ASSESSING THE FEDERAL GOVERNMENT'S COVID–19 RELIEF AND RESPONSE EFFORTS AND ITS IMPACT (PARTS 1 AND 2)

(117–24)

REMOTE HEARINGS

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

THURSDAY, JULY 29, 2021 (Part 1)
THURSDAY, SEPTEMBER 30, 2021 (Part 2)

Printed for the use of the
Committee on Transportation and Infrastructure

Available online at: https://www.govinfo.gov/committee/house-transportation?path=/browsecommittee/chamber/house/committee/transportation

U.S. GOVERNMENT PUBLISHING OFFICE
46–369 PDF WASHINGTON : 2022

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

PETER A. DEFAZIO, Oregon, *Chair*

ELEANOR HOLMES NORTON, District of Columbia
EDDIE BERNICE JOHNSON, Texas
RICK LARSEN, Washington
GRACE F. NAPOLITANO, California
STEVE COHEN, Tennessee
ALBIO SIRES, New Jersey
JOHN GARAMENDI, California
HENRY C. "HANK" JOHNSON, JR., Georgia
ANDRÉ CARSON, Indiana
DINA TITUS, Nevada
SEAN PATRICK MALONEY, New York
JARED HUFFMAN, California
JULIA BROWNLEY, California
FREDERICA S. WILSON, Florida
DONALD M. PAYNE, JR., New Jersey
ALAN S. LOWENTHAL, California
MARK DESAULNIER, California
STEPHEN F. LYNCH, Massachusetts
SALUD O. CARBAJAL, California
ANTHONY G. BROWN, Maryland
TOM MALINOWSKI, New Jersey
GREG STANTON, Arizona
COLIN Z. ALLRED, Texas
SHARICE DAVIDS, Kansas, *Vice Chair*
JESÚS G. "CHUY" GARCÍA, Illinois
ANTONIO DELGADO, New York
CHRIS PAPPAS, New Hampshire
CONOR LAMB, Pennsylvania
SETH MOULTON, Massachusetts
JAKE AUCHINCLOSS, Massachusetts
CAROLYN BOURDEAUX, Georgia
KAIALI'I KAHELE, Hawaii
MARILYN STRICKLAND, Washington
NIKEMA WILLIAMS, Georgia
MARIE NEWMAN, Illinois
TROY A. CARTER, Louisiana

SAM GRAVES, Missouri
DON YOUNG, Alaska
ERIC A. "RICK" CRAWFORD, Arkansas
BOB GIBBS, Ohio
DANIEL WEBSTER, Florida
THOMAS MASSIE, Kentucky
SCOTT PERRY, Pennsylvania
RODNEY DAVIS, Illinois
JOHN KATKO, New York
BRIAN BABIN, Texas
GARRET GRAVES, Louisiana
DAVID ROUZER, North Carolina
MIKE BOST, Illinois
RANDY K. WEBER, SR., Texas
DOUG LAMALFA, California
BRUCE WESTERMAN, Arkansas
BRIAN J. MAST, Florida
MIKE GALLAGHER, Wisconsin
BRIAN K. FITZPATRICK, Pennsylvania
JENNIFFER GONZÁLEZ-COLÓN, Puerto Rico
TROY BALDERSON, Ohio
PETE STAUBER, Minnesota
TIM BURCHETT, Tennessee
DUSTY JOHNSON, South Dakota
JEFFERSON VAN DREW, New Jersey
MICHAEL GUEST, Mississippi
TROY E. NEHLS, Texas
NANCY MACE, South Carolina
NICOLE MALLIOTAKIS, New York
BETH VAN DUYNE, Texas
CARLOS A. GIMENEZ, Florida
MICHELLE STEEL, California

CONTENTS

† Chris P. Currie, Director, Homeland Security and Justice, U.S. Government Accountability Office, did not deliver an oral statement.

STATEMENTS OF MEMBERS OF THE COMMITTEE

WITNESSES

SUBMISSIONS FOR THE RECORD

APPENDIX

ASSESSING THE FEDERAL GOVERNMENT'S COVID–19 RELIEF AND RESPONSE EFFORTS AND ITS IMPACT

THURSDAY, JULY 29, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
WASHINGTON, DC.

The committee met, pursuant to call, at 11:02 a.m. in room 2167 Rayburn House Office Building and via Zoom, Hon. Peter A. DeFazio (Chair of the committee) presiding.

Members present in person: Mr. DeFazio, Mr. Larsen, Mr. Malinowski, Ms. Williams of Georgia, Ms. Newman, Mr. Graves of Missouri, Mr. Webster, Mr. Rodney Davis, Mr. Weber, Mr. LaMalfa, Mr. Westerman, Mr. Stauber, and Mr. Nehls.

Members present remotely: Ms. Norton, Ms. Johnson of Texas, Mrs. Napolitano, Mr. Cohen, Mr. Johnson of Georgia, Ms. Titus, Ms. Brownley, Mr. Payne, Mr. Lowenthal, Mr. DeSaulnier, Mr. Lynch, Mr. Carbajal, Mr. Brown of Maryland, Mr. Stanton, Ms. Davids, Mr. García of Illinois, Mr. Delgado, Mr. Pappas, Mr. Lamb, Mr. Moulton, Ms. Bourdeaux, Mr. Kahele, Ms. Strickland, Mr. Carter, Mr. Massie, Mr. Mast, Mr. Fitzpatrick, Miss González-Colón, Mr. Balderson, Mr. Johnson of South Dakota, Dr. Van Drew, Mr. Guest, Ms. Van Duyne, Mr. Gimenez, and Mrs. Steel.

Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Peter A. DeFazio
Chairman

Katherine W. Dedrick, Staff Director

Sam Graves
Ranking Member

Paul J. Sass, Republican Staff Director

JULY 26, 2021

SUMMARY OF SUBJECT MATTER

TO: Members, Committee on Transportation and Infrastructure
FROM: Staff, Committee on Transportation and Infrastructure
RE: Full Committee Hearing on "Assessing the Federal Government's COVID–19 Relief and Response Efforts and Its Impact"

PURPOSE

The Committee on Transportation and Infrastructure (T&I) will meet on Thursday, July 29, 2021, at 11:00 a.m. EDT in 2167 Rayburn House Office Building and via Zoom to hold a hearing titled "Assessing the Federal Government's COVID–19 Relief and Response Efforts and Its Impact." The hearing will examine the federal response to the COVID–19 pandemic, efforts to provide oversight of that response, areas for improvement, and the impact of pandemic relief efforts on the transportation and infrastructure sectors and their workers.

The Committee will hear testimony from two panels. The first panel will include federal government witnesses from the Government Accountability Office (GAO), the Department of Transportation Office of Inspector General (DOT OIG), the Department of Homeland Security Office of Inspector General (DHS OIG), and the Pandemic Response Accountability Committee (PRAC).[1] The second panel will include witnesses from the American Public Transportation Association (APTA), the International Association of Emergency Managers (IAEM), the Hoover Institution at Stanford University, the Hamilton Project at the Brookings Institution, and the Transport Workers Union of America (TWU).

BACKGROUND

In response to the COVID–19 pandemic, Congress and the Executive Branch have taken a series of actions to protect the health and economic security of American individuals and businesses. Congress included $5.9 trillion dollars of relief and job protection measures in the CARES Act, the Consolidated Appropriations Act of 2021, the American Rescue Plan, and other legislation.[2] Federal agencies, including the Federal Emergency Management Agency (FEMA), the operating administrations within the Department of Transportation (DOT), and the U.S. Department of the Treasury (Treasury) are responsible for administering and overseeing more than $200 billion in federal assistance provided for transportation and emergency management.[3] These agencies also conduct other pandemic response and recovery func-

---

[1] The CARES Act established the Pandemic Response Accountability Committee (PRAC) as a committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which is composed of inspectors general from across the government. *See* https://www.pandemicoversight.gov/our-mission/about-the-prac; CARES Act, Pub. L. No. 116–136 (2020), Sec. 15010.

[2] CARES Act, Pub. L. No. 116–136 (2020); Consolidated Appropriations Act, 2021, Pub. L. No. 116–260 (2020); American Rescue Plan Act of 2021, Pub. L. No. 117–2 (2021).

[3] U.S Department of the Treasury, "Coronavirus Economic Relief for Transportation Services (CERTS) Program," accessed on July 26, 2021, *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services, and "Airline and National Security Relief Programs," accessed on July 26, 2021, *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/airline-and-national-security-relief-programs; Federal Transit Administration, "Novel Coronavirus (COVID–19)," accessed on July 26, 2021, *available at* https://www.transit.dot.gov/coronavirus; National Railroad Passenger Corporation (AMTRAK) Office of

tions. For example, FEMA helped supply states and localities with personal protective equipment (PPE) and distributing vaccine and testing supplies, as well as reimbursing for many activities tied to response to the COVID–19 pandemic.[4] Within DOT, the Federal Aviation Administration (FAA), the Federal Transit Administration (FTA) and other department components provided pandemic-related guidance and support to their respective modes to help keep employees and passengers on our nation's transportation systems safe.[5]

OVERSIGHT OF THE FEDERAL RESPONSE—SUMMARY

The federal oversight community, such as GAO, PRAC, and federal Offices of Inspectors General (OIGs), have been monitoring agencies' use of COVID–19 relief and response funds. These organizations also have assessed the federal government's actions, policies, and programs to respond to COVID–19 to identify problems, including cases of waste, fraud, abuse, and mismanagement, as well as lessons learned and areas for improvement.

Historically, federal oversight organizations have found that large-scale federal relief programs can be vulnerable to significant risk of erroneous payments, waste, and fraud.[6] For example, GAO reported that the American Reinvestment and Recovery Act of 2009 posed these types of risks because of the need to spend funds quickly and because it increased funding for existing programs to a degree that might have exceeded the capacity of existing controls and oversight mechanisms.[7] Similarly, the DOT OIG reported that significant infusions of federal funding—such as the disaster relief funding provided to FTA for transit agencies in the wake of Hurricane Sandy—can create the risk of improper payments without appropriate agency oversight plans and procedures in place.[8] In light of these and other risks, an effective federal response to COVID–19 fraud risks, according to GAO, should help ensure that federal programs fulfill their intended purpose, funds are spent effectively, and assets are safeguarded.[9]

Other challenges that the oversight community identified include problems with FEMA's disaster-management capabilities, interagency coordination, and incomplete reporting on the use of pandemic relief funds. In its work on FEMA, GAO found a lack of coordination with the Department of Health and Human Services (HHS) and other federal partners on the procurement and delivery of essential PPE, shortages in staff available to be deployed to disaster areas, and inconsistencies in how FEMA communicates with states and localities on the use of advance contracting.[10]

Inspector General, *GOVERNANCE*: *Amtrak Continues to Demonstrate Good Stewardship of Pandemic Relief Funds*, OIG–MAR–2021–009, (May 12, 2021), *available at*: https://amtrakoig.gov/sites/default/files/reports/OIG-MAR-2021-009%20Relief%20Act.pdf; GAO, *COVID–19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*, GAO–21–551, (July 2021), *available at* https://www.gao.gov/assets/gao-21-551-highlights.pdf; Federal Aviation Administration, "Information for Airports about COVID–19," accessed on July 26, 2021, *available at* https://www.faa.gov/airports/special__programs/covid-19-airports; House Committee on Transportation and Infrastructure, "Chair DeFazio Applauds New Round of Aid for the Hard-Hit Transportation Sector in Omnibus and COVID Relief Legislation," December 22, 2020, *available at* https://transportation.house.gov/news/press-releases/chair-defazio-applauds-new-round-of-aid-for-the-hard-hit-transportation-sector-in-omnibus-and-covid-relief-legislation-; FEMA, *100 Days of FEMA and Our Partners in Action* (April 30, 2021) *available at* https://www.fema.gov/blog/100-days-fema-and-our-partners-action.

[4] FEMA, *Pandemic Response to Coronavirus Disease 2019 (COVID–19): Initial Assessment Report*, (January 2021), *available at* https://www.fema.gov/sites/default/files/documents/fema__covid-19-initial-assessment-report__2021.pdf;

[5] FTA, "FTA COVID–19 Resource Tool" (May 7, 2021), *available at* https://www.transit.dot.gov/regulations-and-programs/safety/fta-covid-19-resource-tool; and FAA, Coronavirus Guidance and Resources from FAA (April 19, 2021), *available at* https://www.faa.gov/coronavirus/guidance__resources/.

[6] GAO, "*COVID–19: Critical Vaccine Distribution, Supply Chain, Program Integrity, and Other Challenges Require Focused Federal Attention*," GAO–21–265, (January 28, 2021), *available at* https://www.gao.gov/products/gao-21-265; PRAC, *UPDATE*: *Top Challenges in Pandemic Relief and Response*, (February 3, 2021), *available at* https://www.pandemicoversight.gov/media/file/update-top-challenges-pandemic-relief-and-response.

[7] GAO, *Recovery Act: Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds*, GAO–10–999, (September 20, 2010), *available at* https://www.gao.gov/assets/gao-10-999.pdf.

[8] DOT OIG, *Initial Assessment of FTA's Oversight of the Emergency Relief Program and Hurricane Sandy Relief Funds*, MH–2014–008, (December 3, 2013), *available at* https://www.oig.dot.gov/sites/default/files/FTA%E2%80%99s%20Oversight%20of%20the%20Emergency%20Relief%20Program%20and%20Hurricane%20Sandy%20Relief%20Funds%5E12-3-13__1.pdf.

[9] *Supra n. 4*, GAO–21–265.

[10] GAO, *COVID–19: FEMA's Role in the Response and Related Challenges*, GAO–20–685T (July 14, 2020), *available at* https://www.gao.gov/products/gao-20-685t and *COVID–19: Federal*

Continued

In addition, GAO criticized the Office of Management and Budget's (OMB) issuance of a Compliance Supplement, as part of the Single Audit Act, that is used to help auditors understand a federal program's objectives, procedures, and compliance requirements during audits of non-federal recipients of federal funds, such as local and state governments and nonprofit organizations.[11] The 2020 Compliance Supplement was not released by OMB until August 2020, after initial COVID–19 relief funds had already been dispersed to recipients. However, GAO found the supplement to be incomplete and said the delay in issuing it "may lead to inconsistent reporting and affect award recipients' development of corrective actions."[12] GAO warned that preparing and providing this guidance to auditors in a timely manner was "essential to help ensure that single audits can be performed timely and enhance the federal government's ability to help safeguard billions of dollars in federal funds, including those provided under COVID–19 relief laws."[13] OMB issued an addendum to the Compliance Supplement in December 2020, but it did not address all concerns raised by auditors to conduct these single audits.[14] In March 2021, OMB issued a memorandum to executive branch agencies that outlines steps agencies must take to implement sound financial management of the pandemic relief funding resources, including complying with the requirements of the Single Audit Act.[15] The memorandum states that when OMB issues its annual compliance supplement later this year, it will include the topic of subaward reporting as a requirement for all financial assistance programs that are reviewed under the Single Audit Act.[16]

Regarding the use of relief funds, PRAC found that agencies' initial reporting on the use of pandemic funds left out important information required by the CARES Act, such as identifying all subrecipients of the funding.[17] PRAC recommended that OMB issue guidance to agencies to direct them to collect and report the missing information.[18]

Another critical component of the oversight efforts of the OIGs and PRAC is supporting federal agency personnel through training and other assistance. For example, the DHS OIG has provided training to program staff on how to identify cases of waste, fraud, or abuse related to COVID–19 relief funding, and PRAC has hosted a training session on identifying and preventing loan fraud.[19] PRAC also supports federal OIGs' data analysis capabilities by providing them with non-public data sets on selected pandemic relief programs and helping them get easier access to data analytics contractors.[20]

GOVERNMENT ACCOUNTABILITY OFFICE

The CARES Act directed GAO to monitor and oversee the use of funds made available to prepare for, respond to, and recover from the COVID–19 pandemic.[21] To date, GAO has issued eight reports that assess efforts across the government and has made 87 recommendations to improve the COVID–19 response.[22] However, federal agencies have only fully implemented 16 of these 87 recommendations so far, but have generally agreed with 57, or 66 percent, of these recommendations and are in the process of implementing those.[23] GAO has examined, among other things, the federal government's management of the medical supply chain and its assistance to

Efforts Could Be Strengthened by Timely and Concerted Actions, GAO–20–701, (September 21, 2020), *available at* https://www.gao.gov/products/gao-20-701.

[11] GAO, *COVID–19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, GAO–21–387, March 2021, *available at* https://www.gao.gov/assets/gao-21-387.pdf.

[12] *Id*.

[13] *Id*.

[14] *Id*.

[15] Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources*, (March 19, 2021) *available at* https://www.whitehouse.gov/wp-content/uploads/2021/03/M__21__20.pdf.

[16] *Id*.

[17] PRAC, *MITRE Report: Transparency in Pandemic-Related Federal Spending: Report of Alignment and Gaps*, (November 2020), *available at* https://www.pandemicoversight.gov/media/file/transparency-pandemic-related-federal-spending-full-report.

[18] *Id*.

[19] Committee staff briefings with DHS OIG on February 11, 2021, and with PRAC on April 21, 2021.

[20] Committee staff briefing with PRAC on April 21, 2021.

[21] Pub. L. No. 116–136, § 19010, 134 at 579–81.

[22] GAO, "*COVID–19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*," GAO–21–551, (July 2021), *available at* https://www.gao.gov/assets/gao-21-551-highlights.pdf

[23] *Id*.

state and local emergency management efforts; support provided to airports, airlines, and other aviation companies through loans and grants; and FTA's assistance to the nation's transit agencies.[24]

FEMA Lacked an Adequate Plan and National Strategy for the Supply Chain of Critical Equipment

GAO reported in September 2020 that FEMA, along with HHS and the Department of Defense, had taken steps to mitigate supply chain issues that were leading to shortages in the availability of PPE and testing supplies.[25] Nonetheless, there continued to be constraints around certain types of PPE and testing supplies. For example, in the summer of 2020, some states, nursing homes, and an association of nurses reported PPE shortages, including N95 masks, nitrile gloves, and gowns.[26] Thousands of nurses reported that as a result they were required or encouraged to re-use single-use N95 masks.[27] GAO also found that states and public health laboratories experienced ongoing shortages of testing supplies, including swabs, reagents, and tubes, in the summer of 2020.[28]

In the midst of these supply constraints, GAO revealed that FEMA, along with HHS, had not developed plans outlining specific actions the federal government would take to help mitigate remaining medical supply gaps needed to respond to the pandemic, including through the use of existing Defense Production Act authorities.[29] Further, FEMA and HHS had not worked with their federal partners to define roles and responsibilities for managing the supply chain.[30]

GAO recommended that HHS, in coordination with FEMA, (1) create such a plan and (2) document roles and responsibilities for supply chain management.[31] Creating a plan for continued support of the COVID–19 pandemic, according to GAO, can help inform a longer-term, comprehensive national supply chain strategy, which in turn could help better position all stakeholders for future public health events.[32] GAO indicated that "transition planning efforts are underway" by HHS, but that they "have not yet culminated in a written plan," which GAO has suggested HHS should prepare "immediately."[33]

States, Territories, and Tribes Faced Challenges Managing Supplies and Navigating FEMA Reimbursement Programs

Officials from FEMA regional offices and states also identified problems related to federal support programs for pandemic supplies and other emergency expenses. According to GAO, these challenges continue to hamper their efforts to plan for and carry out their pandemic response plans.

- Some state officials described confusion about the various federal programs available to pay for PPE and testing supplies, including about reimbursement and cost share responsibility, and concerns about potential duplication of benefits.[34] States had trouble confirming that the right entities received correct and usable supplies when FEMA-provided supplies were shipped directly to local points of care, such as hospitals, laboratories, or nursing homes.[35]
- Some tribal leaders who had trouble completing administrative requirements for Public Assistance grants said that no FEMA staff were available to assist them. Further, FEMA failed to conduct sufficient outreach to tribes when determining items eligible for reimbursement under the Public Assistance program, even though such outreach is required by FEMA's own policy.[36]

In September 2020, GAO recommended that FEMA and HHS work with federal, state, territorial, and tribal stakeholders to devise interim solutions to help states enhance their ability to track the status of supply requests and plan for supply

[24] *See* https://www.gao.gov/coronavirus and discussion on following pages.
[25] GAO, *COVID–19: Federal Efforts Could Be Strengthened by Timely and Concerted Actions*, GAO–20–701, (September 21, 2020), *available at* https://www.gao.gov/products/gao-20-701.
[26] *Id.*
[27] *Id.*
[28] *Id.*
[29] *Id.*
[30] *Id.*
[31] *Id.*
[32] *Id.*
[33] GAO, *COVID–19: Federal Efforts Could Be Strengthened by Timely and Concerted Actions*, GAO–20–701, (September 2020), *available at*: https://www.gao.gov/assets/gao-20-701.pdf
[34] *Supra*, n. 8, GAO–20–701
[35] *Id.*
[36] *Supra*, n. 9, GAO–21–387.

needs for the remainder of the COVID–19 pandemic response.[37] More recently, in March 2021, GAO recommended that FEMA provide timely and consistent technical assistance to support tribal governments and that it adhere to its policy on tribal consultation when developing new policies and procedures related to COVID–19 assistance.[38]

DOT Needs a National Aviation Preparedness Plan

Since 2015, just after the 2014 Ebola outbreak in West Africa, GAO has reported on the importance of DOT developing a national aviation preparedness plan so safeguards are in place to limit the spread of communicable disease threats and to minimize unnecessary interference with travel and trade.[39] Although DOT issued guidance to airports and airlines on measures to mitigate the public health risks associated with COVID–19, it has *still* not developed a preparedness plan for future communicable disease threats.[40] DOT has said that HHS and DHS should lead such planning efforts since they are responsible for, respectively, communicable disease response and preparedness planning.[41] However, both DHS and HHS have said that they are not well positioned to develop a pandemic preparedness plan for aviation.[42] In February 2021, H.R. 884, the National Aviation Preparedness Plan Act, was reintroduced by Aviation Subcommittee Chair Rick Larsen.[43] This bill would require DOT, in coordination with HHS and DHS, to develop a national aviation preparedness plan for communicable disease outbreaks.[44]

Payroll Support Program (PSP) Needs Better Compliance Monitoring

As GAO reported in September 2020, standing up a new financial assistance program in a condensed time frame posed challenges both to Treasury and program recipients.[45] Aviation industry associations told GAO that their members experienced confusion about PSP eligibility and other requirements, lack of direct contact at Treasury for answers to time-sensitive issues and means to check on the status of an application, and delays in PSP awards.[46] Regarding these identified challenges, Treasury officials said that they published email addresses where applicants could direct questions and communicated with more applicants, and redesigned the application portal to be more user-friendly.[47]

Further, while PSP funds have benefited recipients, as discussed in the following paragraph, certain factors added to the risk of funds being used for purposes other than payroll support.[48] Some PSP recipients accessed other assistance under the CARES Act that may overlap with PSP funds, such as the Small Business Administration's (SBA) Paycheck Protection Program (PPP), while others received PSP funds in excess of their number of employees. GAO notes that while these actions might be consistent with program requirements, they make it more difficult to ensure PSP funds are used to only pay employees.[49] To help mitigate these risks, Treasury started to monitor PSP recipients' compliance with program terms; but, it has not finalized its monitoring plans, determined which automated tests will be used, or identified factors or thresholds from testing that trigger additional reviews.[50]

---

[37] *Supra*, n. 8 GAO–20–701.

[38] *Supra*, n. 8 and 9 GAO–20–701, GAO–21–387.

