance efforts to rural communities. We have two projects in the final stages of the creditworthiness and negotiation phase, with expected closing in September and October 2020. We also have a third project which has entered the creditworthiness phase and is expected to close by year-end 2020. We are closely working with the remainder of the Rural Projects, but because they are less advanced in their development, it is difficult to predict when they might reach financial close, however, based on current participation, we believe it is likely that all TIFIA subsidy funds set aside for rural projects will be used by the end of FY 2021.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. TAMMY DUCKWORTH TO Morteza Farajian, Ph.D.

Question 1. Over the past five years, how many applicants successfully completed the pre-application process for a Railroad Rehabilitation and Improvement Financing (RRIF) loan. How many of these applicants did USDOT invite to apply for a RRIF loan?

Answer. Over the past five years, a total of 10 projects have completed the RRIF pre-application process, and USDOT invited all 10 to submit a RRIF loan application.

Question 2. Stakeholders are frustrated with the time it takes, and the associated costs, for USDOT to procure advisors for the RRIF pre-application process. Please describe the process of identifying and procuring USDOT advisors for the RRIF process? On average, how long does it take for USDOT to procure advisors for the RRIF pre-application process? Please describe any impediments to the timely identification and procurement of these advisors.

Answer. Through a competitive procurement process, USDOT has established a select pool of financial and legal advisors that have demonstrated to USDOT the specialized expertise necessary to evaluate potential RRIF loans. As a result, USDOT can typically procure its financial and legal advisors within 4-6 weeks from the time the Bureau has determined that a RRIF project sponsor’s letter of interest has offered sufficient information to begin the evaluation of the project.

Question 3. Many stakeholders have complained about the high cost associated with the financial and legal advice required in the RRIF pre-application process. Some applicants have spent hundreds of thousands of dollars during the RRIF pre-application process, which can deter future applicants from seeking Federal financing assistance. What is the spectrum of costs (low to high) for finance, legal and administrative advice for the RRIF pre-application process? For applicants who considering the pre-application process, how does USDOT establish expectations for applicants regarding these costs?

Answer. The characteristics of RRIF loan projects can vary greatly, and therefore the costs of both USDOT’s advisors and the prospective RRIF borrower’s advisors also vary greatly. These costs are not necessarily driven by the RRIF loan amount itself, and are due to a number of factors, including, but not limited to, compliance with Federal requirements, the project’s technical complexity, and the evaluation of the potential borrower’s ability to repay the RRIF loan. As we receive information from the applicant, we develop a range for the estimated expenses. Those estimates are usually as good as the level of information that we receive from the applicant. At early stages it may be a wide range, but as we make progress in the process and more accurate information becomes available the range becomes tighter. Also, sometimes new information may become available or unknown issues may arise that may require adjustments to the initial estimates. In all cases, we try our best to communicate realistic expectations regarding the expenses and estimates.

Question 4. How does USDOT ensure that applicants’ pre-application costs and timeline are minimized? What mechanism does USDOT employ to incentivize advisors appropriate and timely advancement of the pre-application processes in a timely manner?

Answer. When USDOT releases a request for proposals for the evaluation of a RRIF loan project to its pre-selected pool of financial and legal advisors, USDOT evaluates all responsive proposals and ultimately selects the proposal that offers the best value through a combination of both the proposal’s technical rating and total price. This incentivizes USDOT’s financial and legal advisors to submit proposals that foster an efficient evaluation of a RRIF loan project as efficiently as possible.

Bureau (BAB) has a number of prolonged vacancies. How many vacant positions currently exist at BAB? How long have those positions been vacant? Please explain what impediments exist to filling those vacancies? Please provide a list of the vacant positions including, title and job description.

Answer. The Bureau has made several hires in the past year. The Outreach and Project Development team has grown by six staff, the Credit Programs team has added a Lead Underwriter, a Business Operation Manager and two attorneys were hired. While there are a few remaining vacancies in the process of being recruited, mainly to enhance portfolio management and risk management functions, we are primarily at the point that we are replacing staff as personnel turnover occurs.