[39] GAO, *Air Travel and Communicable Diseases: Comprehensive Federal Plan Needed for U.S. Aviation System's Preparedness*, GAO–16–127 (December 16, 2015), *available at* https://www.gao.gov/products/gao-16-127; *Air Travel and Communicable Diseases: Status of Research Efforts and Action Still Needed to Develop Federal Preparedness Plan*, GAO–20–655T (June 23, 2020), *available at* https://www.gao.gov/products/gao-20-655t; and *COVID–19: Brief Update on Initial Federal Response to the Pandemic*, GAO–20–708, (August 31, 2020), *available at* https://www.gao.gov/products/gao-20-708.

[40] *Id*.

[41] *Id*.

[42] *Supra*, n. 8, GAO–20–708.

[43] H.R.884, National Aviation Preparedness Plan Act of 2021.

[44] *Id*.

[45] *Supra*, n. 8, GAO–20–701.

[46] *Id*.

[47] *Supra*, n. 8 and 9, GAO–21–387, GAO–20–701.

[48] General Aviation Manufacturers Association, *Protecting Aviation Manufacturing and Maintenance Jobs*, (March 10, 2021) *available at* https://gama.aero/news-and-events/press-releases/protecting-aviation-manufacturing-and-maintenance-jobs/; Airlines for America, *Statement from A4A CEO and President Nicholas E. Calio on the Passage of the American Rescue Plan* (March 10, 2021) *available at* https://www.airlines.org/news/statement-from-a4a-ceo-and-president-nicholas-e-calio-on-the-passage-of-the-american-rescue-plan/.

[49] GAO, *COVID–19: Urgent Actions Needed to Better Ensure an Effective Federal Response*, GAO–21–191, (November 30, 2020), *available at* https://www.gao.gov/products/gao-21-191.

[50] *Supra*, n. 9, GAO–21–387.

Separately, the Treasury OIG found that some air carriers applying for PSP loans incorrectly calculated payroll amounts, affecting the accuracy of the amounts awarded to these recipients.[51] Upon learning of the OIG's findings, Treasury implemented measures to identify and correct PSP award amounts.[52]

Action Is Needed to Ensure Assistance to Aviation Industry Is Equitable

Treasury's assistance to the aviation industry may have disproportionately gone to large airlines.[53] In its report on the CARES Act loan program for aviation, GAO found that small businesses were less likely to receive loans under this program and that Treasury prioritized applications from large passenger carriers.[54] The Regional Airline Association expressed concerns that Treasury delayed action on smaller airlines' PSP loan applications, while approving applications for large air carriers.[55] Industry associations reported to GAO that for applicants such as smaller air carriers and ticket agents, the amount of time Treasury took to evaluate loan applications, as well as other challenges, affected the number of loans executed.[56] To better engage the aviation community, GAO reported that Treasury could have made greater use of DOT to design the program, communicate with businesses, and help in the application evaluation process or loan program, as many eligible businesses have established relationships with DOT.[57] Looking forward, GAO made suggestions for better ensuring equity among businesses of different sizes and types:[58]

- Establish multiple programs, or multiple paths within a program, to better accommodate businesses of varied types and sizes.[59]
- Communicate clear timelines and expectations for borrowers to avoid frustration among applicants regarding the loan application process and the time needed to make loans.[60]

Airport Grants

The CARES Act provided substantial additional funding for airports through a program similar to the Airport Improvement Program (AIP), and though FAA already had processes for administering grants of this type, it nonetheless faced challenges administering and monitoring the funding.[61] To address the increased workload of processing and monitoring more grants under expedited timeframes, FAA hired staff, streamlined the invoicing process to reduce workload, and provided consolidated information to airports about eligibility.[62] According to FAA officials, FAA staff review all reimbursement requests from airports to help ensure that only eligible costs are reimbursed with CARES Act funding.[63]

FAA officials have also taken actions to oversee and monitor compliance with workforce retention requirements. The CARES Act required that most airports accepting grants must continue to employ at least 90 percent of the number of individuals employed prior to the pandemic.[64] FAA's actions include reviewing quarterly reports from airports, sending letters to the airports that had not submitted the required reports, and comparing airports' current workforce numbers to those from March 2020 to ensure they meet the 90 percent threshold.[65] FAA told GAO that,

---

[51] Department of the Treasury Office of Inspector General, *Interim Audit Update—Air Carrier and Contractor Certifications for Payroll Support Program* (March 31, 2021), *available at* https://oig.treasury.gov/sites/oig/files/2021-04/OIG-21-025.pdf.

[52] *Id*.

[53] GAO, *Financial Assistance: Lessons Learned from CARES Act Loan Program for Aviation and Other Eligible Businesses*, GAO–21–198 (December 10, 2020), *available at* https://www.gao.gov/products/gao-21-198.

[54] *Id*.

[55] Regional Airline Association President Faye Malarkey Black letter to Treasury Secretary Janet Yellen (March 11, 2021) *available at* https://www.raa.org/wp-content/uploads/2021/03/20210311-RAA-Treasury-Letter-PSP2-delays-PSP3-request__FINAL.pdf.

[56] GAO–21–198.

[57] *Id*.

[58] *Id*.

[59] *Id*.

[60] *Id*.

[61] CARES Act, Pub. L. No. 116–136 (2020), Federal Aviation Administration, Grants-in-Aid for Airports; *see also supra*, n. 8, GAO–20–701.

[62] *Supra* n.42 and 9, GAO–21–191, GAO–21–387

[63] *Supra*, n. 8, GAO–20–701.

[64] CARES Act, Pub. L. No. 116–136 (2020), Federal Aviation Administration, Grants-in-Aid for Airports.

[65] *Supra*, n. 42, GAO–21–191; *supra* n. 9, GAO–21–387.

as of January 2021, no airports had requested a waiver from the workforce retention requirements.[66]

Grants to Transit Agencies

In all, FTA received nearly $70 billion in COVID-relief aid for transit agencies.[67] According to GAO, FTA has not experienced any notable challenges with administering the $25 billion in grants from the CARES Act or overseeing recipients' use of the funds, due to the funds being provided through existing programs that have well established procedures for administration and oversight.[68] FTA officials told GAO that FTA continues regular outreach to recipients through industry calls, and regional staff are in regular contact with recipients.[69] These officials also told GAO that they updated the oversight guidance for the grant programs with information on CARES Act requirements, and that FTA plans to oversee the funding through its existing review programs.[70] In addition, daily reports on CARES Act obligations and disbursements to transit agencies are sent to the FTA Office of the Administrator, ensuring that the agency's leadership is both engaged and well informed on these issues.[71]

Similarly, transit agencies appear to have had little difficulty with the CARES Act-funded grants. Officials from 22 transit agencies GAO interviewed for its November 2020 report said they had not experienced challenges related to the distribution of CARES Act grants from FTA, and officials from all but one of these transit agencies said they had not faced challenges getting help from FTA during the awards process.[72] Early on, some transit agencies had trouble understanding the expanded list of activities eligible for CARES Act funding. In response, FTA provided technical assistance through webinars, guidance on its website, and support from regional staff.[73]

DEPARTMENT OF TRANSPORTATION OFFICE OF INSPECTOR GENERAL (DOT OIG)

The DOT OIG identified several key risk areas in DOT's oversight of CARES Act funding. These areas, some of which are described below, are based on previous OIG work on DOT's implementation of funds for economic stimulus or emergency relief, such as the American Recovery and Reinvestment Act of 2009.[74]

Improved Monitoring and Increased Outreach Can Help Prevent Waste, Fraud, and Abuse

The DOT OIG observed that the volume of CARES Act funds and the speed with which they are disbursed puts these funds at a higher risk for improper payments, fraud, waste, and abuse.[75] For example, the CARES Act provided $10 billion for airports, much more than the approximately $3 billion in annual funding for airports that FAA normally oversees.[76] Further, the OIG has found weaknesses in DOT's financial management systems, resulting in incomplete and inaccurate expenditure data20.[77] Implementing procedures for tracking funds and detecting improper payments could help DOT better ensure effective stewardship of its funds.[78] The DOT OIG also suggested that DOT mitigate these risks by increasing its outreach and education efforts to enhance understanding among DOT staff, grantees such as air-

[66] *Supra*, n. 9, GAO–21–387.

[67] Federal Transit Administration, *Novel Coronavirus*, (last accessed July 21, 2021) https://www.transit.dot.gov/coronavirus.

[68] *Supra* n. 11, GAO–21–387; *supra*, n. 42, GAO–21–191; *supra* n. 8, GAO–20–701.

[69] *Supra*, n. 42, GAO–21–191.

[70] GAO–21–191.

[71] *Supra*, n. 8, GAO–20–701.

[72] *Supra*, n. 42, GAO–21–191.

[73] *Supra*, n. 8, GAO–20–701.

[74] DOT OIG, *Memorandum from the Office of Inspector General of the U.S. Department of Transportation to the Secretary of Transportation: Information: Key Potential Risk Areas for the Department of Transportation in Overseeing CARES Act Requirements* (June 17, 2020) *available at* https://www.oig.dot.gov/library-item/37926.

[75] *Id*.

[76] *Supra*, n. 42, GAO–21–191; CARES Act, Pub. L. No. 116–136 (2020), Federal Aviation Administration, Grants-in-Aid for Airports.

[77] DOT OIG, *Quality Control Review of the Independent Auditor's Review of DOT's DATA Act Implementation* (October 29, 2019), *available at* https://www.oig.dot.gov/sites/default/files/DOT%20DATA%20Act%20QCR%20Final%20Report%5E10-29-19.pdf.

[78] DOT OIG, June 2020 memorandum, *available at* https://www.oig.dot.gov/sites/default/files/OIG%20Memorandum%20to%20the%20Secretary%20-%20Key%20Risk%20Areas%20for%20DOT%20in%20Overseeing%20CARES%20Act%20Requirements.pdf.

ports and transit agencies, and their contractors on how to recognize and prevent potential fraud to the appropriate authorities.[79]

Airport Grants Require Effective Risk-Based Oversight

The DOT OIG identified some aspects of CARES Act funding for airports that FAA should focus its management and oversight activities on, including the following:[80]

- FAA will need to ensure that recipient airports comply with the workforce retention requirements of the CARES Act.
- The CARES Act authorized the federal share of approved project costs to be increased to 100 percent, eliminating the local share of the costs. As a result, FAA could face risks related to controlling project costs, since localities are less incentivized to do so.
- Because FAA is overseeing a vast number of grants with its limited resources, it should follow a risk-based oversight approach and ensure that its existing risk assessments are sufficient given new program requirements and restrictions.

In February 2021, the DOT OIG initiated an audit of FAA's award and oversight of CARES Act airport grants. The audit's purpose is to assess whether FAA's policies and procedures for awarding and overseeing CARES Act grants are sufficient to protect taxpayer interests.[81]

Prudent Oversight of Pandemic Waivers Is Needed

To account for conditions caused by COVID–19, the CARES Act allows DOT to temporarily waive certain existing federal requirements, such as some for the state highway safety programs that the National Highway Traffic Safety Administration (NHTSA) administers.[82] The DOT OIG noted that it will be vital for DOT to monitor the use and impact of these waivers.[83]

The DOT OIG has other audits under way that it expects will identify ways that the operating administrations can improve their COVID–19 responses. These include reports on FTA's financial management system that support CARES Act funding and its management of Hurricane Sandy emergency funding.[84]

Amtrak's Use and Accounting of Funds

Amtrak received more than $3 billion, a total of $1.7 billion in COVID–19 relief funds, including $1.7 billion in March 2021.[85] In April 2020, the Amtrak OIG began an audit of the use of pandemic relief funds appropriated to support Amtrak services and its state and commuter rail partners.[86] The Amtrak OIG issued reports in August 2020[87] and December 2020.[88] In May 2021 it issued another report stating

---

[79] *Id.*

[80] *Id.*

[81] DOT OIG, *New Audit Announcement: Audit Initiated of FAA's Award and Oversight of CARES Act Funds* (February 19, 2021), *available at* https://www.oig.dot.gov/library-item/38296.

[82] DOT OIG, June 2020 memorandum, *available at* https://www.oig.dot.gov/sites/default/files/OIG%20Memorandum%20to%20the%20Secretary%20-%20Key%20Risk%20Areas%20for%20DOT%20in%20Overseeing%20CARES%20Act%20Requirements.pdf.

[83] *Id.*

[84] DOT OIG, *Audit Initiated of FTA's Hurricane Sandy Funding Progress* (January 15, 2020) *available at* https://www.oig.dot.gov/library-item/37684; *Audit Initiated of Security Controls for FTA's Financial Management Systems That Support CARES Act Funding* (November 12, 2020), *available at* https://www.oig.dot.gov/library-item/38114. Although the Hurricane Sandy report is not expected to explicitly address pandemic relief funding, DOT OIG officials told Committee staff in an April 2020 briefing that they expect the report's findings to be relevant to pandemic relief funding because FTA uses the same systems and procedures to manage both funding sources.

[85] *See*: Department of Transportation, "*U.S. Transportation Secretary Elaine L. Chao Announces $1 Billion for Amtrak in Response to COVID–19*," DOT Press Release, (April 10, 2020), *available at*: https://railroads.dot.gov/newsroom/press-releases/us-transportation-secretary-elaine-l-chao-announces-1-billion-amtrak and National Railroad Passenger Corporation (AMTRAK) Office of Inspector General, "*GOVERNANCE*: *Amtrak Continues to Demonstrate Good Stewardship of Pandemic Relief Funds*," OIG–MAR–2021–009, (May 12, 2021), *available at*: https://amtrakoig.gov/sites/default/files/reports/OIG-MAR-2021-009%20Relief%20Act.pdf

[86] Amtrak Office of Inspector General, *GOVERNANCE*: *Observations on Amtrak's Use of CARES Act Funds* (August 5, 2020) *available at* https://amtrakoig.gov/sites/default/files/reports/OIG-MAR-2020-013%20CARES%20Act%20Review.pdf.

[87] *Id.*

[88] Amtrak Office of Inspector General, *GOVERNANCE*: *Final Observations on Amtrak's Use of CARES Act Funds* (December 15, 2020) *available at* https://amtrakoig.gov/sites/default/files/reports/OIG-MAR-2020-013%20CARES%20Act%20Review.pdf.

that Amtrak "continues to be a good steward of the funds Congress has provided" but also that Amtrak could be more transparent in its communications and reporting, and made recommendations for improvement.[89]

DEPARTMENT OF HOMELAND SECURITY OFFICE OF INSPECTOR GENERAL (DHS OIG)

Investigating and Preventing Fraud against the Government

The DHS OIG has opened at least 120 potential fraud investigations[90] since the start of the pandemic and has uncovered numerous fraud schemes.[91] According to DHS OIG officials, ongoing investigations include those related to theft of public funds, hoarding of scarce materials, and fictitious or fraudulent claims against the government.[92] For programs within FEMA's purview, the two focus areas for these investigations, according to DHS OIG officials, have been unemployment insurance fraud and misrepresentations regarding PPE.[93] For example, the DHS OIG investigated a Virginia businessman who fraudulently attempted to obtain a multi-million-dollar PPE contract from FEMA.[94] As part of his scheme, the individual falsely stated to procurement officials from FEMA that he was in possession of large quantities of PPE, including N95 masks. Based on the false statements, FEMA awarded the individual's company a contract valued at $3,510,000, though according to FEMA, the funds were not provided to this individual.[95] The individual pleaded guilty in February 2021 of making false statements to federal agencies and faces up to 35 years in prison for these and other related charges.[96]

The DHS OIG is working with FEMA and other DHS components, as well as with its federal partners such as SBA, the Department of Veterans Affairs, the Federal Bureau of Investigation (FBI), and the U.S. Secret Service, to identify and prevent fraud. Further, the DHS OIG provides training to FEMA employees on tools they can use to prevent and detect fraud. DHS OIG officials said that this training is updated regularly to reflect new types of fraud schemes investigators are finding.[97] However, the DHS OIG's previous work indicates that training for FEMA employees is not always effectively implemented. In 2019, the OIG assessed FEMA's compliance with a statutory requirement that it provide training on the prevention of waste, fraud, and abuse in federal disaster relief assistance programs.[98] The OIG found that most of FEMA's employees had not completed this required annual training and recommended that FEMA establish monitoring and enforcement mechanisms to ensure training requirements are met.[99]

DHS OIG Is Reviewing FEMA's Role in Pandemic Response and Preparedness

The DHS OIG has previously found FEMA's management of disaster relief grants and funds to be inadequate and reported last year that improving FEMA's grant management would be one of DHS's top challenges in responding to the COVID–19 pandemic.[100] The DHS OIG has identified a pattern of FEMA management failures in overseeing procurements and reimbursing procurement costs, and it continues to see systemic problems and operational difficulties.[101] At times, according to the DHS OIG, FEMA has not followed procurement laws, regulations, and proce-

[89] Amtrak Office of Inspector General, *GOVERNANCE*: *Amtrak Continues to Demonstrate Good Stewardship of Pandemic Relief Funds* (May 12, 2021) *available at* https://amtrakoig.gov/sites/default/files/reports/OIG-MAR-2021-009%20Relief%20Act.pdf.

[90] E-mail from DHS OIG staff to T&I staff, July 23, 2021.

[91] Committee staff briefing with DHS OIG, February 11, 2021.

[92] *Id*.

[93] Committee staff briefing with DHS OIG, February 11, 2021.

[94] United States Attorney's Office, Eastern District of Virginia, *CEO Pleads Guilty to Defrauding Multiple Federal Agencies* (accessed on March 9, 2021) https://www.justice.gov/usao-edva/pr/ceo-pleads-guilty-defrauding-multiple-federal-agencies.

[95] *Id*.

[96] *Id*.

[97] *Id*.

[98] DHS OIG, *FEMA Must Take Additional Steps to Demonstrate the Importance of Fraud Prevention and Awareness in FEMA Disaster Assistance Programs* (July 24, 2019), *available at* https://www.oig.dhs.gov/reports/2019/fema-must-take-additional-steps-demonstrate-importance-fraud-prevention-and-awareness-fema-disaster-assistance-programs/oig-19-55-jul19.

[99] *Id*.

[100] PRAC, *TOP CHALLENGES FACING FEDERAL AGENCIES*: *COVID–19 Emergency Relief and Response Efforts*, (June 17, 2020), *available at* https://www.oversight.gov/sites/default/files/oig-reports/Top%20Challenges%20Facing%20Federal%20Agencies%20-%20COVID-19%20Emergency%20Relief%20and%20Response%20Efforts__1.pdf.

[101] DHS OIG, *FEMA Contracting: Reviewing Lessons Learned from Past Disasters to Improve Preparedness*, Testimony before U.S. House of Representatives Committee on Homeland Security (May 9, 2019), *available at* https://www.oig.dhs.gov/sites/default/files/assets/TM/2019/oigtm-daig-aud-katherine-trimble-050919.pdf.

dures, nor has it ensured disaster grant recipients and subrecipients understand and comply with these authorities.[102]

The DHS OIG has several ongoing audits related to how well FEMA is carrying out its responsibilities related to the COVID–19 pandemic. These audits are examining the following issues:[103]

- How FEMA managed and distributed medical supplies and equipment in response to COVID–19;
- To what extent FEMA followed federal and departmental procedures and guidelines for awarding COVID–19 contracts to prospective vendors under unusual and compelling circumstances; and
- How effectively FEMA has supported and coordinated federal efforts to distribute PPE and ventilators in response to the COVID–19 outbreak.

PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE (PRAC)

Congress established the PRAC in the CARES Act "to promote transparency," "ensure coordinated, efficient, and effective comprehensive oversight by the Committee and Inspectors General over all aspects of covered funds and the Coronavirus response," and "prevent and detect fraud, waste, abuse, and mismanagement."[104] The PRAC is comprised of 22 federal inspectors general, has its own dedicated staff, and works closely with inspectors general across the government to identify the most pressing challenges in managing and overseeing pandemic relief funds in several areas.[105]

Preventing and Detecting Fraud against Government Programs

With the unprecedented amount of disaster response funds appropriated to support the country's pandemic response, the opportunities for defrauding government programs have significantly increased, according to the PRAC.[106] The work conducted by OIGs to date indicates that one of the primary fraud risks associated with the administration of pandemic response funds stems from the failure to ensure that information from applicants is accurate.[107] This can result in payments to individuals who are not in fact eligible for program benefits; it can also result in outright fraud, such as in the case of the N95 mask fraud scheme that the DHS OIG uncovered.[108]

Data Transparency and Completeness

Another key challenge that PRAC identified was a lack of detailed data on pandemic relief funds, which is needed to inform funding and oversight decisions as well as to provide full transparency on the use of these funds.[109] Even before the pandemic, inspectors general reported that the ability of agencies to track and report financial data was insufficient to meet agency needs and was a top management and performance challenge.[110] According to the non-profit Project on Government Oversight, "[r]obust oversight and reporting are especially important given the ongoing public health and economic emergencies that these relief funds were intended to help mitigate.[111]

The CARES Act and related legislation included detailed reporting requirements for agencies to help ensure transparency and accountability in their use of pandemic relief funds.[112] In April 2020, OMB issued guidance directing agencies to use existing reporting processes to meet the CARES Act requirements, with only minor modifications.[113] These existing processes, established pursuant to the Federal Funding

[102] *Id.*
[103] DHS OIG, *Ongoing Projects* (accessed on May 12, 2021) https://www.oig.dhs.gov/reports/ongoing-projects.
[104] CARES Act, Pub. L. No. 116–136 (2020), Sec. 15010
[105] PRAC, *UPDATE: Top Challenges in Pandemic Relief and Response* (February 3, 2021) *available at* https://www.pandemicoversight.gov/media/file/update-top-challenges-pandemic-relief-and-response.
[106] *Id.*
[107] *Id.*
[108] *Id.*
[109] *Id.*
[110] PRAC, *TOP CHALLENGES FACING FEDERAL AGENCIES*.
[111] Project on Government Oversight, *Administration Seeks to Minimize Transparency of Coronavirus Relief Funds* (May 13, 2020) *available at* https://www.pogo.org/analysis/2020/05/administration-seeks-to-minimize-transparency-of-coronavirus-relief-funds/.
[112] PRAC, *TOP CHALLENGES FACING FEDERAL AGENCIES*.
[113] OMB, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019 (COVID–19)* (April 10, 2020) *available at* https://www.whitehouse.gov/
Continued

and Transparency Act of 2006 as amended by the Digital Accountability and Transparency Act (DATA Act), include making information on all financial awards of more than $25,000 publicly available on USASpending.gov.[114] OMB's guidance stated that no additional reporting by agencies or recipients should be necessary to meet the requirements of these sections of the CARES Act.[115]

However, PRAC found that the data federal agencies had been reporting, as initially directed by OMB, did not satisfy all of the requirements in the CARES Act, in part because the act required more extensive reporting for certain awards.[116] For example, the CARES Act explicitly directed agencies to collect new data on funding awards of $150,000 or more, including the name and description of the project or activity that received funding, the estimated number of jobs created or retained, and detailed information on subcontracts and subgrants.[117] The information agencies report to USASpending.gov leaves out some of this required information, including job creation numbers, detailed project descriptions, and sub-award loan information, making it difficult to track the recipients of funds and the impact of the federal government's efforts.[118] PRAC also found problems with the accuracy of the agency-reported data, including potentially incorrect award amounts and mismatched location information.[119] GAO, likewise, has reported on challenges related to the accuracy, completeness, and timeliness of the data contained on USASpending.gov, which limit users' ability to appropriately interpret the data.[120]

Some federal OIGs have also found problems related to the reporting of CARES Act data.[121] The General Services Administration (GSA) OIG cited control weaknesses as a potential impediment to accurately reporting CARES Act spending, referencing a November 2019 audit that found errors in how GSA reports certain data to USASpending.gov.[122] According to the GSA OIG, GSA will need to address these errors to ensure that its CARES Act reporting is accurate.[123] Similarly, the DHS OIG reported that key DHS financial systems do not comply with federal requirements, and that this potentially will impact financial planning, payments, and internal controls related to CARES Act funding.[124]

OMB has taken steps to ensure that agencies submit data that better meets the requirements of the CARES Act.[125] In June 2020, OMB issued a set of frequently asked questions to expand upon and clarify its April guidance memorandum.[126] And, in August 2020, it issued a Controller Alert directing agencies to improve the quality of award description information in USASpending.gov.[127]

"Multi-Dipping"

PRAC and others have identified the risk of recipients receiving funding from multiple federal programs for the same purpose (i.e., "multi-dipping").[128] The Special Inspector General for Pandemic Recovery (SIGPR) reported that several airlines received payments from both the Paycheck Protection Program and the Payroll Support Program, a potential case of multi-dipping.[129] SIGPR cautioned that the exist-

---

wp-content/uploads/2020/04/Implementation-Guidance-for-Supplemental-Funding-Provided-in-Response.pdf.

[114] https://www.usaspending.gov/about, accessed on June 3, 2021.

[115] *Supra*, n. 95, OMB, *Implementation Guidance*.

[116] PRAC, *MITRE Report*.

[117] CARES Act, Pub. L. No. 116–136 (2020).

[118] PRAC, *MITRE Report*.

[119] *Id*.

[120] *Supra*, n. 34, GAO–20–708. *See also* GAO, *Data Act: Quality of Data Submissions Has Improved but Further Action is Needed to Disclose Known Data Limitations*, (November 8, 2019) *available at* https://www.gao.gov/products/gao-20-75.

[121] PRAC, *TOP CHALLENGES FACING FEDERAL AGENCIES*.

[122] GSA OIG, *Audit of the Completeness, Accuracy, Timeliness, and Quality of GSA's 2019 DATA Act Submission*, (November 1, 2019), *available at* https://www.gsaig.gov/sites/default/files/audit-reports/A190040__1.pdf.

[123] GSA OIG, *TOP CHALLENGES FACING THE GENERAL SERVICES ADMINISTRATION: COVID–19 Emergency Response and Relief Efforts* (June 23, 2020) *available at* https://www.gsaig.gov/sites/default/files/management-challenges/GSA%20Top%20Challenges.pdf.

[124] PRAC, *TOP CHALLENGES FACING FEDERAL AGENCIES*.

[125] PRAC, *MITRE Report*.

[126] OMB, *CARES Act and M–20–21 Recipient Frequently Asked Questions* (June 24, 2020), *available at* https://www.cfo.gov/wp-content/uploads/2020/07/M-20-21__FAQ__07312020__UPDATED.pdf.

[127] OMB, *Controller Alert: Award Description Data Quality for Financial Assistance Awards* (August 2020) *available at* https://www.cfo.gov/wp-content/uploads/2020/08/CONTROLLER__ALERT__AUGUST__2020__FA__Award__Des.pdf.

[128] *Id*.

[129] SIGPR, *Initial Report to Congress* (August 3, 2020) *available at* https://www.sigpr.gov/sites/sigpr/files/2020-09/SIGPR-Initial-Report-to-Congress-August-3-2020__0.pdf.

ence of programs resulting in multiple forms of financial support to a single individual or entity creates an increased risk of fraud and abuse.[130] In January 2021, PRAC initiated work on pandemic relief funds received by tribal governments, and it expects to be able to identify CARES Act programs where multi-dipping has occurred.[131]

IMPACT OF FEDERAL COVID–19 RESPONSE AND RELIEF EFFORTS

The policies and programs the federal government has implemented over the course of the pandemic have had multiple challenges, as discussed on the previous pages, but also many benefits, as is described below. States and localities received assistance to help vaccinate their residents.[132] Businesses and public sector agencies retained workers that they otherwise would have laid off.[133] The nation's transportation systems continued to operate safely, providing transportation for essential workers and others.[134] Moreover, the economy as a whole is beginning to recover as the economy opens back up with gross domestic product expected to show a substantial increase this year after plunging at an annual rate of 31.4 percent in Q2 2020.[135] However, there are concerns about the effect of inflation on this recovery.[136]

FEMA's Assistance to States, Localities, Tribes, Territories, and Individuals

The COVID–19 pandemic posed an unprecedented challenge to the disaster response capabilities of states, localities, tribes, and territories. As the lead federal agency for the COVID–19 response, FEMA has undertaken expansive efforts to help them, as well as to assist individuals suffering from the economic hardships of the pandemic.[137] Since January 2020, FEMA has taken the following actions, among others:

- Provided more than $4.75 billion in support of vaccination efforts in communities across the country.[138]
- Worked with its federal, state, and local partners to establish 1,732 new community vaccination centers.[139]
- Coordinated with HHS to deliver, as of September 2020, 249 million N95 masks, 1.1 billion surgical masks, 46.7 million eye and face shields, 432 million surgical gowns or coveralls, and more than 28.6 billion gloves.[140]
- Provided funding to nonprofits, faith-based organizations, and government entities that provide shelter, food, transportation, COVID–19 testing and medical care to their communities.[141]
- Obligated, as of the end of September 2020, $42.6 billion as a supplemental benefit for unemployment insurance benefits.[142]
- In January 2021, the federal cost share for a majority of eligible FEMA assistance for all COVID–19 related Emergency and Major Disasters was expanded to 100 percent and made applicable to costs of eligible activities from the begin-

[130] *Id.*

[131] PRAC, *Multi-Dipping of Pandemic Response Funds Provided to Tribal Government* (January 29, 2021) *available at* https://www.pandemicoversight.gov/oversight/reports?f%5B0%5D=submitting_organization%3APandemic%20Response%20Accountability%20Committee.

[132] FEMA, *100 Days of FEMA and Our Partners in Action* (April 30, 2021) *available at* https://www.fema.gov/blog/100-days-fema-and-our-partners-action.

[133] General Aviation Manufacturers Association, *Protecting Aviation Manufacturing and Maintenance Jobs*, (March 10, 2021) *available at* https://gama.aero/news-and-events/press-releases/protecting-aviation-manufacturing-and-maintenance-jobs/, Amalgamated Transit Union, *Relief on the way for transit and working families with American Rescue Plan* (March 10, 2021) *available at* https://www.atu.org/media/releases/atu-relief-on-the-way-for-transit-and-working-families-with-american-rescue-plan.

[134] *Id.*

[135] Congressional Research Service, *COVID–19 and the U.S. Economy* (May 11, 2021) *available at* https://crsreports.congress.gov/product/pdf/R/R46606.

[136] Rachel Siegel, *Biden Says Fed 'should take whatever steps it deems necessary' to respond to inflation*, *WASH. POST*. (July 19, 2021), *available at* https://www.washingtonpost.com/us-policy/2021/07/19/biden-powell-inflation-economy/.

[137] FEMA, *100 Days*.

[138] *Id.*

[139] *Id.*

[140] *Id.*

[141] *Id.*

[142] FEMA, *Pandemic Response to Coronavirus Disease 2019 (COVID–19): Initial Assessment Report*. FEMA's Lost Wages Assistance (LWA) program was unprecedented because it was instituted as a new program despite another discrete Stafford Act section on disaster unemployment assistance (Sec. 410). FEMA failed to provide the Committee with a legal justification memo explaining why or how LWA was administered as it was despite section 410.

ning of the pandemic incident period on January 20, 2020, to September 30, 2021.[143]

Aviation Industry

As a result of the pandemic, air passenger demand fell far below prior years and, according to some industry analysts, a return to pre-pandemic traffic levels might not occur until 2023.[144] The number of passengers going through Transportation Security Administration (TSA) checkpoints increased throughout the spring of 2021 but was still far below pre-pandemic levels. In June 2021, for example, TSA traveler throughput was 26 percent lower than in June 2019.[145] As a result of this decline in passenger demand and other factors, U.S. passenger airlines are projecting pretax losses of $18 billion this year, according to Airlines for America.[146] Similarly, Airports Council International–North America (ACI–NA) expects that U.S. airports will lose at least $40 billion by March 2022 because of the prolonged decline in commercial aviation traffic.[147]

The PSP was created to prevent layoffs in this hard-hit sector. Congress has appropriated $63 billion to this program, which provides financial assistance to airlines, manufacturers, and other related businesses for employee wages, salaries, and benefits.[148] According to the General Aviation Manufacturers Association, PSP has allowed companies to keep highly skilled workers in the industry and supported some of the smaller companies that needed assistance to maintain operations.[149] Airlines were able to preserve the jobs of flight attendants, pilots, mechanics, gate agents and others, according to Airlines for America.[150]

Congress also appropriated about $20 billion in grant assistance to help airports respond to the COVID–19 pandemic, including funds for operating expenses, debt service, and other expenses.[151] The additional grants are helping airports offset some of the financial damage from the abrupt, unexpected drop in air travel that resulted from precautions to limit the spread of COVID–19, according to ACI–NA.[152]

Transit Agencies

COVID–19 and the resulting shelter-in-place orders, business closures, suspension of tourism, and increasing unemployment and increasing numbers of employees working from home significantly decreased public transit and commuter rail ridership.[153] Nationally, transit ridership in 2020 was down a historic 79 percent at the

---

[143] FEMA, *FEMA Statement on 100% Cost Share* (February 3, 2021) *available at* https://www.fema.gov/press-release/20210203/fema-statement-100-cost-share.

[144] GAO, *COVID–19 Pandemic: Preliminary Observations on Efforts toward and Factors Affecting the Aviation Industry's Recovery*, GAO–21–412T (March 2, 2021) *available at* https://www.gao.gov/assets/gao-21-412t.pdf.

[145] *See*, e.g., TSA, *TSA Checkpoint Travel Numbers*, (last accessed July 19, 2021). https://www.tsa.gov/coronavirus/passenger-throughput.

[146] Statement of Mr. Nicholas E. Calio, President and Chief Executive Officer, Airlines For America, "COVID–19's Effects on U.S. Aviation and The Flight Path to Recovery" before the United States House Committee on Transportation and Infrastructure Subcommittee on Aviation, (March 2, 2021) *available at* https://transportation.house.gov/imo/media/doc/Calio%20Testimony.pdf.

[147] Airports Council International, *Airports Council Applauds Passage of $8 Billion in COVID–19 Relief for Airports* (last accessed July 19, 2021), *available at* https://airportscouncil.org/press__release/airports-council-applauds-passage-of-8-billion-in-covid-19-relief-for-airports/

[148] House Committee on Transportation and Infrastructure, *Chair DeFazio Applauds Inclusion of T&I Provisions, Including Payroll Support Program Extension, in House Democrats' Latest COVID–19 Relief Package*, (September 29, 2020), *available at* https://transportation.house.gov/news/press-releases/chair-defazio-applauds-inclusion-of-tandi-provisions-including-payroll-support-program-extension-in-house-democrats-latest-covid-19-relief-package; U.S. Department of the Treasury, *Airline and National Security Relief Programs* (accessed on May 7, 2021) https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/airline-and-national-security-relief-programs.

[149] General Aviation Manufacturers Association, *Protecting Aviation Manufacturing and Maintenance Jobs*, (March 10, 2021) *available at* https://gama.aero/news-and-events/press-releases/protecting-aviation-manufacturing-and-maintenance-jobs/.

[150] Airlines for America, *Statement from A4A CEO and President Nicholas E. Calio on the Passage of the American Rescue Plan* (March 10, 2021) *available at* https://www.airlines.org/news/statement-from-a4a-ceo-and-president-nicholas-e-calio-on-the-passage-of-the-american-rescue-plan/.

[151] GAO, *COVID–19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, GAO–21–387 (March 31, 2021) *available at* https://files.gao.gov/reports/GAO-21-387/index.html.

[152] Airports Council International, *Airports Council Statement on CARES Act Grants* (last accessed July 19, 2021) *available at* https://airportscouncil.org/press__release/airports-council-international-north-america-statement-on-cares-act-grants/.

[153] Abby Vesoulis, *The Future of American Public Transit Depends on Congress, Time* (December 17, 2020) *available at* https://time.com/5921917/mass-transit-covid-congress/.

start of the pandemic compared to 2019 levels.[154] Transit agencies anticipate long-term consequences from the COVID–19 pandemic, including reduced demand for service, increased operating costs, and limited state and local funding.[155] According to the American Public Transportation Association (APTA), when the economy does begin to recover, transit agencies will still be challenged with severe fiscal constraints as a result of physical distancing requirements that reduce vehicle capacity, increased costs of facility and vehicle cleaning and disinfection, and decreased ridership due to the dramatic increase in telework.[156]

The CARES Act and subsequent pandemic relief funding have provided about $69.5 billion in grant assistance to help transit agencies manage these fiscal constraints.[157] Federal relief funds also allowed transit agencies to keep critical service running, avoid layoffs, and provide workers and riders with COVID–19 protections.[158] As a result, some transit agencies across the country have restored previously reduced service or have cancelled plans to further cut service.[159] Transit agencies have also used the funds to mitigate the spread of COVID–19, including through enhanced cleaning and sanitation and social distancing.[160] Further, restoring transit service is expected to help the nation's economic recovery, such as in New York City, where the economy depends on trains and buses to carry riders to businesses, including theaters, retail stores, and restaurants, that have been crippled by the pandemic.[161]

Other Transportation Sectors

Operators of motorcoaches, school buses, and passenger vessels have also suffered the financial effects of lower demand for their services due to the pandemic. For example, though passenger ships operating exclusively inside the United States have begun to resume operations, virtually the entire U.S. domestic commercial passenger fleet, including overnight excursions, day charters, and tours, was forced to shut down for a year.[162] Companies operating commuter shuttle buses and private bus charters also were forced to suspend service due to lack of passengers, and some went out of business entirely, according to the American Bus Association.[163]

The Coronavirus Economic Relief for Transportation Services (CERTS) Program was created to support companies such as motorcoach, school bus, passenger vessel, and pilot vessel companies that were affected by the COVID–19 pandemic.[164] Under the program, up to $2 billion in grants is made available to eligible companies that certify they have experienced an annual revenue loss of 25 percent or more as a direct or indirect result of COVID–19.[165] Grant funds administered through the

[154] American Public Transportation Association, *The Impact of the COVID–19 Pandemic on Public Transit Funding Needs in the U.S.* (January 27, 2021) *available at* https://www.apta.com/wp-content/uploads/APTA-COVID-19-Funding-Impact-2021-01-27.pdf.

[155] *Supra*, n. 9, GAO–21–387.

[156] American Public Transportation Association, *The Impact of the COVID–19 Pandemic on Public Transit Funding Needs in the U.S.* (January 27, 2021) *available at* https://www.apta.com/wp-content/uploads/APTA-COVID-19-Funding-Impact-2021-01-27.pdf.

[157] This includes $25 billion from the CARES Act, $14 billion from the Consolidated Appropriations Act, 2021, and $30 billion from the American Rescue Plan. *See* https://www.transit.dot.gov/coronavirus.

[158] Amalgamated Transit Union, *Relief on the way for transit and working families with American Rescue Plan* (March 10, 2021) *available at* https://www.atu.org/media/releases/atu-relief-on-the-way-for-transit-and-working-families-with-american-rescue-plan.

[159] New York Times, *Transit Got $30 Billion in Stimulus Aid. What Does That Mean for Riders?* (March 15, 2021) *available at* https://www.nytimes.com/2021/03/15/nyregion/biden-stimulus-public-transportation.html.

[160] *Supra*, n. 9, GAO–21–387.

[161] New York Times, *Transit Got $30 Billion in Stimulus Aid. What Does That Mean for Riders?* (March 15, 2021) *available at* https://www.nytimes.com/2021/03/15/nyregion/biden-stimulus-public-transportation.html.

[162] Letter from Passenger Vessel Association to Speaker Nancy Pelosi (April 8, 2020) *available at* http://www.passengervessel.com/downloads/letters/2020-CARES-ACT-2-Speaker-Pelosi.pdf; The Maritime Executive, *American Coastal and River Cruising is Resuming* (March 16, 2021) *available at* https://www.maritime-executive.com/article/american-coastal-and-river-cruising-is-resumming.

[163] American Bus Association, *New Report Details Motorcoach Industry's Dire Situation* (August 10, 2020), *available at* https://www.buses.org/news/article/new-report-details-motorcoach-industrys-dire-situation.

[164] U.S. Department of the Treasury, *Coronavirus Economic Relief for Transportation Services (CERTS) Program, available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services.

[165] *Id.*, and *Guidelines for the Coronavirus Economic Relief for Transportation Services (CERTS) Grant Program* (May 6, 2021), *available at* https://home.treasury.gov/policy-issues/

Continued

CERTS program are primarily used to cover payroll costs but may also be used to cover the acquisition of services, supplies, and the cost of operating and maintaining equipment, among other things.[166]

These federal relief efforts have been critical to the nation's economic and public health recovery from COVID–19. They helped to get needed supplies to states and local governments and financial relief to transportation workers and U.S. businesses impacted by the pandemic. However, the federal oversight community has identified various instances of abuse by individual recipients of these funds and areas where federal agencies can improve their oversight of the government's pandemic relief and response efforts. The hearing will provide an opportunity for Members to discuss both the *oversight* of the government's COVID–19 relief efforts and the *impact* of those actions on the transportation industry and its workers.

WITNESS LIST—PANEL I

- The Honorable Michael E. Horowitz, Chair, Pandemic Response Accountability Committee
- Ms. Heather Krause, Director, Physical Infrastructure Issues, Government Accountability Office
- Mr. Chris Currie, Director, Homeland Security and Justice Issues, Government Accountability Office
- The Honorable Eric J. Soskin, Inspector General, Department of Transportation
- Mr. James Izzard, Assistant Inspector General for Investigations, Department of Homeland Security

WITNESS LIST—PANEL II

- Mr. Paul Skoutelas, President & CEO, American Public Transportation Association (APTA)
- Mr. Juan Ortiz, Director of Homeland Security and Emergency Management, City of Austin, Texas—on behalf of the International Association of Emergency Managers (IAEM)
- Dr. Michael J. Boskin, T.M. Friedman Professor of Economics and Senior Fellow, Hoover Institution, Stanford University
- Dr. Wendy Edelberg, PhD, Director, The Hamilton Project, The Brookings Institution
- Mr. John Samuelsen, Transport Workers Union of America (TWU)

coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services.

[166] U.S. Department of the Treasury, *Coronavirus Economic Relief for Transportation Services (CERTS) Program* and *Guidelines for the Coronavirus Economic Relief for Transportation Services (CERTS) Grant Program* (May 6, 2021), *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services. According to the CERTS guidelines Treasury published on May 6, 2021, to be eligible for payments under this program, companies must be established or organized in the United States or pursuant to federal law and must have a majority of employees in the United States, among other things. Further, passenger vessel companies must carry out their principal business using one or more passenger vessels of the United States (as each is defined in 46 USC § 2101) that (a) are for hire with a capacity of 6 to 2,400 passengers and (b) have U.S. Coast Guard (USCG) issued Certificates of Inspection (COI).

Mr. DEFAZIO. I call the Committee on Transportation and Infrastructure to order.

As I did yesterday, during yesterday's markup, I am reading an announcement from the Office of the Attending Physician.

The physician has once again imposed a requirement that Members, staff, and all others physically present in an enclosed House of Representatives-controlled space—i.e., this room and others like it—and the floor of the House will be required to wear masks, unless speaking.

I view this as a safety issue, therefore an important matter of order and decorum. I assert my responsibility to preserve order and decorum with respect to the wearing of masks. The chair would greatly prefer that all present simply uphold the decorum of the committee by complying with reasonable safety standards recommended by the Attending Physician, and respectful of all the occupants of the room.

With that, the committee will come to order.

I ask unanimous consent that chair be authorized to declare recess at any time during today's hearing.

Without objection, so ordered.

As a reminder, please keep your microphone muted while speaking, blah blah blah. If you make noise, I will shout at you.

To insert a document into the record, please email it to DocumentsT&I@mail.house.gov.

With that I would go to my opening statement, which I put somewhere. Oh, who took it? Yes, here we go, OK.

Today we will hear about the impact the Government's COVID–19 relief funding has had on the transportation sector and its workers who were heavily hit. Many transportation workers died. Many, many more became ill. But they kept the trains, the planes, and the buses running during this, and the light rail, anything that is related to transportation. And obviously, ridership went down. But they provided essential transportation to many, many critical workers during that time. And the economy would have been way worse off without their incredible sacrifice.

So today we are here to look at the Government's response, and see that these Federal funds have been utilized efficiently and effectively. The pandemic, obviously, has had a huge and ongoing impact, and Congress took unprecedented steps to deal with that.

The Federal oversight community, which will be our first panel, has been tracking this economic aid to determine if it has been used appropriately and to identify ways to ensure it is used as productively as possible. The oversight—I forgot I can take my mask off while I am talking—the oversight community has also worked to identify weaknesses in agencies' management of COVID–19 relief programs and to ferret out individual cases of fraud, which, in this sector, are quite rare, not so much in the Paycheck Protection Program or unemployment programs, but in this it was rare, relatively rare.

Our hearing today will examine both these issues: oversight of the funds and the impact of the aid on the industry's stakeholders. There are always going to be individual bad actors attempting to defraud or financially abuse a program or take advantage of a crisis. And some programs may have had poor management or ineffective leadership. And that is what we want to hear: the oversight community can identify loopholes, or how people might have been enabled to commit fraud, and make recommendations to improve the management of those programs.

In some cases, Federal agencies, many that are outside our committee's jurisdiction, have not moved quickly enough to close these oversight gaps, and to learn the lessons from past national emergencies. GAO, for instance, has issued 87 COVID–19-related recommendations since the pandemic began, and only 16 have been fully implemented.

Despite these issues, the economic relief was necessary. Governors, mayors, local officials, labor organizations, and business associations, have all applauded the support Congress provided through legislation. It helped to slow the spread of the virus, thwart the loss of American jobs, and bolster the economic security of the U.S. and small businesses.

Unfortunately, we may never know how successful these efforts were, because Government agencies failed to track the number of jobs that were saved. I look forward to hearing from our Government witnesses about how to increase transparency on this front, hopefully retrospectively, but certainly in the future. This won't be our last national crisis. Who knows what the next one will be?

I also look forward to hearing ideas to enhance accountability, improve Federal crisis planning and emergency management programs, and strengthen transparency of Government expenditures. While I believe the COVID–19 relief funding was absolutely critical in addressing the dire economic situation and public health catastrophe, I also commend the oversight community for identifying problems, highlighting cases of ineffective management, and spotting cases of waste, fraud, and abuse to improve the management of Federal programs to help Americans impacted by COVID.

There are several questions I hope will be addressed by the panel: What recommendations do you have to help the Government's coordinated response to national public health and other emergencies, particularly for the Federal Emergency Management Agency?

I would note that we are not touching on aviation today, but the Department of Transportation was ordered, under the Obama administration, to develop an emergency response plan to deal with pandemics. We are still waiting.

And secondly, how can we improve reporting and transparency related to the use of Federal disaster assistance funds?

How can we learn from the Federal oversight community's identification of problems in the Federal response to the COVID–19 pandemic to improve the response during the next national crisis?

And from the standpoint of transportation stakeholders, our second panel, what worked well, in terms of the Government response to helping them confront the crisis, and how can we help support transportation workers and the critical transportation infrastructure we all depend upon in order to mitigate the impact of future national public health emergencies?

Thanks to all of you for being here today, and I yield to the ranking member for his opening statement.