Questions 6. In GAO–19–279, GAO recommended that BAB develop and adopt a public statement that outlines USDOT's and the Bureau’s policy goals and appetite for risk related to the RRIF programs. USDOT stated that it did not concur with the recommendation because a risk appetite statement “would not be feasible” given the variety and diversity of projects that may be funded by BAB’s loan programs.

USDOT indicated that while it would be developing a strategy that outlined BAB's policy goals, it did not intend to issue a public risk statement. Please provide a timeline for when USDOT will be finalizing and releasing the proposed strategy outlining BAB’s policy goals, and describe USDOT's appetite for risk specifically for the RRIF program. Additionally, if USDOT or BAB have developed, or intend to develop, a private risk appetite statement or other similar analysis for the RRIF program or other programs under BAB's jurisdiction, please provide that statement or the timeline for when such a statement will be completed.

Answer. As noted in our response to the GAO, we do not believe that providing a risk appetite statement for either the TIFIA or RRIF programs would be feasible and practical. In our response, we state that: “The loan programs in the Bureau cover a diverse portfolio of public, private, highway, transit, rail, intermodal, airport and seaport projects that range widely in size, complexity, location and financial structure. Given that diversity, a single statement designed to cover the whole portfolio would, by necessity, make the program inaccessible to some project sponsors. Developing the significant number of separate statements that would be necessary to address each project scenario needs would not be feasible. The Bureau has a due diligence process designed to appropriately vet the creditworthiness and potential risk of projects seeking credit assistance.” As an alternative action, we have developed a risk approach statement which provides a high-level overview of the Bureau approach within the mandates and limitations of TIFIA and RRIF credit programs. This document is going through final steps of internal review and will be provided to the GAO by October 1, 2020.

In addition, we have posted the Bureau’s policy goals for the TIFIA and RRIF programs on our website in January, 2020, which are to:

- Enhance the pipeline of eligible projects by providing proactive educational outreach and technical assistance to potential borrowers in utilizing the TIFIA and RRIF programs, and their capacity to fill market gaps by leveraging substantial local and private co-investment.
- Diversify the pipeline of eligible projects by geography (i.e., urban and rural, new States, etc.) size, and type (i.e., highway, transit, rail, port, etc.), to ensure an equitable distribution of program benefits.

Question 7. Credit risk is generally considered the possibility of a loss resulting from a borrower’s failure to repay a loan. While it is impossible to predict who will default on a loan, assessing and managing risk is important to address the severity of a loss. However, lenders charge interest as a reward for assuming that risk, and in the case of the RRIF program, have the backing of the Federal government and the authority provided by Congress. However, concerns have been raised about USDOT’s acceptance of risk in RRIF applications. For example, some stakeholders have related that they have been required to “let” a project during the pre-application process. In layman’s terms, this is the equivalent of signing a contract to buy a house without a financing contingency before securing a mortgage. Please state whether this has occurred for any RRIF applications and cite USDOT’s authority to compel applicants to let projects before a loan is secured. Additionally, if this has occurred or if USDOT intends to utilize such an approach in the future, please provide an explanation of how this advances RRIF program goals of improving rail infrastructure.

Answer. As required by statute and regulation, the interest rate on a RRIF loan is equal to the rate on Treasury securities for a similar term. The Treasury rate is a “risk-free” interest rate that only compensates the Government for its time value of money. That is, the RRIF loan interest rate does not account for the risk
As part of a RRIF loan evaluation, USDOT also analyzes a RRIF project's construction and completion risk. USDOT does not require that a potential RRIF borrower "let" a project during the pre-application and application processes. However, USDOT does typically require that final construction or other purchase contracts be executed before USDOT can execute a loan agreement with a RRIF project sponsor to avoid unanticipated increases in total project costs that could jeopardize the project's completion, as well as the project's plan of finance, including the RRIF loan.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO HON. JOHN MCCARTHY

Freight Data. Big data can help policy makers and transportation planners with making important decisions about our transportation networks. The FAST Act required the Bureau of Transportation Statistics (BTS) to publish an annual Port Performance Freight Statistics report. The report provides nationally consistence performance metrics to measure capacity and throughput for the Nation's largest ports. Additionally, BTS provides a number of freight related datasets in its annual Freight Facts and Figures reports.