[Mr. DeFazio's prepared statement follows:]

Prepared Statement of Hon. Peter A. DeFazio, a Representative in Congress from the State of Oregon, and Chair, Committee on Transportation and Infrastructure

Today we will hear about the impact the government's COVID–19 relief funding has had on the transportation sector and its workers, and the challenges in overseeing the government's response efforts and ensuring that these federal funds are managed efficiently and effectively.

The onslaught of the COVID–19 pandemic has had devastating consequences for our nation and the world. In the United States it has infected more than 34 million Americans and resulted in the deaths of more than 600,000 individuals. The federal government was called upon to respond to this public health crisis in a way that was unprecedented on a national scale for such a prolonged period of time, and it continues to do this work on a daily basis across our country.

The pandemic also wreaked havoc on our economy, decimating the financial livelihood of many American workers and businesses, particularly in the transportation sector. Congress took unprecedented actions to help cushion the economic blow to workers, families, and small businesses.

The federal oversight community has been tracking this economic aid to determine if it has been used appropriately and to identify ways to ensure it is used as productively as possible. The oversight community has also worked to identify weaknesses in agencies' management of COVID–19 relief programs and to ferret out individual cases of fraud. Our hearing today will examine both of these issues: the oversight of these funds by federal Offices of Inspectors General and the U.S. Government Accountability Office and the impact of this aid to transportation industry stakeholders.

Challenges do exist. There will always be individual bad actors seeking to defraud or financially abuse a program or federal agency whose mission is to serve the public and the nation. Some programs may also be impeded by poor management and ineffective leadership. The oversight community has been keeping tabs on these funds, identifying these fraudsters, and making recommendations to improve the management of federal COVID–19 relief actions and programs.

But in some cases, federal agencies, many outside our committee's jurisdiction, have not moved quickly enough to close these oversight gaps and to learn the lessons from past national emergencies. The Government Accountability Office, for instance, has issued 87 COVID–19 related recommendations since the pandemic began and only 16 of those have been fully implemented.

Despite these issues, COVID–19 economic relief was necessary. Governors, mayors and local officials, labor organizations and business associations have all applauded the support Congress provided through legislation that helped to slow the spread of the COVID–19 virus, thwarted the loss of American jobs, and bolstered the economic security of U.S. small businesses. Unfortunately, we may not know how successful these relief efforts were because government agencies failed to track the number of jobs that were saved. I look forward to hearing from our government witnesses about how to increase transparency on this front. I also look forward to hearing ideas to enhance accountability, improve federal crisis planning and emergency management programs, and strengthen transparency of government expenditures in the future.

While I believe the COVID–19 relief funding was absolutely critical to addressing the dire economic situation and the public health catastrophe, I also commend the oversight community for identifying problems, highlighting cases of ineffective management and spotting cases of waste, fraud and abuse to improve the management of federal programs to help Americans impacted by the COVID–19 pandemic.

There are several questions I hope our panelists will help us understand today.

- What recommendations does the oversight community have to helping improve the government's coordinated response to national public health and other emergencies, particularly for the Federal Emergency Management Agency (FEMA)?
- How can we improve reporting and transparency related to the use of federal disaster assistance funds?
- How can we learn from the federal oversight community's identification of problems in the federal response to the COVID–19 pandemic to improve the response during the next national crisis?
- From the standpoint of transportation stakeholders, what worked well in terms of the government's response to helping them confront this crisis and how can we help support transportation workers and the critical transportation infra-

structure we all depend upon in order to mitigate the impact of future national public health emergencies?

Thank you to all of our witnesses for being here today. I look forward to your testimony. With that I yield to Ranking Member Graves for his opening statement.

Mr. GRAVES OF MISSOURI. Thank you, Mr. Chairman.

Since the beginning of the pandemic, the Government has spent $5.9 trillion on combating COVID–19; $1.9 trillion has been authorized by Congress just this year. Some of this money was legitimately needed to help us respond and recover from a once-in-a-lifetime pandemic. With it, we were able to do things like Operation Warp Speed, distribute personal protective equipment, or PPE, set up medical clinics, and provide transportation for essential workers. I am glad today's hearing is going to focus on oversight and look at how these funds have been used or potentially misused.

Unfortunately, a lot of recent funding has been masqueraded as pandemic-related relief. For example, more than $1 billion for Amtrak, school funds for critical race theory, and loads of extraneous green projects. And now the majority wants to add another $3.5 trillion to the tab through its "human infrastructure" bill, which will be jammed through using the partisan budget reconciliation process. This would be the highest level of funding for any legislative measure in the history of our country, costing the American taxpayers about $50,000 per U.S. household.

We cannot just casually throw around trillion-dollar figures like we are playing with Monopoly money. We have to consider where these astronomical amounts of money are coming from. Unfortunately, it is going to come from the pockets of the taxpayers, and the pockets of future taxpayers who haven't even been born yet. The effects of this cumulative, unchecked spending are real, and we are seeing it every day. The price of consumer goods has gone up nearly across the board. Gasoline is up 56 percent, airlines are up, our airfares are up 24 percent. Used cars are up 30 percent from last year. And even the cost of chicken wings has increased more than 58 percent.

Let's not forget, we still don't know how this virus started, despite its high cost. More than 600,000 U.S. lives have been lost, and we are still paying the economic toll of recovery.

I look forward to hearing from today's panels on how this spending is impacting our economy, and how it is impacting jobs, and whether or not Congress was as targeted as we ought to have been when spending such large sums of money.

With that, Mr. Chairman, I am looking forward to hearing from our witnesses, and I do appreciate the hearing, and I yield back the balance of my time.

[Mr. Graves of Missouri's prepared statement follows:]

Prepared Statement of Hon. Sam Graves, a Representative in Congress from the State of Missouri, and Ranking Member, Committee on Transportation and Infrastructure

Thank you, Chair DeFazio.

Since the beginning of the pandemic, the government has spent $5.9 trillion on combating COVID–19. $1.9 trillion has been authorized by Congress this year alone.

Some of this money was legitimately needed to help us respond and recover from a once-in-a-lifetime pandemic. With it we were able to do things like Operation

Warp Speed, distribute personal protective equipment (PPE), set up medical clinics, and provide transportation for essential workers.

I am glad today's hearing will focus on oversight and look at how these funds have been used—and potentially misused.

Unfortunately, a lot of recent funding has masqueraded as pandemic-related relief. For example: more than $1 billion for Amtrak, school funds for critical race theory, and loads of extraneous green projects. And now the Majority wants to add another $3.5 trillion to the tab through its "human infrastructure" bill which will be jammed through using the partisan budget reconciliation process. This would be the highest level of funding for any legislative measure in our history—costing the American taxpayers about $50,000 per U.S. household.

We cannot casually throw around trillion-dollar figures now like we're playing with Monopoly money. We must consider where these astronomical amounts of money are actually coming from. Unfortunately, it'll come from the pockets of the taxpayers, and the pockets of future taxpayers who haven't even been born yet.

The effects of this cumulative, unchecked spending are real. And we're seeing it every day. The price of consumer goods has gone up nearly across the board. For example, gasoline is up 56 percent, airfares are up 24 percent, used cars are up 30 percent from last year, and even the cost of chicken wings has increased by more than 58 percent.

And let's not forget that we still don't know how this virus started despite its high cost. More than 600,000 U.S. lives were lost and we're still paying the economic toll of recovery.

I look forward to hearing from today's panels on how this spending is impacting our economy, jobs, and whether or not Congress was as targeted as we ought to have been when spending such huge sums of money.

Mr. DEFAZIO. I thank the gentleman for his brevity. I will now turn to our witnesses.

We will be hearing testimony from witnesses, two panels, with each panel followed by questions from Members.

I would now like to welcome witnesses on our first panel: the Honorable Michael E. Horowitz, Chair, Pandemic Response Accountability Committee; Ms. Heather Krause, Director of Physical Infrastructure, Government Accountability Office; Mr. Chris Currie, Director of Homeland Security and Justice, Government Accountability Office; the Honorable Eric J. Soskin, inspector general, Department of Transportation; and Mr. James Izzard, assistant inspector general for investigations, Department of Homeland Security.

Thanks for joining us today. I look forward to your questions.

Without objection, the full statements will be included in the record.

Since your written statement has been made a part of the record, the committee requests that you extract the most relevant points, and restrict yourself to 5 minutes.

With that, Chairman Horowitz, you are recognized for 5 minutes.

TESTIMONY OF HON. MICHAEL E. HOROWITZ, CHAIR, PANDEMIC RESPONSE ACCOUNTABILITY COMMITTEE; HEATHER KRAUSE, DIRECTOR, PHYSICAL INFRASTRUCTURE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; CHRIS P. CURRIE, DIRECTOR, HOMELAND SECURITY AND JUSTICE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; HON. ERIC J. SOSKIN, INSPECTOR GENERAL, U.S. DEPARTMENT OF TRANSPORTATION; AND JAMES IZZARD, JR., ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. HOROWITZ. Thank you, Mr. Chairman and Ranking Member Graves, and members of the committee. Thank you for inviting me to testify at today's important hearing.

Congress created the Pandemic Response Accountability Committee, or PRAC, which is comprised of 22 Federal inspectors general, to oversee the more than $5 trillion in Federal pandemic relief spending. And I am proud to report on our accomplishments to date at today's hearing.

PRAC's mission is to work with IGs to help ensure that taxpayer money is used effectively and efficiently, and to address the pandemic-related public health and economic needs that the Congress funded, as well as to root out waste, fraud, abuse, and misconduct. Oversight of a program of this magnitude takes a monumental and whole-of-Government effort. Our efforts at the PRAC have focused on three pillars: transparency, coordinated oversight, and accountability.

In order to foster transparency and enable the public to know how its money is being spent, the PRAC established a website, PandemicOversight.gov, and I hope people will go and look at the website. We continually update it with new datasets and spending data, and develop new features to enhance it as a tool for the public.

For example, just this month we updated our data visualizations on the Paycheck Protection Program, and for the first time were able to incorporate loan forgiveness data.

The website also contains accountability information, including audit and inspection reports from Federal IGs, as well as from the Government Accountability Office.

We also track recommendations that IGs have made to agencies to help improve the operations of Government programs related to the pandemic.

I am particularly pleased to report that, as a result of the PRAC's outreach efforts to our State and local oversight partners, PandemicOversight.gov now includes reports from State, county, and city auditors overseeing pandemic response funds. The website contains over 125 reports so far. These oversight entities—and there will be more to come—involving unemployment insurance, use of coronavirus relief funds, pandemic preparedness, contract tracing, and more.

With regard to our accountability efforts, the PRAC and Federal IGs have been performing rigorous, independent oversight for 16 months now. To date, these efforts have resulted in the issuance of about 250 oversight reports related to pandemic spending, and the Government's response to the pandemic.

In addition, the PRAC issued an agile products toolkit to assist with oversight efforts, and has held a series of public forums and programs to inform the public about our oversight efforts.

And just this month, the PRAC announced the creation of a new working group focused on preventing and addressing identity fraud in pandemic response programs. The PRAC Identity Fraud Reduction and Redress Working Group seeks to help reduce identity fraud in Government programs, and very importantly, assist victims in recovering from what can be devastating impacts from identity fraud.

Additionally, the PRAC and the IG community is committed to bringing to justice those who, unfortunately, seek to defraud and steal from pandemic programs. Earlier this year the PRAC established a Pandemic Fraud Working Group, comprised of law enforcement agents from across the IG community. And the work of IG agents has resulted in hundreds of arrests and prosecutions to date, and we have many more ongoing, open, and significant investigations.

We are using all of the tools that Congress has given us, civil and criminal authorities, and suspension and debarment, among others, to prevent and detect wrongdoing. One of the most important tools that has enabled us to effectively identify and prevent misconduct is data analytics. That is why the PRAC is excited about the development of our Pandemic Analytics Center of Excellence, or PACE, and I look forward to talk about this at today's hearing.

The PACE will allow the IG community to conduct data analysis and visualization of all pandemic response funds, provide fraud-fighting tools to the IG community, enable the broad sharing of data and leading practices among IGs, and assist investigations and audits with expanded data for open source investigative intelligence.

In the coming months, I look forward to providing even more information about the PACE, as we continue to build what promises to be one of the more important tools in helping IGs root out fraud, waste, abuse, and protect taxpayer money.

Thank you again for your continued strong support of the IG community. The extraordinary team at the PRAC and the entire IG community is committed to advancing transparency and accountability through our independent oversight efforts.

That concludes my remarks, and I would be pleased to answer any questions the committee may have.

[Mr. Horowitz's prepared statement follows:]

Prepared Statement of Hon. Michael E. Horowitz, Chair, Pandemic Response Accountability Committee

Mr. Chairman, Ranking Member Graves, and Members of the Committee:

Thank you for inviting me to testify today to discuss the work of the Pandemic Response Accountability Committee (PRAC), which was created as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020. In addition to serving as the Inspector General of the Department of Justice since 2012, for the past 15 months, I have served as acting Chair and permanent chair of the PRAC.

The PRAC is a Committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and is comprised of 22 federal Inspectors General (IGs) who are working collaboratively to oversee the more than $5 trillion in federal pandemic-relief emergency spending. Our primary mission at the PRAC is to work with Offices of the Inspector General (OIG) to ensure that taxpayer money is used effectively and efficiently to address the pandemic-related public health and economic needs that were funded through the various COVID–19 relief bills. My testimony today will focus on the PRAC's role in coordinating oversight of the pandemic response, and what lessons we have learned thus far.

To put it in perspective, the more than $5 trillion in relief provided to address the pandemic and its health and economic impact to Americans is more than the federal government's total spending in 2019 for all discretionary, mandatory, and interest on the debt. Oversight of a program of this magnitude takes a monumental and whole-of-government effort. The speed at which funds were disbursed last year, and the sheer amount of money involved, put the funds at high risk of fraud and misuse, making the work of oversight entities like the PRAC and IGs essential to a successful national recovery.

The PRAC was established to serve the American public by promoting transparency and facilitating coordinated oversight of the Federal Government's COVID–19 pandemic response and associated spending with the goal to identify major risks that cross program and agency boundaries, and to assist agencies in preventing and detecting fraud, waste, abuse, and mismanagement. We also seek to provide the public with accessible, timely, accurate, and comprehensive data about the over $5 trillion in COVID–19 relief spending. To date, the 22 PRAC IGs, as well as other IGs whose agencies received emergency pandemic funding, have issued 250 oversight reports related to pandemic spending and the government's response to the pandemic. Recognizing the need to provide policymakers with timely insights into pandemic relief spending, the IGs have issued many agile oversight products, including inspections conducted remotely, flash reports, agency program funding snapshots, management alerts, and white papers. These reports have included specific reviews of the Department of Transportation and Department of Homeland Security, which are covered in detail in Inspector General Soskin and Assistant Inspector General for Investigation Izzard's remarks.

PRAC'S WORK TO DATE

In response to the COVID–19 outbreak, Congress authorized historic levels of emergency funding for federal agencies to provide relief to individuals, businesses, state and local governments, and public services. Since last March, the PRAC has worked with member IGs to conduct oversight that seeks to identify programmatic and systemic risks, and to develop recommendations for program improvements, refer matters for criminal and civil investigations, and identify misspent covered funds for recovery. I will briefly mention a few examples of the PRAC's work over the past year to fulfill this mission and its plans for the future.

Promoting Transparency through PandemicOversight.gov

The PRAC fosters greater transparency of the government's pandemic-related spending through our robust, publicly accessible website, PandemicOversight.gov. The website includes important information about the PRAC and makes publicly available a wide range of data related to how emergency pandemic funds have been spent. For example, the website includes pandemic spending data from USASpending.gov, Paycheck Protection Program (PPP) data from the Small Business Administration (SBA), and an updated list of all ongoing work from member IGs related to the pandemic. In addition, our website provides direct access to recipient and sub-recipient level reporting and the expenditures made using Coronavirus Relief Funds. Our website is currently the only place where this data is available to the public.

We are continuing to update PandemicOversight.gov with additional datasets and have been designing and developing new content and features that further enhance the site's effectiveness as a transparency tool for the public, Congress, and other key stakeholders. In May, we provided updated Coronavirus Relief Fund data to includes all funds spent from March 1, 2020 through March 31, 2021. In June, we incorporated Provider Relief Fund data from hospitals and healthcare providers that we obtained from the U.S. Department of Health and Human Services into our website. Most recently, in July, we updated our data visualizations on the Paycheck Protection Program and for the first time incorporated loan forgiveness data.

The website also contains accountability information, including findings from OIGs, such as completed audits and inspections, as well as Government Accountability Office (GAO) reports. We also track recommendations that IGs have made to agencies to help them improve the operations of government programs related to the pandemic.

I am particularly pleased to report that, as a result of the PRAC's outreach effort to our oversight partners at the state and local levels, PandemicOversight.gov also now includes reports from state, county, and city auditors overseeing pandemic response funds. The website contains over 125 reports [https://www.pandemicoversight.gov/oversight/reports?f%5B0%5D=report__type__taxonomy%3A123] on unemployment insurance, use of Coronavirus Relief Funds, pandemic preparedness, contact tracing, and more. The reports can be found alongside the PRAC's pandemic oversight reports by federal auditors. A searchable database of state and local reports allows policy makers and the public to better understand pandemic response oversight at all levels and helps federal oversight agencies, like the PRAC, better monitor and protect the $5 trillion in pandemic relief distributed across the United States. For example, a report issued by the California State Auditor in August 2020 designated the management of Federal pandemic response funds as high risk for the state, stating that California must be able to properly account for and report on the use of funds; specifically, the report stated that California must effectively track and justify the costs of its COVID–19-related emergency protective measures to ensure that it maximizes the reimbursement that FEMA will provide. The California State Auditor further noted that mismanagement of COVID–19 funds could result in serious detriment to the state and its residents. In another example, work completed by the New York Comptroller's Office (which includes the state's audit function) provided a data snapshot of the impact of the pandemic on subway ridership as well as the impact of the pandemic on the Metropolitan Transit Authority's debt profile and highlighting that ridership levels will likely not reach pre-pandemic levels until sometime in 2021. These reports highlight the need for proper management of funds, as well as provide key insights and information about the impact of the pandemic on the ground.

We also have worked closely with GAO and its leadership to ensure that federal oversight efforts are well coordinated and seamless. The outstanding reports issued by GAO have been an integral part of the federal oversight effort and we look forward to continuing to partner with GAO, as well as our state and local oversight colleagues, as we conduct our independent oversight efforts on behalf of the taxpayers.

Work on Cross-Cutting Issues that Transcend Federal Agencies

In February 2021, the PRAC issued a "Top Challenges in Pandemic Relief and Response" report [https://www.oversight.gov/sites/default/files/oig-reports/PRAC/PRAC-Update-Top-Challenges-Pandemic-Relief-and-Response.pdf], which updated a similar June 2020 report [https://www.oversight.gov/sites/default/files/oig-reports/Top%20Challenges%20Facing%20Federal%20Agencies%20-%20COVID-19%20Emergency%20Relief%20and%20Response%20Efforts__1.pdf] by the PRAC, and highlighted the major management challenges facing federal agencies during the pandemic. The PRAC report also identified cross-cutting issues for policymakers to consider as they implement the relief funding in the American Rescue Plan. Three of these challenges particularly incorporate elements related to this Committee's jurisdiction:

1. Financial Management of Relief Funding. Even in non-pandemic times, financial management controls and proper oversight of government contracts pose a challenge to federal agencies and programs. The substantial increase in funding for certain programs and an expedited timetable for the distribution of CARES Act and other pandemic-related funds heightens the risks. Since the pandemic began in March 2020, OIGs have found that payments have been made without the appropriate checks and controls in place to verify the expenditures. A soon to be issued PRAC report found that noncompetitively awarded contracts increase the risk of higher prices and decreased contractor performance and may require additional oversight. In addition, OIGs have identified contracts that pose potential conflicts of interest and contractors that have not delivered products by the specified due dates. Further, federal agencies may face challenges maintaining their agency operations and programming, especially those supported by contracts if the contractors are unable to fulfill existing requirements due to COVID–19 restrictions. As the pandemic continues, federal agencies must continue to ensure they get what they pay for in their pandemic response-related contracts as well as guard against fraud and improper payments.

2. Informing and Protecting the Public from Pandemic-Related Fraud. PRAC member OIGs have also found that Americans are being targeted in greater numbers by dishonest people taking advantage of the crisis to harm individuals and businesses through scams and harassment. Identity theft is on the rise and three pandemic-related benefit programs have been particularly hard hit: the Department of Labor's unemployment insurance (UI) program and the Small Business Administration's Economic Injury Disaster Loan (EIDL) program and Paycheck Protection Program (PPP). According to the Federal Trade Commission, identity thieves targeted pandemic unemployment insurance in record numbers, with over 394,000 people reporting that their personal information was misused to apply for a government benefit—an increase of nearly 3,000% from 2019.[1]

In July, the PRAC announced formation of a new working group focused on preventing and addressing identity fraud in pandemic response programs. The PRAC Identity Fraud Reduction & Redress Working Group is a joint effort of multiple Inspectors General who are members of the PRAC. The Working Group is taking a holistic approach in seeking to help reduce identity fraud in government programs and assist victims in recovering from what can be devastating impacts from identity fraud. As an oversight community, we have identified several internal controls that can prevent identity fraud in federal programs to avoid the scale of fraud that took place in 2020.

To educate the public about what watchdogs at all levels of government—federal, state, and local—have found in their work related to identity theft in pandemic relief programs, the PRAC has added an interactive timeline [https://www.pandemicoversight.gov/our-mission/identity-theft-in-pandemic-benefits-programs] to our website. The timeline takes a user through the oversight community's audit and investigative efforts to protect pandemic relief funds.

3. Report on Data Gaps. A third challenge we identified concerns data transparency and completeness. A study commissioned by the PRAC with MITRE [https://www.pandemicoversight.gov/our-mission/publications-reports/gaps-in-cares-act-and-how-to-close-them] identified key gaps in data sources and opportunities to close those gaps. The PRAC is actively reviewing federal data sets to identify areas where high impact programs contain reporting gaps that could affect the ability of agencies, OIGs, and the PRAC to properly oversee their use of pandemic response funds. We have been working with OMB, the Chief Financial Officers Council, OIGs and agencies on these gaps and are working to improve data quality and transparency.

An important result from these recent discussions was OMB Memorandum M–21–20 [https://www.whitehouse.gov/wp-content/uploads/2021/03/M__21__20.pdf], *Promoting Public Trust in the Federal Government through Effective Implementation of the American Rescue Plan Act and Stewardship of the Taxpayer Resources*, issued on March 19, 2021. This guidance addresses some of the concerns PRAC leadership and staff have been discussing with OMB since March 2020, particularly the need for detailed and accurate award descriptions, enhanced transparency of spending through use of disaster and emergency funding codes, and working with the PRAC and IGs to strengthen payment integrity. The guidance specifically mentions the Administration's commitment to working with the PRAC and agency IGs to strengthen payment integrity in order to minimize the risk of waste, fraud, and abuse. Additionally, the guidance notes that "OMB anticipates continued collaboration with the PRAC to include joint communications on issues related to ARP relief that will raise awareness on specific challenges and opportunities for payment integrity."

We continue to work with partner IGs, OMB, and the American Rescue Plan implementation team to address program level data gaps and opportunities to promote public trust and enhance payment integrity. In April, we issued a Joint Alert with OMB [https://www.pandemicoversight.gov/media/file/omb-and-prac-payment-integrity-alert] on payment integrity. It is imperative that executive departments and agencies incorporate in program design, tracking, and reporting the lessons learned from previous rounds of COVID–19 stimulus. OMB and the PRAC's joint alert identifies risk factors and mitigating strategies that agencies can consider when assessing impact to their respective programs. And just last week we issued a second Joint Alert [https://www.pandemicoversight.gov/news/articles/joint-announcement-john-pasquantino-acting-omb-controller-and-michael-horowitz-prac-0] with OMB, this one on the benefits of using automation and data analytics in reducing the risk of improper payments of government funds.

Coordinating Oversight Across the PRAC IGs

To facilitate coordination and collaboration between the PRAC and its member IGs, as well as with the GAO and state and local oversight entities, the PRAC has

[1] Federal Trade Commission's Staff Report, *Protecting Consumers During the COVID–19 Pandemic: A Year in Review* (April 2021).

established five subcommittees and four issue groups for healthcare, financial institutions, data sharing, and identity fraud—chaired by PRAC members—to share ongoing oversight and accountability efforts, best practices, and lessons learned. These efforts include:

- ongoing reviews of multi-dipping, or recipients of pandemic funds using multiples sources of funds for the same purpose,
- a PPP working group that is discussing outcomes related from oversight and inspections of PPP fraud and misuse, and
- sharing of data analytics and data across the pandemic response community to create a more cohesive response to pandemic oversight,
- GAO, state and local coordination with the federal community on high risks and areas of concern.

Specifically on state and local coordination, we regularly interface with state and local auditors [https://www.pandemicoversight.gov/media/file/statelocal-infographic] to keep the lines of communication open to federal offices. We created a series of monthly listening posts to discuss challenges that are faced by federal, state, and local audit program, and fiscal partners in their oversight of CARES Act funds, such as challenges completing Single Audit Act requirements, fraud risks associated with the unemployment programs, and sharing reports or methodologies used for similar oversight activities, and to help find solutions to these problems. Attendees include PRAC member OIGs, GAO, the National Association of State Auditors, Comptrollers and Treasurers, the Association of Local Government Auditors, and entities responsible for Tribal oversight.

We also have conducted new coordination efforts with state and local oversight offices for pandemic-related hotlines and investigations so that states can provide the PRAC, or the applicable federal agency, with hotline information outside of their purview or applicable to a federal pandemic response program. Additionally, the PRAC has initiated quarterly briefings to share investigative best practices or fraud indicators identified by federal investigators that would benefit state and local investigators and auditors.

The PRAC Audit Subcommittee issued the Agile Products Toolkit [https://www.pandemicoversight.gov/sites/default/files/2020-11/Agile%20Products%20Toolkit_0.pdf] to assist members in providing expeditious oversight of federal response in a crisis like the pandemic. The PRAC Healthcare issue group released a report on COVID–19 testing, a risk area the group identified [https://www.oversight.gov/sites/default/files/oig-reports/PRAC/Federal-COVID-19-Testing-Report.pdf] that cuts across agencies, and collaborated to create a data brief on COVID–19 testing administered between February 2020 and August 2020 in six select federal health care programs. This report highlights critical areas for policymakers to consider to improve testing for Americans, including availability, accessibility, and cost effectiveness of tests. The PRAC Financial Institutions issue group brought together expert stakeholders to gather their insights concerning the Federal government's pandemic response efforts in small business and housing relief programs. The group released a series of videos highlighting those perspectives of lenders [https://www.pandemicoversight.gov/news/pandemic-response-perspectives-from-banking-industry], small business and borrowers [https://www.pandemicoversight.gov/news/pandemic-response-perspectives-from-borrowers], and housing stakeholders [https://www.pandemicoversight.gov/news/pandemic-response-housing-insights].

To help assess the impact of CARES Act funding, as well as discuss lessons learned, we held a virtual forum on March 25, 2021—CARES Act One Year Later: Oversight of America's Investment in Pandemic Response [https://www.pandemicoversight.gov/news/events/cares-act-one-year-later]. The event was attended live by 550 participants and featured prerecorded remarks from Sen. Gary Peters, Rep. Carolyn Maloney, Rep. James Comer, and Rep. Jim Clyburn. To share these insights widely with the public, the PRAC posted the event video on PandemicOversight.gov and our YouTube channel. In August, we will host a virtual roundtable webinar to discuss the impact of pandemic spending on underserved communities, whether the funds reached those they were intended to help, and what changes may be needed in connection with future disaster relief efforts.

Meanwhile, OIGs and our law enforcement partners at the Department of Justice and elsewhere have been aggressively pursuing fraud cases. The investigative workload for a number of PRAC IGs has been substantial and, regrettably, continues to grow. The PRAC is working to assist these IGs, including through the PRAC's pandemic fraud task force, which I discuss below. Those who engage in fraud and other wrongdoing in connection with pandemic-related programs will be held accountable, and we hope that these efforts will have the necessary and important deterrent effect.

To date, there have been 900 defendants publicly charged with criminal offenses based on fraud schemes connected to the COVID–19 pandemic. The first civil settlement to resolve allegations of fraud against the Paycheck Protection Program (PPP) occurred on January 12, 2021 in the Eastern District of California. Additionally, regulatory agencies like the Food and Drug Administration, have issued 7 civil injunctions and restraining orders against companies and individuals who are falsely claiming to have treatments or cures for the coronavirus.

The Offices of Inspectors General are actively engaged in combating this criminal behavior and have led or participated in investigations leading to over 481 indictments or complaints, 436 arrests, and 131 convictions thus far. PPP and EIDL fraud continue to trend as the largest number of publicly announced investigations, followed by Unemployment Insurance fraud, and investigations related to testing supplies/treatments/vaccines.

The PRAC is also continuing to track scam and fraud alerts issued by our member agencies, to ensure the broadest dissemination on our website and social media platforms. Most recently, the PRAC worked with HHS OIG to publish an alert on the vaccine scams that have begun targeting the public.

Shared Services Support to OIGs

The PRAC is seeking to use the resources and tools that Congress have given us to enhance shared services across the IG community, and to fill gaps to help our partners meet the challenge of overseeing this pandemic spending. For example, we are working with data science programs at leading academic institutions to recruit and hire data science fellows and build a talent pipeline for the OIG community. The PRAC is also providing resources to PRAC members to combat fraud in pandemic relief programs. The PRAC hosted an Educational Loan Fraud Forum on April 22, 2021, that highlighted activities in the oversight community related to loan fraud schemes. This allowed OIG investigators to hear from SBA OIG, FDIC OIG, and FHFA OIG about their experiences in pursuing PPP and EIDL cases; as well from the Department of Justice and the Special Inspector General for Pandemic Relief (SIGPR) related to their ongoing efforts in this area. Further, the PRAC Data Sharing workgroup coordinates regular meetings of OIGs to discuss data sharing opportunities to identify potential cross cutting initiatives, to share lessons learned from OIG data-related oversight work, and to consider ways to prevent and detect fraud, waste, and abuse using data analytics. For example, the workgroup organized a two-day Data Expo to share information among OIGs in terms of their data analytic capabilities, tools, and ongoing projects.

Additionally, the PRAC Data Sharing workgroup held an International Data Forum with counterparts from the United Kingdom and Australia in early July. The event featured discussion of pandemic relief programs in each country, the challenges faced in overseeing those relief programs, and how innovative approaches to data sharing and analytics allowed officials to address those challenges.

The PRAC also launched a hotline complaint site on its webpage (https://www.PandemicOversight.gov/contact/abouthotline) to enable whistleblowers and the public to report alleged wrongdoing related to federal pandemic programs without having to determine which OIG office has primary responsibility for a particular government program. All of the complaints made to the PRAC hotline are reviewed by staff and then forwarded to the appropriate OIG. As of July 20, 2021, the PRAC has received 1,787 complaints, and has made 1,363 referrals to OIGs (since some hotline complaints impact multiple programs and offices). Additionally, PRAC hotlines are provided to the PRAC Task Force for investigative follow-up where applicable.

PRAC Initiatives

Having highlighted some of the work of the IG community and PRAC to date, let me briefly discuss some of the initiatives that the PRAC is currently undertaking or planning to initiate going forward.

Pandemic Analytics Center of Excellence

We greatly appreciate Congress's continued support of the PRAC, including the $40 million provided in the American Rescue Plan Act of 2021. Fulfilling the PRAC's mission of rooting out waste, fraud, and abuse in COVID response spending requires better technological tools, including the use of advanced data analytics that can be used to identify and stop fraudulent payments before they are made, to strengthen compliance and audit efforts, and detect fraud and support efforts to recover any ill-gotten gains. To that end, the PRAC is operating the Pandemic Analytics Center of Excellence (PACE) to: (1) conduct data analysis and visualization of all pandemic response funds; (2) provide fraud-fighting tools and central shared services to the

IG community; (3) enable the broad sharing of data, analytics and leading practices across the oversight and law enforcement community; and (4) assist investigations and audits of pandemic relief programs with expanded data for open source investigative intelligence.

The PACE is providing the enhanced capacity needed to ensure that pandemic response funds are used for their intended purpose, and not wasted or misused. The PACE is comprised of three primary functional capabilities (IT & Data Management; Analytics Visualization & Reporting; and Investigative Support) to execute and operate its mission:

- Analytic support tools include data matching, anomaly detection, risk modeling, social network analysis, robotic process automation, geospatial analysis, link analysis, business intelligence, and open-source intelligence. Currently, we are using robotic process automation to assist a member OIG to automate tasks associated with monitoring of pandemic spending that are currently manual reviews. This project will save critical time for both the OIG and the recipients that report spending information. In addition, we are assisting OIGs with development of risk models to help them identify high-risk recipients of pandemic funds for additional oversight. Our social network analysis assists in investigative work to uncover insights on networks of individuals who may have defrauded pandemic relief programs.
- Data science staff will utilize the tools to identify trends, patterns and anomalies and generally develop insights to detect and prevent potential or suspected fraud, waste, abuse and mismanagement of covered funds based upon best available data and analytic techniques. Currently, we have augmented the data science talent focused on pandemic relief in the oversight community with 12 data science fellows placed at the PRAC and member OIGs.
- Development of capabilities necessary to identify, acquire, and curate data that can be used for pandemic oversight to allow for a flexible and adaptable cloud-based platform to analyze data. This should include capabilities to support data governance, data quality, data policies and standards, data inventory, and data security.

Cross-Cutting Oversight Work

The PRAC has eight ongoing cross-cutting oversight projects. One of the projects is reviewing the spend rate data across five federal pandemic response programs that provided a large majority of their funds to states for expenditure, such as the Coronavirus Relief Fund. On another project, with member OIGs, we are identifying programs where multi-dipping has occurred, or there is a risk of it occurring. Additionally, we are examining COVID–19 contracting data from Fiscal Year 2020 where first-time federal contractors or limited competition was used. Further, with the Audit Subcommittee, the PRAC developed an acquisition and grant workforce data call to assess qualifications of personnel and resources provided, as required by Section 15110(d)(1)(B)(vii–viii) of the CARES Act. The data call will go out to the acquisition and grant workforce in early Fiscal Year 2022. With MITRE, we are researching best practices and lessons learned from pandemic response in state unemployment insurance (UI) benefits programs. As I previously mentioned, the PRAC is reviewing the degree of transparency provided in publicly available award-level data for federal pandemic relief and assistance spending to provide Congress, policymakers, and the public with specific examples of gaps in reporting. We are also evaluating whether fraud controls that SBA applied in phase III of the Paycheck Protection Program (PPP) (and which we understand are being applied in the SBA's new Restaurant Revitalization Fund program) would have likely detected known fraud that occurred during last year's distribution of PPP funds. Finally, we are collaborating with member OIGs to conduct impact case studies at six different locations to identify the federal pandemic response funds provided to those locations, the purpose of those funds, and whether the federal program spending aligned with the intended goals and objectives. Access to information about the total amount of funds received, the purpose of those funds, and the progress made toward achieving the program goals and objectives is not always centralized and can be difficult for the public to track down or may not even be available to the public.

In May, we also issued a report on COVID–19 in prisons and detention facilities pulling together insights and trends across multiple agencies and programs, presenting a comprehensive cross-agency view with Department of Justice OIG, Department of Homeland Security OIG, and Department of Interior OIG. This report is the first in a series of cross-agency reviews.

Our staff is also working on deconfliction with OIGs and GAO, as well as the tracking of all work in the community to identify cross-agency trends and patterns, as required by our authorization in the CARES Act 151109d)(1)(B)(i) through our strategic plan to ensure coordinated, efficient, and effective comprehensive oversight. Some examples of these efforts include the development of a systematic coordination and deconfliction tracker that is regularly updated, distribution of a monthly report that provides a list of all ongoing pandemic response oversight projects to all pandemic OIGs and GAO, and monthly meetings with GAO to share key activities and priorities.

PRAC Fraud Task Force

Earlier this year, the PRAC stood up a Fraud Task Force to serve as a resource for the IG community by surging investigative resources into those areas where the need is the greatest: pandemic loan fraud. As of July, we have 28 agents from 8 OIGs who have been detailed to work on Task Force cases. These agents have partnered with prosecutors at the Department of Justice's Fraud Section and at United States Attorneys' Offices across the country.

The idea behind our Task Force is to harness the expertise of the oversight community and attack this problem with every tool we have: criminal, civil, forfeitures of money and property, suspension and debarments. Our PRAC Fraud Task Force works closely with other initiatives to combat pandemic fraud such as the Department of Justice COVID–19 Fraud Enforcement Task Force.

Additionally, the PRAC adopted a subpoena policy in April 2021. This policy directly supports the Fraud Task Force and our member IGs, and contributes to the IG community's efforts to stop the large-scale fraud we are seeing in pandemic response programs.

CONCLUSION

The PRAC was created 16 months ago in the midst of a pandemic, yet our extraordinarily talented staff, working with our member OIGs and our oversight partners at GAO and at the state and local level, have fulfilled the independent oversight responsibilities that the CARES Act placed on us and that the public expects from us. While we know oversee more than $5 trillion in federal spending, I am confident that the IG community is up to the task of doing what we can to advance transparency and accountability through our oversight efforts.

Thank you again for your strong support for our work, and we look forward to working with the Congress and the Administration as the PRAC and our IG partners continue to fulfill our crucial oversight mission. This concludes my prepared statement, and I would be pleased to answer any questions that you may have.

Mr. DEFAZIO. Thank you.

We would now move to Ms. Heather Krause, Director of Physical Infrastructure, Government Accountability Office.

Ms. KRAUSE. Chairman DeFazio, Ranking Member Graves, and members of the committee, thank you for the opportunity to discuss our work on the Federal Government's response to and recovery from the COVID–19 pandemic.

While COVID–19 cases remain significantly lower than the peak in January 2021, the recent increases in cases illustrate the risk of known and emerging variants, and the associated public health and economic challenges. The CARES Act and other COVID relief laws included billions in funding to provide disaster assistance to State, local, Tribal, and Territorial governments, and financial relief to the transportation industry.

FEMA, DOT, and the Department of the Treasury undertook additional responsibilities and, in some cases, set up new programs to distribute these funds. Our testimony today is based on our work examining these efforts, and focuses on, one, the status of select relief programs administered by FEMA, DOT, and Treasury; and two, lessons learned, and actions to improve the Federal response.

First, FEMA, DOT, and Treasury continue to play critical roles in the ongoing Federal response to COVID–19. For example, FEMA continues to assist individuals, as well as State, local, Tribal, and Territorial governments in response to the pandemic, and it has obligated over $79 billion from its disaster relief fund. This fund, which is generally used to provide assistance following a natural disaster, had never been used to provide assistance for a nationwide public health emergency on the scale required by the COVID–19 pandemic.

FEMA's efforts have included providing assistance to individuals for lost wages, crisis counseling, and funerals, and reimbursing States, Territories, and Tribes for pandemic-related costs, such as for testing supplies, personal protective equipment, National Guard activities, and vaccine distribution.

DOT and Treasury continue to make available the approximately $200 billion in financial assistance to the transportation sector, including to air carriers, airports, motorcoach and schoolbus operators, Amtrak, and transit agencies. According to transportation industry representatives we have spoken with, this assistance has been critical during a period of sharp declines in travel demand, and uncertainty about the pace and nature of the recovery, and enabled recipients to avoid layoffs, maintain service, and ramp up operations as demand for their service improves.

As the Federal Government's response and recovery efforts continue, we identified key lessons and additional actions FEMA and DOT can take to help improve these efforts and prepare for future public health emergencies.

For example, we found that clearly established and defined roles and responsibilities among Federal agencies is important for an effective Federal response. The COVID–19 pandemic highlighted once again the need for a National Aviation Preparedness Plan to coordinate aviation and public health sector efforts, and ensure safeguards are in place to limit the spread of communicable disease threats from abroad, while minimizing any unnecessary disruptions with travel and trade.

We recommended that DOT work with the Federal partners to develop such a plan. However, DOT maintains that the Departments of Health and Human Services and Homeland Security should lead that effort. Without such a plan, the U.S. may not be as prepared to minimize and quickly respond to future communicable disease events.

In addition, Federal agencies' efforts to effectively collect and analyze data are key to making critical decisions on program operations. For example, FEMA faced challenges collecting and analyzing data on requests for supplies, such as personal protective equipment, made through the Federal Government. We recommended that DOT develop an interim solution to help States track the status of their supply requests, and plan for supply needs, which it has not yet taken steps to address. Until FEMA develops a solution, States, Tribes, and Territories may continue to face challenges that hamper the effectiveness of their COVID–19 response.

In closing, the size and scope of the Federal Government's response efforts, from distributing funding to implementing new programs, demands strong accountability and oversight. It is critical for agencies to implement our recommendations to help improve the Government's ongoing efforts, as well as prepare for future public health emergencies. We will continue to monitor the implementation of these programs and our recommendations, as part of our ongoing oversight efforts.

This concludes our statement. We look forward to answering your questions.

[The joint prepared statement of Ms. Krause and Mr. Currie follows:]

Joint Prepared Statement of Heather Krause, Director, Physical Infrastructure, U.S. Government Accountability Office and Chris P. Currie, Director, Homeland Security and Justice, U.S. Government Accountability Office

COVID–19 PANDEMIC: ACTIONS NEEDED TO IMPROVE FEDERAL OVERSIGHT OF ASSISTANCE TO INDIVIDUALS, COMMUNITIES, AND THE TRANSPORTATION INDUSTRY

HIGHLIGHTS OF GAO–21–105202, A TESTIMONY BEFORE THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, HOUSE OF REPRESENTATIVES

Why GAO Did This Study

In response to the public health and economic crises created by the COVID–19 pandemic, Congress provided billions of dollars across a range of agencies to mitigate the effects of COVID–19. This included billions to:

- FEMA's Disaster Relief Fund to provide assistance to individuals as well as state, local, tribal, and territorial governments, and
- DOT and Treasury to provide financial assistance to the transportation sector.

This statement describes: (1) the federal response and selected relief programs administered by FEMA, DOT, and Treasury and (2) lessons learned based on GAO's reviews of selected COVID–19 relief programs, including related recommendations and their implementation status. This statement is based on GAO's body of work on the CARES Act issued from June 2020 through July 2021.To update this information, GAO reviewed agency documentation; and interviewed agency officials, industry associations, and selected businesses that applied to these programs on the latest implementation efforts.

What GAO Recommends

GAO has made numerous recommendations to help improve the government's ongoing response and recovery efforts and prepare for future public health emergencies, including the six identified in this statement. While Treasury took action to develop a compliance monitoring program, the other five recommendations to FEMA and DOT still need to be implemented.

What GAO Found

The Federal Emergency Management Agency (FEMA), Department of Transportation (DOT), and Department of the Treasury (Treasury), among others, continue to provide financial assistance to mitigate the effects of the COVID–19 pandemic.

- FEMA reported obligating over $79 billion from its Disaster Relief Fund to respond to COVID–19. Through several programs, FEMA is providing help to individuals with funeral costs; reimbursing communities for vaccine distribution; and funding federal agencies' efforts to support communities, including National Guard deployments.
- DOT and Treasury continue to make available the over $200 billion appropriated by COVID–19 relief laws for financial assistance to the transportation sector, including to air carriers, airports and airport tenants, Amtrak, and transit agencies. Through several financial assistance programs, GAO's work has found DOT and Treasury have provided critical support to the transportation sector during a period of sharp declines in travel demand and uncertainty about the pace and nature of the recovery. Depending on the program, financial assistance has reportedly enabled recipients to avoid layoffs, maintain service, and ramp up operations as demand for their services improves.

Based on GAO's prior work examining responses to public health and fiscal emergencies, including the COVID–19 pandemic, GAO has (1) identified key lessons learned that could improve the federal response to emergencies, and (2) made several related recommendations, including ones that highlight the importance of applying these lessons learned.

Lessons Learned

- Coordinate, establish, and define roles and responsibilities among those responding to the crisis and address key capability gaps.
- Provide clear, consistent communication.
- Collect and analyze data to inform decision-making and future preparedness.
- Establish mechanisms for accountability and transparency to help ensure program integrity and address fraud risks.
- Consider challenges posed by setting up new programs quickly.

Source: GAO, GAO–21–105202

For example, DOT has not developed a national aviation preparedness plan to *coordinate, establish, and define roles and responsibilities* for communicable diseases across the federal government. GAO recommended in 2015 that DOT work with federal partners to develop such a plan, but it has not taken any action. Without such a plan, the U.S. is less prepared to respond to future communicable disease events. In addition, FEMA has faced challenges *collecting and analyzing data* on requests for supplies, such as personal protective equipment, made through the federal government. In 2020, GAO recommended that FEMA work with relevant stakeholders to develop an interim solution to help states track the status of their supply requests and plan for supply needs. FEMA has not taken action on this recommendation, and until the agency develops a solution, states, tribes, and territories will likely continue to face challenges that hamper the effectiveness of their COVID–19 response.

Chairman DeFazio, Ranking Member Graves, and Members of the Committee:

We are pleased to be here today to discuss our work assessing the federal response to the Coronavirus Disease 2019 (COVID–19) pandemic, particularly as it relates to supporting state, local, and tribal governments and the transportation sector. As of mid-July 2021, the U.S. had nearly 34 million reported cases of COVID–19 with more than 600,000 reported deaths. In addition, serious economic repercussions from the pandemic continue to affect the transportation sector, as travel has not fully returned to prepandemic levels across many modes.

In March 2020, Congress took action in response to this unprecedented global crisis to protect the health and well-being of Americans. Notably, Congress passed, and the President signed into law, the CARES Act, which provided over $2 trillion in emergency assistance and health care response for individuals, families, and businesses affected by COVID–19.[1] The CARES Act and other COVID–19 relief laws appropriated $95 billion to the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund to provide disaster assistance to state, local, tribal, and territorial governments, among other things.[2] These laws also appropriated approximately $200 billion in financial relief to programs supporting the transportation industry. The Department of Transportation (DOT) and Department of the Treasury (Treasury) undertook new responsibilities and, in some cases, set up new programs to distribute these funds.

Recognizing the need for robust monitoring and oversight of new authorities and funding, the CARES Act includes a provision for us to report regularly on the federal response to the pandemic.[3] In the course of these reviews, we have identified key lessons learned that support an effective federal response to crisis.

Our statement today is based on our work examining federal actions in response to the public health emergency and economic effects on the transportation sector caused by COVID–19. Specifically, this statement describes (1) the federal response

---

[1] Pub. L. No. 116–136, 134 Stat. 281 (2020). As of March 11, 2021, five other relief laws were also enacted in response to the COVID–19 pandemic: the American Rescue Plan Act of 2021, Pub. L. No. 117–2, 135 Stat. 4; the Consolidated Appropriations Act, 2021, Pub. L. No. 116–260, 134 Stat. 1182 (2020); Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116–139, 134 Stat. 620 (2020); Families First Coronavirus Response Act, Pub. L. No. 116–127, 134 Stat. 178 (2020); and the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, Pub. L. No. 116–123, 134 Stat. 146. We refer to these six laws, each of which was enacted as of March 11, 2021, and provides appropriations for the COVID–19 response, as "COVID–19 relief laws," and the funding appropriated by these laws as "COVID–19 relief funds."