Question 1. How does the Northwest Seaport Alliance currently use the information provided by BTS?
Answer. The Northwest Seaport Alliance does not use the performance metrics for ports. They are too generic for decision making. We do review the freight-related datasets BTS publishes to communicate with partner agencies and the community at large. Our MPO, the Puget Sound Regional Council (PSRC), uses Freight Analysis Framework (FAF) data to some extent for its freight modeling efforts. Most (including our own) consultants use the PSRC’s model as the basis—with some adjustments—to evaluate the impacts of roadway and freeway projects on freight mobility.

Question 2. What additional freight related data would you find useful for BTS to provide?
Answer. NWSA offers the following suggestions on data that would be helpful to our organization.

• Metrics and measures that support U.S. businesses and trade: Data that support metrics that track freight system impacts on our exporters' and importers' competitiveness, including shipping cost, travel time and reliability.

• Data that allow us to incorporate shipping costs into freight system performance metrics within each mode, for these reasons:
  - Cost is a reflection of freight system efficiency: The cost of shipping can be directly affected by the efficiency of freight systems, and therefore it is a useful metric to compare like-modal investments.
  - Cost is critical for freight system users: Moreover, shipping cost is of critical importance to those who depend on the system. For exporters, it can make the difference in whether their products are competitive in global markets. It also is important to U.S. manufacturers, who depend on a highly efficient system to get their goods to market and to take advantage of the just-in-time processes that are common practice in their industries.
  - Shipping cost can drive shifting trade routes: Cost also is a factor that can influence significant shifts in trade routes, a phenomenon that should be of concern to policymakers and closely tracked. The port business is extremely competitive, especially over discretionary cargo bound for inland regions that can be shipped through any number of ports.
  - Cost is the primary driver of the Canadian ports’ advantage: At the NWSA we are keenly aware of the role cost plays in cargo routing decisions. Our main competitors are the nearby Canadian ports of Vancouver and Prince Rupert, which in recent years have aggressively targeted US-bound cargo. In the decade that followed the opening of Prince Rupert’s container terminal in 2007, the NWSA lost 15 percent of our market share to British Columbia ports. In addition to continuing to expand on the West Coast, Canada has plans to repeat this success on the East Coast. The NWSA competes well when it comes to efficiency, reliability and transit time to inland markets. Yet the cost of moving a container from Asia through the ports of Vancouver or Prince Rupert can be $600 less than it is to move a container through our port.
- **Data supporting other freight system performance metrics:** Recent efforts by FHWA's Office of Freight Management and Operations to identify performance measures related to freight in the areas of safety, maintenance/preservation, mobility reliability, accessibility/connectivity and the environment provide a robust first set of performance measures for trucks. Truck travel time reliability, truck-based delays, and the value of wasted time and fuel also are helpful measures that could inform DOT's discretionary grant programs. However, some issues that warrant further work include:
  - Currently, analysis focuses mostly on the Interstate System and does not adequately cover state and/or local facilities providing access to that system or rail intermodal yards serving major freight intermodal facilities such as our port's container terminals. High-volume, last-mile facilities are often located in urban areas that are severely congested, yet they are often overlooked in the analyses.
  - Future performance measures must address the performance of intermodal facilities, connectors and the rail and truck corridors to which they provide access in a way that addresses their role in the national freight system. (The current port performance metrics don't support this.)
  - Greater incorporation of environmental measures.

- **Data that allow us to benchmark the U.S. freight system with that of other nations:** The Federal government should utilize international benchmarks and increase efforts to understand how our freight system compares at a global level. This will help ensure U.S. exporters retain the transportation-related competitive advantages they have enjoyed over previous decades. A comparison can utilize many of the metrics USDOT already is tracking. Another good area to compare is public and private spending on freight infrastructure.

- **Data that allow us to assess individual supply chains:** It may also be helpful for USDOT to assess individual supply chains that are impacted by a project, set of projects or performance of certain corridors to determine the impacts of public investments on specific industries. For example, this could be helpful in determining the benefits of port improvements on the transportation costs of agricultural exports that are critical to supporting rural economies. Such an analysis should be performed based on end-to-end freight trips rather than over a single segment or mode.