[2] In March 2020, the CARES Act was enacted, appropriating $45 billion for the Disaster Relief Fund. Pub. L. No. 116–136, div. B, tit. VI, 134 Stat. at 543. In March 2021, the American Rescue Plan Act of 2021 appropriated $50 billion to the Disaster Relief Fund. Pub. L. No. 117–2, § 4005, 135 Stat. 4, 79.

[3] Pub. L. No. 116–136, § 19010, 134 Stat. at 579–81.

and selected relief programs administered by FEMA, DOT, and Treasury and (2) lessons learned based on our reviews of these and other COVID–19 relief programs, including related GAO recommendations and their implementation status.

In preparing this statement, we relied primarily on our body of work issued from June 2020 through July 2021 that reviewed, among other things, FEMA's efforts to coordinate the federal government's response to the COVID–19 public health emergency and provide assistance to states, localities, and tribes in obtaining supplies to prepare for and cope with COVID–19. This body of work also reviewed DOT and Treasury's efforts to support air carriers, aviation contractors and repair station operators, ticket agents, airports and airport tenants, transit agencies, and Amtrak, among others.[4]

For those reports, we reviewed FEMA, DOT, and Treasury documentation, analyzed program data, and interviewed agency officials. We also interviewed industry associations representing businesses eligible to apply to these federal assistance programs and selected applicants. More detailed information on the scope and methodology can be found in our June 2020, August 2020, September 2020, November 2020, January 2021, March 2021, and July 2021 reports. For this statement, we also included information from interviews with agency officials, industry associations, and selected businesses that applied to these programs on the latest implementation efforts as part of our ongoing work on the COVID–19 relief programs. In addition, we obtained updated data on the status of financial assistance provided by FEMA, DOT, and Treasury.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FEMA, DOT, and Treasury Continue to Play Critical Roles Coordinating Federal Response to COVID–19 and Providing Financial Assistance to Hard-Hit Entities

FEMA continues to play a key role in the ongoing COVID–19 pandemic response effort, and its workforce has taken on additional responsibilities, including supporting COVID–19 vaccine distribution. FEMA's Disaster Relief Fund is a major source of federal disaster recovery assistance for state, local, and territorial governments when a disaster occurs. As we reported in July 2021, this fund—generally used to provide assistance following a natural disaster—had never been used to provide assistance for a nationwide public health emergency on the scale required by the COVID–19 pandemic.[5] However, as of July 20, 2021, according to agency officials, FEMA had obligated over $79 billion from the Disaster Relief Fund for the following three types of disaster assistance to respond to COVID–19:

- *Individual Assistance.* These grants provide disaster survivors assistance to cover necessary expenses and serious needs—such as housing, counseling, or funeral costs—which cannot be met through insurance or low-interest loans. For the COVID–19 response, as we reported in March 2021 and July 2021, FEMA has used this program to provide lost wages assistance, crisis counseling, and funeral assistance. For example, FEMA provided funeral assistance in all 50 states, D.C., Puerto Rico, Guam, Commonwealth of the Northern Mariana Islands, American Samoa, and the U.S. Virgin Islands. According to FEMA officials, the agency had obligated about $40 billion from the Disaster Relief Fund for Individual Assistance grants as of July 20, 2021. This includes $38.8 billion for Lost Wages Assistance and $1 billion for Funeral Assistance.[6]

---

[4] See COVID–19: Opportunities to Improve Federal Response and Recovery Efforts, GAO–20–625 (Washington, D.C.: June 25, 2020); COVID–19: Brief Update on Initial Federal Response to the Pandemic, GAO–20–708 (Washington, D.C.: Aug. 31, 2020); COVID–19: Federal Efforts Could Be Strengthened by Timely and Concerted Actions, GAO–20–701 (Washington, D.C.: Sept. 21, 2020); COVID–19: Urgent Actions Needed to Better Ensure an Effective Federal Response, GAO–21–191 (Washington, D.C.: Nov. 30, 2020); COVID–19: Critical Vaccine Distribution, Supply Chain, Program Integrity, and Other Challenges Require Focused Federal Attention, GAO–21–265 (Washington, D.C.: Jan. 28, 2021); COVID–19: Sustained Federal Action is Crucial as Pandemic Enters Its Second Year, GAO–21–387 (Washington, D.C.: Mar. 31, 2021); and COVID–19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity, GAO–21–551 (Washington, D.C.: July 19, 2021).

[5] GAO–21–551.

[6] Pursuant to an August 2020 presidential memorandum, upon receiving a FEMA grant, states and territories may provide eligible claimants $300 or $400 per week—which includes a $300 federal contribution—in addition to their Unemployment Insurance benefits. The presi-

- *Public Assistance*. These grants provide assistance to state, local, tribal, and territorial governments, and certain types of private nonprofit organizations so that communities can quickly respond to and recover from major disasters or emergencies. On February 2, 2021, the President issued a memorandum that directed FEMA to fully reimburse states, territories, and tribes for all work eligible for emergency protective measures, which includes costs associated with vaccine distribution and the purchase of testing supplies and personnel protective equipment.[7] FEMA officials stated that as of July 20, 2021, FEMA had received 25,798 project applications for Public Assistance and awarded $29.7 billion. If all of the remaining approximately 16,000 applicants submit projects, FEMA anticipates it will receive a minimum of approximately 32,000 additional public assistance projects for an estimated additional $27.8 billion as of the end of fiscal year 2021.
- *Mission assignments*. FEMA also issues mission assignments—work orders directing other federal agencies to provide direct assistance to state, local, tribal, and territorial governments—to support disaster response and recovery. For the COVID–19 response, for example, FEMA issued a mission assignment to the Department of Defense to fund National Guard deployments to assist in recovery efforts. As of July 21, 2021, according to agency officials, FEMA had obligated about $7.5 billion from the Disaster Relief Fund for mission assignments.

FEMA's workforce has also been tasked with taking on additional responsibilities to establish mass vaccination sites and provide funeral assistance to families impacted by the COVID–19 pandemic.

- *Mass vaccination sites*. In January 2021, the President tasked FEMA with establishing mass vaccination sites as part of a national effort to speed the pace of COVID–19 vaccination campaigns and to ensure equitable access to vaccinations. In response, FEMA established Pilot Community Vaccination Centers (CVC). As of June 20, 2021, FEMA reported that the Pilot CVCs had given more than 5.6 million doses of vaccines across 39 locations, including sites that have extended their participation in the pilot program.[8] As of June 20, 2021, according to agency officials, FEMA stood down its pilot CVCs while continuing to support state-run vaccination efforts. Specifically, FEMA is coordinating with other federal agencies to support the distribution of COVID–19 vaccines by deploying additional personnel to vaccination sites and providing funding to states, tribes, and territories for vaccine distribution. As of July 20, 2021, according to agency officials, FEMA had obligated almost $5.7 billion through the Public Assistance program for vaccine distribution.
- *Funeral assistance*. The COVID–19 Funeral Assistance Program provides funeral assistance for COVID–19 related deaths that occurred after January 20, 2020. In December 2020, the Consolidated Appropriations Act, 2021, appropriated $2 billion to the Disaster Relief Fund for eligible funeral expenses for individuals or households with COVID–19-related funeral expenses.[9] As we reported in July 2021, the scope of FEMA's funeral assistance program for COVID–19 related deaths is unprecedented.[10] On April 12, 2021, FEMA began accepting and processing applications for Funeral Assistance via a dedicated call center number. According to agency officials, as of July 20, 2021, the call center had received and is processing 241,664 applications, and FEMA had approved 109,319 applications and awarded approximately $723.7 million in funeral assistance.

---

dential memorandum directed that the program would end when $44 billion had been obligated; the balance of the Disaster Relief Fund reached $25 billion; on December 27, 2020; or upon the enactment of legislation providing supplemental federal unemployment compensation, whichever comes first. The White House, *Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019* (Aug. 8, 2020).

[7] For all 59 major disaster declarations for COVID–19, FEMA has authorized Public Assistance grants for emergency protective measures only. This may include eligible medical care, purchase and distribution of food, non-congregate medical sheltering, operation of Emergency Operations Centers, and the purchase and distribution of personal protective equipment (PPE). White House, *Memorandum on Maximizing Assistance from the Federal Emergency Management Agency*, February 2, 2021. For natural disasters, Public Assistance grants can be used for emergency cleanup and for permanent reconstruction projects to, for example, rebuild damaged public infrastructure. White House, *Memorandum on Maximizing Assistance from the Federal Emergency Management Agency*, February 2, 2021.

[8] The initial pilot period for each location was eight weeks; however, jurisdictions were able to request an extension of an additional four weeks, during which period of time the site would receive federal staffing and support, but not an additional vaccine allocation.

[9] Pub. L. No. 116–260, div. M, tit. II, 134 Stat. at 1910.

[10] GAO–21–551.

COVID–19 relief laws appropriated over $95 billion for DOT to provide financial assistance to airports and airport tenants, Amtrak, aviation manufacturers and repair station operators, and transit agencies.[11] Based on the most recent data we have, DOT has expended close to $27 billion with the level of expenditure varying by program.[12] DOT's Federal Aviation Administration (FAA), Federal Railroad Administration (FRA), and Federal Transit Administration (FTA) continue to provide financial assistance through these programs, as described below.

- *Airport grants*. Administered by FAA, these grants provide funds for eligible airports to prevent, prepare for, and respond to the effects of the COVID–19 pandemic. The allocation of funds and certain allowable uses of funds differ by COVID–19 relief law.[13] By accepting these funds, certain recipients must meet workforce retention requirements.[14] Airport association representatives told us that the federal funding provided has been critical. According to FAA officials, federal aid has allowed airports to maintain operations, pay their employees, and meet their debt obligations while airports experienced historic decreases in revenue and passenger demand for air travel due to the COVID–19 pandemic. As of May 14, 2021, according to FAA data sources, the agency had processed a total of 5,397 grant applications for the CARES Act and the Consolidated Appropriations Act, 2021 funds. Specifically, officials stated that in February 2021, FAA began allowing airports to amend their initial CARES Act airport grant agreements to use grant funds for near-term airport development, such as construction projects for the airfield, terminal, or parking. Airports were required to submit additional information about proposed construction projects. As we reported in July 2021, FAA also continues to process Consolidated Appropriations Act, 2021 grant applications.[15] FAA has also begun processing grant applications for the American Rescue Plan Act of 2021. According to FAA officials, as of July 2021, FAA had expended approximately $6.9 billion of the $20 billion appropriated to provide grants to airports, including grants for the benefit of eligible airport concessions.[16]
- *Amtrak grants*. Amtrak, which receives federal funding through grants from FRA, is to use these funds to prevent, prepare for, and respond to COVID–19 and has used these funds to address shortfalls in ticket revenue, pay employee salaries, and cover other operating, debt, and capital expenses. As we reported in March 2021, COVID–19 relief laws directed that funding is to be used to support Amtrak's state and commuter partners, avoid additional employee furloughs, and restore daily long-distance service.[17] As of May 31, 2021, according to agency officials, Amtrak had expended $1.95 billion of the $3.7 billion appropriated to provide financial assistance.
- *Aviation Manufacturing Jobs Protection program*. DOT, in setting up this new program, is to use these funds to provide financial assistance payments to businesses engaged in aviation manufacturing activities and services, or maintenance, repair, and overhaul activities and services.[18] These funds are to be used

---

[11] In addition to the over $95 billion appropriated for COVID–19 relief, the Airport and Airways Trust Fund received a $14 billion appropriation from the general fund. Continuing Appropriations Act, 2021 and Other Extensions Act, Pub. L. No. 116–159, § 1205, 134 Stat. 709, 728.

[12] Some of these programs received funds in March 2021 and are still being rolled-out.

[13] Under the CARES Act, funds were available for any purpose for which airport revenues may lawfully be used. Under the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021 funds were generally available for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. Additionally, under the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021, certain amounts were made available to provide relief from rent and minimum annual guarantees to airport concessions.

[14] Specifically, airport sponsors of small, medium, and large-hub airports accepting CARES Act grant funds were required to continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed as of March 27, 2020. The Consolidated Appropriations Act, 2021 extended this requirement through February 15, 2021, and the American Rescue Plan Act of 2021 extended this requirement through September 30, 2021. Nonhub and nonprimary airports, as defined under 49 U.S.C. § 47102, were excluded from the workforce retention requirement under each of the three COVID–19 relief laws. Additionally, DOT could waive the workforce retention requirement if DOT determined that the airport was experiencing economic hardship as a direct result of the requirement, or the requirement would reduce aviation safety or security.

[15] GAO–21–551.

[16] FAA grants to airports are made on a reimbursable basis, meaning that airports submit requests for costs already incurred. According to FAA officials, many airports have already incurred reimbursable costs for their grant amounts, even though FAA's expenditures appear low.

[17] GAO–21–387.

[18] To be eligible, a business must show it involuntarily furloughed or laid off at least 10 percent of its workforce in 2020 as compared to 2019 or has experienced at least a 15 percent de-

for wages, salaries, and benefits. Recipients must agree to refrain from conducting involuntary layoffs or furloughs or reducing pay rates and benefits for the eligible employee group for the duration of the agreement. Based on DOT's estimated timeframes, DOT will start allocating funds out of the $3 billion appropriated by the end of September 2021.

- *Transit grants*. Transit agencies are to use these funds to prevent, prepare for, and respond to COVID–19. These funds were initially available to transit agencies for any expenses incurred related to COVID–19 on or after January 20, 2020, although now these funds must be directed, to the maximum extent possible, to payroll and operations expenses.[19] Officials from 22 agencies we interviewed said they had used CARES Act grants for operating expenses such as covering employee salaries, providing PPE to employees, and implementing enhanced cleaning and sanitation procedures on their vehicles. One transit agency we spoke with said the federal funding they received allowed the agency to meet its local match responsibilities, which had been disrupted during the pandemic. Furthermore, transit association representatives told us that federal funding used to cover payroll, and for cleaning and disinfecting equipment and stations, has been critical to instilling the confidence of transportation workers and passengers in transit systems. As of May 1, 2021, according to officials, FTA had awarded $26.2 billion of the $69 billion appropriated to provide grants to transit agencies and transit agencies had expended $18.4 billion. FTA is to allocate these funds primarily through existing formula grant programs with some limitations.

COVID–19 relief laws appropriated over $110 billion for Treasury to provide financial assistance through programs directed at air carriers, aviation contractors, repair station operators, ticket agents, motor coach operators, school bus operators, and the passenger and pilot vessel industries. Based on the most recent data we have, Treasury has made available over $80 billion in financial assistance as loans and payments, as described below. With continued uncertainty over when and how travel demand will return to pre-pandemic levels, industry associations representing aviation and other businesses that applied to these programs and selected companies that applied for funding from these programs said that although there were challenges, these programs provided critical financial assistance that, for example, allowed companies to remain operational, maintain their workforce levels, and prevent bankruptcies.

- *Aviation Worker Payroll Support Programs (PSP1, PSP2, PSP3)*. These funds are to be used by air carriers and aviation contractors for employee wages, salaries, and benefits.[20] As of July 2021, based on our analysis of Treasury data, 613 PSP1 agreements were signed, 479 PSP2 agreements were signed, and 453 PSP3 agreements were signed.[21] In total, Treasury has signed agreements to provide $59 billion of the $63 billion appropriated and continues to sign PSP3 agreements. Industry associations and selected companies we interviewed reported that these funds provided critical support and helped keep employees on payroll. By taking these funds, businesses agreed to refrain from conducting involuntary terminations or furloughs for specified periods, among other requirements.[22]
- *Loans for Aviation and National Security Businesses*. Treasury provided loans to aviation and national security businesses, which were intended to provide liquidity to these sectors. As we reported in December 2020, Treasury executed 35 loans valued at $21.9 billion from the $46 billion in funds available through

cline in 2020 revenues as compared to 2019. These businesses also may not have received federal financial assistance under specified COVID relief programs, such as the Paycheck Protection Program.

[19] As of December 27, 2020, recipients were required to direct funds, to the maximum extent possible, to payroll and operations of public transit (including payroll and expenses of private providers of public transportation), unless the recipient certifies to the Secretary of Transportation that the recipient has not furloughed any employees. Consolidated Appropriations Act, 2021, div. M, tit. IV, 134 Stat. 1182, 1947.

[20] Passenger air carriers were eligible for the initial payroll support program (PSP1) and the two extensions of the program (PSP2 and PSP3). Cargo air carriers were only eligible for PSP1.

[21] Many businesses received funding from multiple iterations of the program, and only PSP2 recipients are eligible for PSP3 payments.

[22] Treasury developed taxpayer protections for certain payments made under PSP1, PSP2, and PSP3. Passenger air carriers receiving over $100 million of payroll support are required to provide notes equal to 30 percent of the payroll support provided over $100 million with a 10-year term. Contractors receiving over $37.5 million of payroll support must provide notes equal to 44 percent of the payroll support provided over $37.5 million with a 10-year term. In addition, certain recipients issued warrants to Treasury providing the right to purchase shares of common stock.

this program.[23] As we reported in July 2021, this loan program provided critical assistance to large passenger air carriers, but fewer benefits to smaller businesses.[24] As of July 1, 2021, according to a Treasury report, 7 loans with a total anticipated value of $18.3 billion have been fully repaid. Of the $3.6 billion anticipated value of outstanding loans, 36 percent ($1.3 billion) was disbursed by Treasury to loan recipients.

- *Coronavirus Economic Relief for Transportation Services (CERTS) program*. Treasury will provide these funds to businesses that operate motor coaches, school buses, and passenger or pilot vessels—to be used by recipients primarily to cover payroll. Treasury's application portal was open to applicants for four weeks, opening in late June and closing on July 19, 2021. After the application period closed, Treasury reported it would use information from the complete applicant pool to determine the amount of each grant award. As of July 19, 2021, based on Treasury's estimated timeline, the agency has not started awarding funds out of the $2 billion appropriated. Among other eligibility requirements, businesses must have experienced revenue losses of 25 percent or more from 2019 to 2020 as a direct or indirect result of COVID–19 pandemic. Additionally, Treasury may adjust the size of individual grants based on other sources of federal assistance provided to the applicant.[25] Finally, these recipients must agree to certain conditions, including refraining from conducting involuntary furloughs or reducing pay rates or benefits for nonexecutive employees.

Lessons Learned from Selected Federal Response Efforts to the COVID–19 Pandemic

Based on our prior body of work examining responses to public health and fiscal emergencies, including the COVID–19 pandemic, we have identified key lessons learned that could improve the federal response to emergencies.[26] We have also made numerous recommendations related to improving the federal response, which agencies have taken some steps to address. Below we highlight selected findings and six recommendations from our prior work on FEMA, DOT, and Treasury that demonstrate the importance of applying these lessons learned.

Coordinate, establish, and define roles and responsibilities among those responding to the crisis and address key capability gaps. As part of our review of the government-wide COVID–19 response over the last year and a half, we have found that without clearly established and defined roles and responsibilities among federal agencies, the federal response is not as effective.[27] With multiple agencies working to address and mitigate the public health and economic effects of the COVID–19 crisis across the U.S., coordination is essential. For example:

- The COVID–19 pandemic has highlighted—once again—the need for a national aviation-preparedness plan for communicable diseases that clearly establishes roles and responsibilities. In 2015, we found that such a plan could establish a mechanism of coordination between aviation and public health sectors to more effectively prevent and control a communicable disease threat while minimizing unnecessary disruptions to the national aviation system. We recommended that DOT work with federal partners to develop such a plan in light of the effect of communicable diseases, such as Ebola, on air travel and public health; however, DOT maintains that the Departments of Health and Human Services and Homeland Security should lead the effort.[28] With no action taken, in June 2020, we urged Congress to take legislative action to require the Secretary of Transportation to work with relevant agencies and stakeholders, such as the Departments of Health and Human Services and Homeland Security, and members of the aviation and public health sectors, to develop a national aviation-prepared-

[23] GAO, *Financial Assistance: Lessons Learned from CARES Act Loan Program for Aviation and Other Eligible Businesses*, GAO–21–198, (Washington D.C.: Dec.10, 2020).Under the CARES Act, Treasury may not issue loans or loan guarantees to recipients unless the recipient is a publicly traded company and Treasury receives a warrant or equity instrument in the company, or in the case of a private company, if Treasury receives a warrant, equity instrument, or senior debt instrument in the company.

[24] GAO–21–551.

[25] Under the Consolidated Appropriations Act, 2021, Treasury may reduce the amount of assistance it provides to these businesses to ensure that the total federal assistance from all relevant relief programs does not exceed a business's 2019 revenues. In determining the amount of assistance to be provided, Treasury must consider, among other requirements, other sources of federal assistance provided to the provider of transportation services.

[26] GAO–21–387.

[27] GAO–21–387.

[28] GAO, *Air Travel and Communicable Diseases: Comprehensive Federal Plan Needed for U.S. Aviation System's Preparedness*, GAO–16–127, (Washington D.C.: Dec.16, 2015).

ness plan.[29] As we reported in July 2021, Congress has considered but not passed legislation to require a national aviation preparedness plan.[30] Without such a plan, the U.S. will be less prepared to minimize and quickly respond to future communicable disease events.

- Our prior work on National Preparedness found that FEMA uses several scenarios—including a pandemic influenza similar to COVID–19—to allow states, territories and other jurisdictions to assess their own emergency response and recovery capabilities (e.g., how quickly they can restore electricity, or how much emergency housing they can provide).[31] While this information has provided useful information about capability gaps at the state and local level, FEMA has not used the information to determine the nation's capability gaps across all levels of government. Moreover, FEMA has yet to determine what steps are needed to address the capability gaps once they are identified, including capability gaps that have been known since 2012. If FEMA had determined what steps are needed to address capability gaps, the nation may have been more prepared to respond to COVID–19. In May 2020, we reported that FEMA had yet to: (1) determine what steps are needed to address the nation's capability gaps across all levels of government; and (2) informed key stakeholders, such as Congress, about what resources will be needed across all levels of government.[32] To address this, we recommended that FEMA should, following the completion of the 2021 National Preparedness Report, determine what steps are needed to address the nation's emergency management capability gaps across all levels of government and inform key stakeholders, such as the Office of Management and Budget and Congress, about what level of resources will be necessary to address the known gaps.

  In June 2021, FEMA officials stated that they are planning to complete the National Preparedness Report by December 31, 2021. In addition, FEMA is planning to complete the National Stakeholder Preparedness Review and National Preparedness Investment Strategy to identify capability gaps and establish priorities that align with those gaps. FEMA anticipates it will identify resources and capabilities needed to address the national gaps by December 31, 2022.

Provide clear, consistent communication. In a crisis, federal agencies should provide clear and consistent communication, specifically to those they are trying to assist.[33] We previously reported that Treasury and FEMA did not always communicate effectively with applicants and recipients of programs they administered or managed, which left these entities unable to fully benefit from the programs:

- In prior reviews, we found that Treasury did not communicate in a clear, consistent way with applicants and recipients—particularly smaller businesses—of the Payroll Support Programs and Loans for Aviation and National Security Businesses program.[34] For example, we reported in December 2020 that when designing and implementing the loan program, Treasury viewed itself as a lender of last resort but did not state this view in published documents.[35] This omission led to some applicants being surprised by parts of the process, such as when Treasury encouraged over a third of all applicants to apply to another loan program before continuing to pursue a loan from Treasury. Since Treasury's authority to make new loans under this program was set to expire in December 2020, we highlighted lessons for Congress and Treasury for designing and implementing program like this type in the future, including setting and communicating clear program goals and communicating clear timelines for actions. As Treasury implements new federal assistance programs, such as CERTS, it has opportunities to engage in clearer, more consistent communication with eligible businesses and their representatives. According to Treasury officials, they are working to ensure CERTS program eligibility is easily understood, and they have reached out to industry associations representing potential applicants to share information about the programs and to inform program design.

[29] GAO–20–625.
[30] GAO–21–551.
[31] See for example, GAO, *National Preparedness: Additional Actions Needed to Address Gaps in the Nation's Emergency Management Capabilities*, GAO–20–297 (Washington, D.C.: May 4, 2020).
[32] GAO–20–297.
[33] For example, see GAO–21–387 and GAO–20–701.
[34] GAO–21–551; GAO–21–198; GAO–20–701.
[35] GAO–21–198.

- FEMA did not always communicate effectively with Public Assistance applicants, specifically tribal governments. As we reported in March 2021, several tribal governments reported challenges related to completing administrative requirements-such as activating an emergency operations plan and submitting a tribal Public Assistance Administrative Plan—to request and receive Public Assistance program funding directly from FEMA.[36] Although FEMA's Tribal Pilot Guidance states that tribes may request technical assistance, tribal representatives we interviewed reported that many tribal governments were given little or no technical assistance when they requested support. Without the availability of consistent and timely technical assistance across regions, some tribal entities may be unable to request and receive Public Assistance directly from FEMA to help respond to the COVID–19 pandemic. Further, we reported that FEMA did not consult with tribal entities in advance of issuing its policy on eligible Public Assistance costs early in the COVID–19 pandemic. In March 2021, we recommended that the FEMA Administrator provide timely and consistent technical assistance to support tribal governments' efforts to request and receive Public Assistance directly from FEMA, including providing additional personnel, if necessary, to ensure that tribal nations are able to effectively respond to COVID–19.[37] The Department of Homeland Security (DHS) concurred with our recommendation. DHS stated that FEMA's Recovery Directorate will publish a memorandum that will contain direction to FEMA regions regarding the assignment of Public Assistance program delivery managers to promote equitable delivery of Public Assistance to tribal governments. As we reported in July 2021, FEMA stated that it plans to send the draft memorandum to tribal governments in July 2021.[38]

  We also recommended that the FEMA Administrator adhere to the agency's protocols listed in its updated 2019 Tribal Consultation Policy by obtaining tribal input via the four phases of the tribal consultation process when developing new policies and procedures related to COVID–19 assistance. DHS concurred with our recommendation. As we reported in July 2021, DHS stated that FEMA's National Tribal Affairs Adviser, based in the Office of External Affairs, will coordinate with other FEMA offices and directorates, as appropriate, to review the agency's adherence to protocols listed in the Tribal Consultation policy.[39]

Collect and analyze data to inform decision-making and future preparedness. Without data, federal agencies face difficulties making critical decisions to inform efforts and program operations. In our review of FEMA's COVID–19 activities, we found it faced challenges at the national and regional levels collecting the data needed to make decisions and allow for the prioritization of resources.[40] In September 2020, we reported that these challenges included tracking supply requests, including those for personal protective equipment, made through the federal government and budgeting for ongoing needs. As a result, we recommended that the FEMA Administrator work with relevant federal, state, territorial, and tribal stakeholders to devise interim solutions, such as systems and guidance and dissemination of best practices, to help states enhance their ability to track the status of supply requests and plan for supply needs for the remainder of the COVID–19 pandemic response.

As we reported in July 2021, FEMA has not taken action to devise interim solutions that would systematically help states, tribes, and territories effectively track, manage, and plan for supplies to carry out the COVID–19 pandemic response in the absence of state-level end-to-end logistics capabilities that would track critical supplies required for a response of this scale.[41] Without action across the board to help states ensure they have the support they need to track, manage, and plan for sup-

[36] GAO–21–387.
[37] GAO–21–387.
[38] GAO–21–551.
[39] GAO–21–551.
[40] GAO–21–387; GAO–20–701.
[41] GAO–21–551. DHS disagreed with this recommendation, noting, among other things, work that FEMA had already done to manage the medical supply chain and increase supply availability. Although FEMA disagreed with our recommendation, it began taking some action in March 2021. We note that we made this recommendation to both DHS and the Department of Health and Human Services (HHS) with the intent that they would work together under the Unified Coordination Group to address challenges reported by state officials with both public health and emergency management responsibilities. Although both DHS and HHS have reported separate actions, taken as part of other efforts within each separate purview, neither has articulated how they worked with the other nor how they assessed whether the actions changed the experiences of state officials who reported issues during our prior work.

plies, states, tribes, and territories on the front lines of the whole-of-nation COVID–19 response will likely continue to face challenges that hamper their effectiveness.

Establish mechanisms for accountability and transparency to help ensure program integrity and address fraud risks. With over $200 billion in financial assistance appropriated to support the transportation sector, ensuring the funds are spent as intended is critical to reduce fraud and ensure the programs support recovery. Our work on COVID relief to the transportation sector underscores the importance of establishing, documenting, and implementing processes and procedures to ensure accountability and guard against fraud.[42]

We found that DOT and Treasury initially experienced challenges related to the oversight of COVID relief monies and programs, although early difficulties are diminishing.[43] These challenges underscore the tension between getting the funds out as quickly as possible and setting up robust, risk-based oversight and monitoring processes:

- FAA reported difficulties administering the COVID relief programs while simultaneously setting up monitoring and compliance systems to oversee funds. More specifically, FAA officials said it was challenging and resource-intensive to establish and oversee a grant program with more eligible uses than allowed under existing airport grant programs. FAA has since taken steps to manage this increased workload, including establishing a dedicated team—two full-time employees and three annuitants with prior airport grant management experience—to review and process airport payment requests. Additionally, in late 2020, FAA hired a contractor to develop a monitoring dashboard and develop auditing policies and procedures. In July 2021, we reported that FAA continues to track recipient compliance with statutory workforce requirements. We continue to review FAA's oversight efforts.
- Treasury officials also told us that developing a compliance monitoring system for hundreds of PSP recipients from scratch was time-consuming and initially involved trial-and-error. In November 2020, we reported while PSP recipients had begun submitting required compliance reports, Treasury had not yet finalized a monitoring system to identify and respond to the risk of noncompliance with PSP agreement terms, potentially hindering its ability to detect program misuse in a timely manner.[44] We recommended that Treasury finish developing and implement a compliance monitoring plan that identified and responds to risks of noncompliance. In April 2021, we confirmed that Treasury had developed, documented, and implemented a risk-based approach to monitor PSP recipients' compliance with the terms of their financial assistance. We continue to review Treasury's compliance monitoring of PSP recipients.

In our reviews, we have found that DOT and Treasury are tracking recipient compliance with statutory requirements. For example, the Payroll Support Programs (PSP1, PSP2, and PSP3) agreements require recipients to 1) limit executive compensation and 2) not engage in involuntary furloughs or terminations for specific periods of time. Concerns continue to be raised by other oversight bodies and members of Congress about certain actions taken by recipients that may not be serving the interests of taxpayers and aviation workers.[45] With regard to federal assistance to the transportation sector, specific concerns have been raised, including the following:

- Businesses "double-dipping" or obtaining funds from more than one federal financial assistance program, and
- Businesses furloughing employees prior to signing PSP agreements with workforce retention requirements and outsourcing jobs after workforce retention requirements for federal financial assistance have expired.

However, the laws that authorized these programs did not prohibit businesses from accessing other federal financial assistance, and the requirement for businesses to retain employees expires for PSP3 recipients in either September of this year or the date on which assistance provided is exhausted, whichever is later.

New programs authorized in December 2020 and March 2021, CERTS and Aviation Manufacturing Jobs Protection program, do take into account other COVID–19 relief funding provided to eligible recipients. According to DOT and Treasury officials, these and other relevant requirements regarding eligibility will be clearly laid out and built into the application and review process.

---

[42] GAO–21–191.
[43] GAO–21–551; GAO–21–191; GAO–20–701.
[44] GAO–21–191.
[45] Some have suggested that these concerns could be addressed by federal agencies imposing additional requirements on recipients of federal assistance.

Consider challenges posed by setting up new programs quickly. In a crisis, federal agencies may be called upon to set up new programs to address urgent needs. In our reviews, DOT and Treasury acknowledged challenges in standing up new COVID relief programs and getting funds out quickly through these programs. For example:

- DOT was tasked with setting up the Aviation Manufacturing Jobs Protection program under the American Rescue Plan Act of 2021 in March 2021. Setting up this program included establishing program rules and guidelines, creating a public website, conducting public outreach, selecting an application portal, and moving personnel within the department to lead this effort and provide assistance. DOT officials said setting up a new program for a sector that has not historically received federal financial assistance, requires a balance between distributing the funds quickly while ensuring necessary oversight is in place.
- With regard to PSP, the loan program, and CERTS, Treasury also noted the challenges of setting up emergency financial programs with intense industry expectations for the quick distribution of funds.[46] Also, Treasury officials noted the challenge of providing assistance to industry sectors for which the agency had no prior experience and that included a wide-range of applicants, from those with only a few employees to those with tens of thousands.

In our reviews, we found that distributing funds through existing programs was relatively straightforward.[47] Unlike the Aviation Manufacturing Jobs Protection program and the programs implemented by Treasury; FRA and FTA allocated funds primarily through existing programs, as directed by law. For example, FTA was able to distribute grants to transit agencies quickly using its existing program formulas. In addition, many of the transit grant recipients were well-known by FTA.

As part of our ongoing work, we will continue to assess how FEMA, DOT, and Treasury are implementing the federal response as the country recovers from the public health and economic crises brought on by COVID–19 pandemic. This work includes examining how DOT and FAA are supporting research and development related to protecting the health of air travelers during pandemics while also maintaining aviation safety, security, and efficiency. In addition, we will continue to monitor issues related to FEMA's Disaster Relief Fund, workforce, and funeral assistance for COVID–19 related deaths.

Chairman DeFazio, Ranking Member Graves, and Members of the Committee, this completes our prepared remarks. It is critical for agencies to implement our recommendations to help improve the government's ongoing response and recovery efforts as well as prepare for future public health emergencies. We will continue to assess these issues as part of our ongoing work, including making recommendations as appropriate, and will be happy to assist the Committee as you work to support the federal efforts to recover from the pandemic. We would be pleased to respond to any questions that you may have at this time.

Mr. DEFAZIO. Thank you for your testimony.

We now move on to the Honorable Eric J. Soskin, inspector general, DOT.

Mr. SOSKIN. Chairman DeFazio, Ranking Member Graves, and members of the committee, thank you for inviting me today to discuss DOT's response to the challenges created by the COVID–19 pandemic.

As you know, COVID–19's impact on the transportation industry has seriously affected jobs, businesses, and the lives of most Americans.

DOT is committed to the safety and efficiency of our transportation system. And DOT agencies have moved quickly to release the more than $106 billion that Congress provided to DOT to help workers, families, and businesses deal with the pandemic. How-

[46] The CARES Act required Treasury to publish procedures for PSP1 not later than 5 days after the date of enactment of the act, and for the loan program within 10 days after enactment of the act. Additionally, the CARES Act directed Treasury to make initial payments to air carriers and contractors that submitted requests for financial assistance approved by the Secretary no later than 10 days after enactment of the act.

[47] GAO–21–387; GAO–21–191.

ever, the large volume of funds makes it critical for DOT to enforce internal controls to prevent fraud, waste, and abuse.

Today I will focus on the five risk areas my office has identified to help DOT effectively steward its COVID relief funds. Those are airport grants management; surface transportation oversight; contract and grant execution; financial management systems; and prevention of fraud, waste, and abuse.

As to the first risk area, FAA must make effective use of the $20 billion in COVID relief funds it received for American airports. We have recommended stronger controls over grantee reimbursements, and a risk-based approach for detecting fraud, waste, and abuse. To its credit, FAA has begun assigning appropriate risk levels to grantees, and adjusting its oversight accordingly. FAA will also benefit from enforcing existing policies to verify grant spending and check cost increases. A focus on controlling costs is critical, given the 100-percent Federal share the CARES Act provides for approved projects.

Second, DOT's surface agencies must adapt their oversight to mitigate risks. These agencies received most of DOT's COVID relief funds, about $83 billion. And the volume also presents operational challenges. FTA and FRA, for example, received much more for some programs they oversee than in a typical year. While FTA quickly allocated these funds, transit agencies may take years to actually expend the grants, time during which the specific recipients and purposes can change. FTA must, therefore, ensure that it correctly awards funds, and tracks them over time. FRA faces similar challenges, with monitoring the $3.7 billion in supplemental funding Congress provided for Amtrak through FRA.

At the same time, agencies must contend with the pandemic's operational impact and increased program risks. For example, FTA postponed its in-person oversight reviews in 2020, but has since resumed them, and now plans additional oversight reviews for COVID funding recipients this year.

The third risk area for DOT is better managing contracts and grants. This is key, given the massive influx of COVID funds, in addition to its already substantial annual funding for contracts and grants that will be critical for DOT to address weaknesses our prior work has found.

Specifically, DOT must, one, foster competition and obtain reasonable pricing for services and programs; two, ensure that contractors and grantees expend funds to achieve desired outcomes; three, have sufficient numbers of adequately trained and supervised personnel to ensure compliance with Federal requirements; and four, DOT must maintain the integrity of its multiple financial management systems, particularly given the recent increase in cyber attacks on Federal and private-sector information systems.

DOT must, likewise, maintain its vigilance on efforts to prevent improper payments, as the drastic increase in disbursements and transactions could make compliance with Federal requirements more difficult.

Finally, we are increasing our outreach to transportation agencies, as COVID relief funds are susceptible to fraud, waste, and abuse. Early detection and intervention will be critical, and it will be important for DOT agencies to use high-quality tracking and monitoring procedures. We are working to inform DOT staff and grantees about red-flag indicators of fraud, and how to report that fraud, as well as tracking and monitoring information.

We are committed to using our audits and investigations to help maximize the Department's COVID funding, and to help it meet its mission. And we will keep the committee apprised of our work.

This concludes my prepared statement. I will be happy to answer any questions that you, Mr. Chairman, or other members of the committee may have. Thank you.

[Mr. Soskin's prepared statement follows:]

Prepared Statement of Hon. Eric J. Soskin, Inspector General, U.S. Department of Transportation

CHALLENGES FACING THE DEPARTMENT OF TRANSPORTATION'S COVID–19 RESPONSE EFFORTS

Chairman DeFazio, Ranking Member Graves, and Members of the Committee:

Thank you for inviting me here today to discuss the Department of Transportation's (DOT) response to the challenges caused by the Coronavirus Disease 2019 (COVID–19) pandemic. As you know, COVID–19 has had a major impact on the U.S. transportation industry in ways that affect the Nation's economy and the jobs, businesses, and way of life of the American people. We note the Department's commitment to the success of recovery efforts through its work to ensure the safety and efficiency of the American transportation system while also protecting the safety and well-being of DOT employees.

The Department has moved quickly to make the over $106 billion that Congress provided [1] to DOT agencies available to help American workers, families, and businesses deal with the pandemic (see exhibit A). The volume of the funds and the speed with which they have been made available, however, present serious oversight challenges beyond those we have highlighted in past reports to the Secretary of Transportation and Congress. In June 2020, to help DOT promote effective stewardship of the over $36 billion provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, we identified five potential risk areas to help the Department bolster its oversight of these funds: managing airport grants efficiently; adapting surface transportation oversight approaches when necessary; executing contracts and grants effectively; tracking and monitoring funds accurately; and preventing and detecting fraud, waste, and abuse. These risk areas, and our suggestions to mitigate them, were drawn largely from our prior work helping DOT oversee a significant influx of funds for economic and emergency relief.[2] Since that time, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and American Rescue Plan (ARP) Act have added over $70 billion to this huge investment in DOT programs. These additional appropriations make the Department's attention to spending risks and internal controls even more critical for efficient and compliant expenditures and prevention of fraud, waste, and abuse.

My testimony today will focus on the five risk areas mentioned above and how we are working to support the Department's efforts to help ensure funds achieve their vital purpose.

SUMMARY

DOT has received billions of dollars to fund its efforts to respond to and mitigate COVID–19 across all modes of transportation. For example, the Federal Aviation Administration (FAA) received over $20 billion to support airports' continuing operations and replace lost revenue resulting from the sharp decline in passenger traffic and other airport business due to the pandemic. To mitigate the challenges associated with this huge influx of funds, we found that FAA must establish controls to

[1] The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 (Pub. L. 16–136) provided over $36 billion to DOT. The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021 (Pub. L. 116–220) provided over $27 billion and the American Rescue Plan (ARP) Act of 2021 (Pub. L. 117–2) provided over $43 billion. See exhibit A for the breakdown by agency.

[2] The American Recovery and Reinvestment Act of 2009 (ARRA), Pub. L. 111–5.

ensure grantees adhere to Federal requirements and increase its own reporting transparency. The Agency is taking positive steps toward establishing a risk-based oversight approach and has categorized all COVID-related relief grants as "high risk," thus strengthening its ability to manage these grant funds. DOT's surface transportation agencies received about $83 billion in COVID–19 relief funding and also face challenges in overseeing these funds and carrying out normal operations under COVID–19 constraints. Further, DOT agencies have started to adjust their oversight approaches to ensure that recipients meet Federal requirements and will need to continue to do so. We also highlighted that the Department must increase emphasis on how it awards and administers contracts and grants, ensure that individuals making agency or recipient awards have appropriate authority and training, improve procedures to maintain its overall low improper payment rate, and maintain the availability and integrity of its multiple financial management systems. Layered atop these challenges is the fact that the volume of COVID–19 relief funds and the speed at which they must be disbursed puts them at a higher than usual risk for fraud, waste, and abuse. For this reason, we found that it will be critical for all DOT agencies to implement data-quality procedures for tracking and monitoring and to be aware of "red flag" indicators of fraud schemes. To assist DOT in achieving that end, we are conducting outreach and education efforts to enhance understanding about how to recognize, prevent, and report fraud to the appropriate authorities.

EFFECTIVELY MANAGING GRANTS TO SUPPORT AIRPORTS

Since March 2020, FAA has received $20 billion in COVID-relief funds[3] for grants-in-aid through the Airport Improvement Program (AIP)—more than the amount it received through AIP in the preceding 5 fiscal years combined. While AIP has been DOT's main vehicle for providing grants to airports across the Nation for many years, FAA's receipt of this unprecedented injection of funds for COVID–19 relief comes with challenges similar to those our prior work has identified. To ensure these funds are put to effective use, FAA needs to establish increased controls over grantee reimbursements and implement a risk-based approach to detect potential fraud, waste, and abuse.

Establish Controls To Prevent Lapses in Grantee Adherence to Federal Requirements and Increase Reporting Transparency

Our work has previously identified challenges that FAA faces in its efforts to effectively manage large allocations of funds. Audits we conducted following Hurricanes Katrina and Rita in 2005 and the economic recession of 2009, as well more recent assessments, found lapses in grantee adherence to Federal laws and regulations, including those regarding improper payments, periods of performance, and grant documentation.[4] Our 2021 AIP audit, for example, identified misused funds, false claims, and insufficient supporting documentation for reimbursement requests—issues with a total impact on AIP obligations of $298.1 million. Resolving these issues is critical, in part because the CARES Act authorizes the Federal share of approved projects to be increased to 100 percent, potentially reducing the incentives for localities to rigorously control project costs. Therefore, the Agency will benefit from enforcing existing policies that require program managers to verify grant fund expenditures and cost increases.

Our prior AIP audit work has also identified concerns about FAA's grant reporting practices. For example, FAA did not update over 75 percent of the American Recovery and Reimbursement Act (ARRA) estimated grant amounts it published online with its actual awards to recipients. In particular, 25 of the 319 project cost estimates were off by more than 50 percent. Similarly, we identified issues with the accuracy of FAA-provided data for AIP grants during our 2021 review.

Use a Risk-Based Approach for Grant Oversight

In addition, FAA is following through on recommendations made in our past work to establish a risk-based oversight approach, assign the appropriate risk level to grantees, and adjust the Agency's oversight accordingly. Given FAA's need to target

---

[3] FAA received $10 billion through the CARES Act, $2 billion through CRRSA, and $8 billion through the ARP Act.

[4] *Oversight of Airport Improvement Program Hurricane Grants* (OIG Report Number AV–2007–014), December 13, 2006. *FAA Fulfilled Most ARRA Requirements in Awarding Airport Grants* (OIG Report Number AV–2011–053), February 17, 2011. *Gaps in FAA's Oversight of the AIP State Block Grant Program Contribute to Adherence Issues and Increase Risks* (OIG Report No. AV2021017), February 10, 2021. OIG reports are available on our website: https://www.oig.dot.gov/.

its resources to oversee the vast number of grants that will be supported by COVID–19 funds, we initiated an audit assessing FAA's policies and procedures for the award and oversight of CARES Act funds. While this audit is currently underway, we have found that FAA has categorized all of its COVID-related relief grants as "high risk"-generating additional oversight and review responsibilities for Agency officials. In addition, FAA has primarily centralized those oversight and review responsibilities within its Headquarters personnel; it took this action to ensure that the process is standardized and to accelerate awareness of potential implementation issues due to the unique nature of the relief funding. For example, FAA is planning to collect and review documentation for the Aviation Manufacturing Jobs Protection Program.[5] These steps will strengthen the Agency's mitigation strategy for identifying financial errors and inconsistencies in order to detect and prevent improper payments. Our future work will continue to focus on FAA's efforts to protect taxpayers' interests related to the oversight and management of these COVID-related grants.

LEVERAGING STEWARDSHIP AND OVERSIGHT APPROACHES TO ENHANCE TRANSPARENCY AND MITIGATE RISK

DOT's surface transportation agencies received extensive COVID–19 relief funding—about $83 billion. In particular, the Federal Transit Administration (FTA) has received about $69 billion to help transit systems in the United States mitigate the impacts of COVID–19, including support for their operating expenses. Congress also provided $10 billion to the Federal Highway Administration (FHWA) for highway infrastructure programs; over $3.7 billion to the Federal Railroad Administration (FRA) to support Amtrak; approximately $4.1 million to the Maritime Administration; and $150,000 to the Federal Motor Carrier Safety Administration. Based on our work, we have identified challenges these agencies may face in overseeing their funds in addition to carrying out normal operations under COVID–19 constraints.

Track and Report on Funding Progress and Accountability

Sound processes for accurate tracking and reporting on funding progress and accountability are important for transparency and mitigating the risk of misuse.[6] FTA and FRA, for example, received substantially more for the programs funded through COVID relief than they typically receive annually for the same programs and for recent disasters, such as Hurricane Sandy. While FTA has expeditiously allocated its COVID-relief funds, our work examining FTA's progress in using about $10 billion in Hurricane Sandy funds shows that transit agencies receiving grant funds can take years to expend large amounts.[7] In addition, the amounts allocated to specific recipients and purposes can change over time. Therefore, FTA will need to pay ongoing attention to ensure that it correctly awards funds to recipients and that obligated amounts do not exceed limitations. Similarly, FRA oversees annual Federal funding for Amtrak, which in the last fiscal year amounted to $2 billion. In June 2021, we reported on FRA's program to oversee Amtrak's use of these Federal funds.[8] The $3.7 billion in supplemental funding appropriated to ameliorate the impact of COVID–19 on Amtrak makes FRA's oversight even more critical. Our work, which was also applicable to FRA's oversight of the supplemental funding, found that the Agency has taken steps to improve its Amtrak oversight program and has plans to address weaknesses in its processes and systems for monitoring expenditures and tracking and following up on issues. FRA's completion of this work will enhance its ability to oversee Amtrak's use of both annual and COVID–19 supplemental funding.

---

[5] The Aviation Manufacturing Jobs Protection Program, established by the American Rescue Plan Act of 2021, provides funding to eligible businesses, paying up to half of their compensation costs for certain categories of employees for up to 6 months.

[6] According to GAO's *Government Auditing Standards* (GAO–21–368G), April 2021, as reflected in applicable laws, regulations, agreements, and standards, Federal program officials and managers are responsible for providing reliable, useful, and timely information for transparency and accountability of these programs and their operations.

[7] Our work supporting FTA's Hurricane Sandy funding oversight includes: *FTA Made Progress in Providing Hurricane Sandy Funds but Weaknesses in Tracking and Reporting Reduce Transparency Into Their Use* (OIG Report No. ST2021032), July 21, 2021; *FTA's Limited Oversight of Grantees' Compliance With Insurance Requirements Puts Federal Funds and Hurricane Sandy Insurance Proceeds at Risk* (OIG Report No. ST2020005), October 30, 2019; and *FTA Has Not Fully Implemented Key Internal Controls for Hurricane Sandy Oversight and Future Emergency Relief Efforts* (OIG Report No. ST2015046), June 12, 2015.

[8] *Fully Implementing a Grants Management Framework Will Enhance FRA's Amtrak Funding Oversight* (OIG Report No. ST2021027), June 30, 2021.

Adapt Oversight Processes To Address COVID–19 Impact and Program Risks

The Department also must contend with the pandemic's impact on program risks and operations, such as in-person inspections and travel. For example, while FTA was monitoring and providing guidance to grant recipients, it postponed the oversight reviews planned for fiscal year 2020 until fiscal year 2021. In April 2021, FTA reported that it has since incorporated oversight of COVID–19 relief funds into the Agency's existing oversight program and developed a new proactive approach to COVID–19 relief funding oversight that focuses on both technical assistance and supplemental oversight.[9] The Agency added that, starting in early summer 2021, it will begin supplemental oversight activities for COVID–19 relief funding recipients not scheduled for a Triennial or State Management Review this year. These steps by FTA to enhance oversight of COVID-relief funding are laudable and indicate progress toward addressing the potential risk areas we identified for stewardship of these funds. Such actions are also particularly important in light of the ways in which COVID-relief laws changed how recipients can use FTA funds, such as by allowing all recipients, regardless of size or urbanized area population, to charge operating expenses to FTA grants on a 100-percent Federal share basis. Other DOT agencies may face similar challenges and also may need to adjust their oversight approaches to ensure that recipients meet Federal requirements and use funds only for eligible purposes. We anticipate that future audits will examine the Department's performance in this area and also assess DOT's tracking and reporting efforts. We recently announced our audit of FTA's COVID–19 relief funding oversight.

EXECUTING CONTRACTS AND GRANTS EFFECTIVELY TO ACHIEVE DESIRED OUTCOMES

Given the large influx of COVID–19 funds the Department has received, DOT agencies will need to pay even greater attention to the ways in which they award and administer contracts and grants. As of July 6, 2021, DOT had received over $106.3 billion in COVID–19 funding and had obligated over $47 billion of those funds. This obligation was in addition to its annual contract and grant obligations, which totaled over $74 billion in fiscal year 2019. Based on our previous work, unless the Department sustains focus on its award and oversight practices, it will face a number of risks to the effective use of these funds. Specifically, the Department needs to ensure that DOT agencies foster competition and receive reasonable pricing for services and programs; contractors and grantees expend funds as intended and to achieve desired outcomes; and that adequately trained and supervised personnel manage funds in accordance with Federal requirements. Our future work will focus on whether the Department is able to effectively manage the use and expenditure of DOT grant and contract funds, including those for COVID relief.

Foster Competition to the Extent Practical and Ensure Reasonable Pricing

To achieve efficiency and effectiveness and realize the best value for taxpayers, DOT will need to promote competition to the extent practicable and verify fair and reasonable pricing before agency-funded contracts are awarded. These activities should include developing sound independent Government cost estimates, conducting price and/or cost analyses, and requiring adequate justification for single bids. However, our past work—which has covered oversight of FHWA's ARRA-related spending—identified deficiencies in these areas that could put billions in Federal funds at risk. For example, our 2012 audit of ARRA-funded FHWA contracts showed that even minimal increases in the number of bids received could have a significant impact.[10] Prices for contracts with one or two bids averaged 11 percent higher than prices for contracts with three bids—resulting in a total projected price difference of at least $179 million. In addition, in 2019, we assessed FAA's competitive award practices for major acquisition program contracts and subsequently recommended that the Agency could put up to $4.9 billion in Federal funds to better use by improving its ability to establish contract pricing that is fair, reasonable, and realistic.[11] Specifically, FAA put billions of dollars at risk by awarding some competitive contracts without developing required Government cost estimates or adequately justifying several noncompetitive awards.

Ensure That Contractors and Grantees Expend Funds as Intended

As is the case with the Department's annual contract and grant spending, it is vital that DOT provide clear direction to contractors and grantees on Federal re-

[9] FTA, "Dear Colleague" Letter, April 20, 2021.

[10] *Lessons Learned From ARRA: Improved FHWA Oversight Can Enhance States' Use of Federal-Aid Funds* (OIG Report No. ZA–2012–084), April 5, 2012.

[11] *FAA's Competitive Award Practices Expose Its Major Program Contracts to Cost and Performance Risks* (OIG Report No. ZA2020020), March 9, 2020.

quirements for verifying and documenting expenditures of COVID–19 funds. However, our past work has found that DOT could do more to direct grantees to provide supporting documentation for their reimbursement requests and reviews to avoid improper payments. For example, in 2019, we reported that the Department did not routinely require grantees to provide support showing that the costs they submitted for reimbursement were reasonable or allowable.[12] In addition, our review of FTA's oversight of Hurricane Sandy funds determined that FTA did not verify that grantees were using those funds solely for eligible expenditures, including an instance where a grantee had inappropriately spent over $17 million that had to be returned to the Federal Government.[13] We also recently reported that FAA did not always award and administer contracts in accordance with the domestic content laws,[14] which direct Federal agencies, with certain exceptions, to purchase American-made materials and goods to strengthen our economic and national security.[15] This lack of compliance highlights another potential risk area for the Department as it strives to maximize the extent to which COVID-relief funding fulfills the goal of supporting our Nation's economic well-being.

In the coming months, we will continue our work to assess the Department's efforts to effectively monitor the use of its COVID–19 funds. Planned audits include assessing FAA's oversight of CARES Act-funded airport development contracts and evaluating whether other DOT or grantee contracts using COVID–19 funds were awarded and expended for their intended purpose and accurately tracked for transparency.

Appropriately Train and Manage Personnel Who Administer Federal Funds

Our previous reviews of DOT and grantee contracting activities also identified issues with the authorization and training of staff who award funds—within the Department and at recipient organizations. Given the distinct requirements associated with the COVID–19 funds, DOT must require that individuals administering agency or recipient awards have the appropriate authority and training to ensure compliance with applicable laws and regulations and that funds are used for intended purposes, an area in which our previous work has found gaps.[16] In other work, we found that two DOT agencies—representing 69 percent of the Department's overall COVID funding—did not ensure that oversight support staff consistently documented their reviews or that resulting recommendations were tracked and resolved at the grantee and Federal levels.[17]

ENSURING THE AVAILABILITY AND INTEGRITY OF DOT'S SYSTEMS FOR TRACKING AND MONITORING FEDERAL FUNDS

Effective stewardship of COVID relief funds depends on DOT's ability to effectively track and monitor spending, to detect errors in grant activities, and keep errors in expenditures low. These efforts require the Department to maintain the availability and integrity of its financial management systems.

Maintain the Availability and Integrity of DOT's Systems for Tracking and Monitoring Federal Funds

A major possible risk area for the Department is maintaining the confidentiality, availability, and integrity of the financial management systems[18] that process CARES Act grants and monitor and disburse payments. Due to an increase in cyberattacks on Federal and private sector information systems since March 2020,

[12] *Stronger Guidance and Internal Controls Would Enhance DOT's Management of Highway and Vehicle Safety R&D Agreements* (OIG Report No. ZA–2019–051), May 1, 2019.

[13] *FTA Can Improve Its Oversight of Hurricane Sandy Relief Funds* (OIG Report No. ZA2016077), July 21, 2016.

[14] Domestic content laws include the Buy American Act (BAA), 41 U.S.C. §§ 8301–8305, and Buy American Preference (BAP), 49 U.S.C. § 50101.

[15] *Gaps in Guidance, Training, and Oversight Impede FAA's Ability To Comply With Buy American Laws* (OIG Report No. ZA2021026), June 2, 2021.

[16] *MWAA's Weak Policies and Procedures Have Led to Questionable Procurement Practices, Mismanagement, and a Lack of Overall Accountability* (OIG Report No. AV–2013–006), November 1, 2012.

[17] *FTA Did Not Adequately Verify PATH's Compliance With Federal Procurement Requirements for the Salt Mitigation of Tunnels Project* (OIG Report No. ZA2016057), March 28, 2016; *Opportunities Exist To Improve FRA and Volpe's Acquisition and Use of Oversight Contractors* (OIG Report No. ZA2019056), July 10, 2019; *FTA Has an Opportunity To Improve the Integrity Monitor Program for Hurricane Sandy Grantees* (OIG Report No. ZA2019064), September 9, 2019.

[18] FTA uses three financial management systems—Transit Award Management System, Financial Management System and ECHO–WEB, which interfaces with the DOT-wide financial management system, Delphi.

we are currently assessing the security of the financial systems the Department uses to track and monitor COVID relief funds. For example, our review of FTA's ability to mitigate threats from cyberattacks found security control weaknesses, including that the Agency does not require over 4,600 external users to use multifactor authentication, such as a username and password or a personal identification verification card, to access its financial management systems. Cyberattacks are among the biggest security threats facing the Federal Government today, as evidenced by a May 2021 Executive order that requires agencies to implement multifactor authentication within 180 days.

Given the multiple financial management systems involved in tracking COVID relief grants, the Department will face security risks in tracking and monitoring these funds. For instance, an attacker could exploit vulnerabilities to take control over certain systems, cause a denial of service attack, or gain unauthorized access to critical files and data. To protect the integrity, availability, and confidentiality of sensitive information and mitigate risks to its financial management systems, DOT will need to effectively select, assess, and monitor its security controls and detect and correct weaknesses. For example, consistent updating of financial management systems with software patches will be vital whenever a security flaw is uncovered. Also, to mitigate risks to data availability, DOT must maintain adequate disaster recovery plans to quickly restore systems after unexpected disruptions. We will keep this committee apprised of DOT's progress in these and other areas when we complete our current audit work.

Maintain Compliance With Improper Payment Reporting

During previous reviews,[19] we found that some errors, such as improper payments, were caused by insufficient documentation, a program design or structural issue, or an administrative or process error made by State or local agency grantees. We also reported that DOT complied with the requirements of the Improper Payments Elimination and Recovery Act of 2010 and the Payment Integrity Information Act of 2019 and had reported an overall improper payment rate below 10 percent for each reviewed program and activity.[20] However, the drastic increase in disbursements and volume of transactions under the COVID relief statutes could make it difficult for DOT to keep its reported improper payments below the 10-percent threshold. Sustained focus on procedures to detect improper payments could help mitigate this risk.

INCREASING OUTREACH AND EDUCATION TO TRANSPORTATION AGENCIES TO PREVENT AND DETECT FRAUD, WASTE, AND ABUSE

The volume of COVID–19 relief funds and the speed with which they are disbursed puts them at a higher than usual risk for fraud, waste, and abuse by recipients. Given that these funds will be spent on multiple purposes, with disparate requirements and restrictions, existing risk assessments may not be sufficient. Based on our prior assessments of DOT's oversight of large funding amounts—such as through ARRA and other initiatives—early detection and intervention is essential to mitigate misuse of funds. Thus, it will be critical for all DOT agencies to implement data quality procedures for tracking and monitoring. We are reviewing financial datasets—from the Department and from other Government resources—to determine whether DOT agencies are using COVID–19 funds properly.

An important way to deter fraud is for DOT staff and grantees to be aware of certain "red flag" indicators typically associated with fraud schemes. For example, any mismarking or mislabeling of products and materials might indicate product substitution fraud; see exhibit B for descriptions of other fraud indicators. The best way to make individuals aware of these indicators is to conduct systematic fraud prevention education in the field. To that end, we are working with the Department to conduct outreach and education efforts to enhance understanding about how to recognize, prevent, and report potential fraud to the appropriate authorities, including our office.

Since March 2020, our Office of Investigations has conducted over 1,200 hours of outreach focusing on education and deterrence related to the Department's COVID-

[19] *DOT's Fiscal Year 2019 IPERA Compliance Review* (OIG Report No. FS2020029), April 27, 2020; *DOT's Fiscal Year 2018 IPERA Compliance Review* (OIG Report No. FI2019054), June 3, 2019; *DOT's Fiscal Year 2017 IPERA Compliance Review* (OIG Report No. FI2018055), May 14, 2018.

[20] See OIG Report No. FS2020029. The Payment Integrity Information Act of 2019 (PIIA), Public Law 116–117, superseded the Improper Payments Elimination and Recovery Act of 2010 (IPERA), Pub. Law 111–204 (July 2010); see *DOT's Fiscal Year 2020 Payment Integrity Information Act Compliance Review* (OIG Report No. FI2021031), July 14, 2021.

relief funds. In fact, this year we have almost doubled the hours we spent on COVID-relief outreach a year ago. In addition to hosting training events for our own investigators, we have conducted 139 COVID-funding-related outreach activities with DOT officials, regional modal partners, State grant recipients, and Federal law enforcement partners across the country—38 of which included information on fraud indicators. In addition, we are greatly involved with the work of the Pandemic Response and Accountability Committee, and we continue to seek out innovative methods of analyzing data and leveraging the experiences of others working on pandemic relief efforts across the inspector general community. These added outreach efforts will likely result in an increase in reporting of suspected mismanagement and indicators of criminal activity related to DOT-disbursed COVID–19 funds.

Our experience with the rapidly dispersed ARRA stimulus funds resulted in 24 investigations, 57 indictments, and 49 convictions representing over 38 years of incarceration and $85 million in restitution, recoveries, forfeitures and fines. For example, one investigation revealed that from 2004 to 2010, a CEO of an FTA grantee conspired and embezzled Federal ARRA funds. The CEO was sentenced to 30 months of incarceration, 36 months of supervised release, and $1.3 million in restitution. It will also be essential for DOT, when notified of wrongdoing by grantees or contractors, to take timely action to suspend andor debar these individuals or firms that have defrauded the Government or are otherwise known to be irresponsible. By doing so, the Department can help protect other Federal programs from fraud and other wrongdoing by the same individuals and entities. Timely action in response to indications of fraud will better protect against misuse of public funds by fraudulent or unethical firms or individuals in the future.

Conclusion

COVID–19 has had a wide-reaching impact on the transportation industry and our economy. In response, DOT has taken quick action to distribute COVID relief funds and implement requirements established by the CARES, CRRSA, and ARP acts. Our office is committed to assisting the Department in its efforts to maximize the efficacy of these funds and meet its mission in these exceptional times. By maintaining focus on the most significant risk areas and establishing robust internal controls, DOT can spend COVID relief funds effectively, prevent fraud, waste, and abuse, ensure compliance with the law, and carry out its safety mission. Meeting these goals will maximize the value of taxpayer dollars during this critical time.

In fulfillment of our own responsibilities pertaining to these funds, we will announce future work related to COVID oversight as needed and continue to deter and pursue wrongdoers who target COVID spending. We look forward to continuing to work with DOT in support of our shared goal to safeguard these critical funds from fraud, waste, and abuse and sustain our ongoing economic recovery.

This concludes my prepared statement. I will be happy to answer any questions you or other Members of the Committee may have.

Exhibit A. COVID–19 Relief Funds Provided to the Department of Transportation, as of July 6, 2021

Coronavirus Aid, Relief, and Economic Security (CARES) Act

DOT Agency	Funds Provided
Federal Aviation Administration	$10,025,000,000
Federal Transit Administration	$25,000,000,000
Federal Railroad Administration	$1,018,250,000
Office of the Secretary of Transportation	$57,753,000
Federal Motor Carrier Safety Administration	$150,000
Maritime Administration	$4,134,000
Office of Inspector General	$5,000,000
Total Amount Provided by the CARES Act	$36,110,287,000

Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

DOT Agency	Funds Provided
Federal Aviation Administration	$2,000,000,000
Federal Highway Administration	$10,000,000,000
Federal Transit Administration	$14,000,000,000
Federal Railroad Administration	$1,000,000,000
Office of the Secretary of Transportation	$23,332,000
Total Amount Provided by the CRRSA Act	$27,023,332,000

American Rescue Plan (ARP) Act

DOT Agency	Funds Provided
Federal Aviation Administration	$8,009,000,000
Federal Transit Administration	$30,461,356,000
Federal Railroad Administration	$1,700,000,000
Office of the Secretary of Transportation	$3,000,000,000
Total Amount Provided by the ARP Act	$43,170,356,000

Source: DOT Office of the Chief Financial Officer

EXHIBIT B. RED FLAG INDICATORS FOR COMMON FRAUD SCHEMES AND HOW TO REPORT SUSPECTED FRAUD

The following pages include brief descriptions of selected fraud schemes commonly seen on transportation projects, along with sample "red flag" indicators for each scheme. It is important to note that the presence of one or more indicators does not prove fraud and that the indicators shown are not all-inclusive for each of the schemes described.

Bid Rigging and Collusion

In bid rigging and collusion schemes, contractors misrepresent the competition against each other when, in fact, they agree to cooperate on the winning bid to increase job profit. Watch for:

- Unusual bid patterns: too close, too high, rounded numbers, or identical winning margins or percentages.
- Different contractors making identical errors in contract bids.
- Bid prices dropping when a new bidder enters the competition.
- Rotation of winning bidders by job, type of work, or geographic area.
- Losing bidders hired as subcontractors.
- Apparent connections between bidders: common addresses, personnel, or phone numbers.
- Losing bidders submitting identical line item bid amounts on nonstandard items.

Materials Overcharging

In materials overcharging schemes, a contractor misrepresents how much construction material was used on the job and is then paid for excess material to increase job profit. Watch for:

- Discrepancies between contractor-provided quantity documentation and observed data, including yield calculations.
- Refusal or inability to provide supporting documentation.
- Contractor consistently loading job materials into equipment away from inspector oversight.
- Truck weight tickets or plant production records with altered or missing information.
- Photocopies of quantity documentation where originals are expected.
- Irregularities in color or content of weight slips or other contractor documents used to calculate pay quantities.

Time Overcharging

In a time overcharging scheme, a consultant misrepresents the distribution of employee labor on jobs in order to charge for more work hours or a higher overhead rate, to increase profit. Watch for:

- Unauthorized alterations to time cards and other source records.
- Billed hours and dollars consistently at or near budgeted amounts.
- Time cards filled out by supervisors, not by employees.
- Photocopies of timecards where originals are expected.
- Inconsistencies between a consultant's labor distribution records and employee timecards.

Product Substitution

In product substitution schemes, a contractor misrepresents the product used in order to reduce costs for construction materials. Watch for:

- Any mismarking or mislabeling of products and materials.
- Contractor restricting or avoiding inspection of goods or service upon delivery.
- Contractor refusing to provide supporting documentation regarding production or manufacturing.
- Photocopies of necessary certification, delivery, and production records where originals are expected.
- Irregularities in signatures, dates, or quantities on delivery documents.
- High rate of rejections, returns, or failures.
- Test records reflect no failures or a high failure rate but contract is on time and profitable.
- Unsigned certifications.

Disadvantaged Business Enterprises (DBE) Fraud

In disadvantaged business enterprises schemes, a contractor misrepresents who performed contract work in order to appear to be in compliance with contract goals for involvement of minority or women-owned businesses. Watch for:

- Minority owner lacking background, expertise, or equipment to perform subcontract work.
- Employees shuttling back and forth between prime contractor and minority-owned business payrolls.
- Business names on equipment and vehicles covered with paint or magnetic signs.
- Orders and payment for necessary supplies made by individuals not employed by minority-owned business.
- Prime contractor facilitated purchase of minority-owned business.
- Minority-owned business owner never present at job site.
- Prime contractor always uses the same minority-owned business.

Quality-Control Testing Fraud

In quality-control testing schemes, a contractor misrepresents the results of quality control (QC) tests to falsely earn contract incentives or to avoid production shutdown in order to increase profits or limit costs. Watch for:

- Contractor employees regularly taking or labeling QC samples away from inspector oversight.
- Contractor insisting on transporting QC samples from the construction site to the lab.
- Contractor not maintaining QC samples for later quality assurance (QA) testing.
- Contractor challenging results, or attempting to intimidate QA inspectors who obtain conflicting results.
- Photocopies of QC test results where originals are expected.
- Alterations or missing signatures on QC test results.

Bribery

In bribery schemes, a contractor compensates a government official to obtain a contract or permit contract overcharges. Watch for:

- Other government inspectors at the job site noticing a pattern of preferential contractor treatment.
- Government official having a lifestyle exceeding his/her salary.
- Contract change orders lacking sufficient justification.
- Oversight officials socializing with or having business relationships with contractors or their families.

Source: OIG

Mr. DEFAZIO. OK, I thank the gentleman.

And last would be Mr. James Izzard, assistant inspector general for investigations, Department of Homeland Security.

Mr. IZZARD. Chairman DeFazio, Ranking Member Graves, and members of the committee, thank you for inviting me here today to discuss OIG's oversight of FEMA's response to the COVID–19 pandemic.

The CARES Act provided DHS OIG $3 million in supplemental funding to conduct oversight of the nearly $50 billion of COVID–19 relief. DHS OIG is strategically initiating work to have the highest impact to help improve DHS programs and operations.

Since January 2020, DHS OIG has received more than 6,000 complaints, and initiated 120 investigations related to COVID–19. We continue to investigate COVID–19 fraud perpetrated by companies and individuals seeking to exploit DHS-affiliated Government programs, including relief programs that FEMA administers.

A number of our open investigations are under review for possible criminal prosecution by U.S. attorneys offices nationwide. Since the passage of the CARES Act, we have been at the forefront to detect, deter, and investigate COVID–19 fraud perpetrated against DHS and its components through our participation in working groups, coordination with FEMA and the PRAC, and leveraging the expertise of our professional staff to identify and investigate fraud schemes.

For example, on February 3, 2021, as a result of an investigation we worked jointly with the VA OIG, the FBI, and the U.S. Attorney's Office for the Eastern District of Virginia, a defendant pleaded guilty to wire fraud, theft of Government funds, and making false statements. The investigation determined that the defendant repeatedly and falsely claimed to Federal officials that he was in possession of large quantities of PPE, including N95 masks.

Based on the defendant's statements, VA and FEMA awarded his company contracts for more than $38 million to deliver 6.5 million N95 masks. The VA intended to use the PPE to protect employees and patients at VA facilities, and FEMA intended to procure the N95 masks for the national stockpile. Despite the defendant's claims, he failed to supply any PPE or N95 masks to the Federal Government. On June 16, 2021, the defendant was sentenced to 21 months incarceration, and nearly $349,000 in restitution.

In another instance, we led a task force that used data analytics to identify a major facilitator of fraudulent unemployment insurance claims. In November 2020, DHS OIG determined the individual and her co-conspirators were involved in facilitating close to a half million dollars in fraudulent unemployment insurance benefits, which included fraudulently using the identities of State prisoners.

On April 8, 2021, the United States Attorney's Office for the Eastern District of Virginia issued a nine-count indictment charging four defendants with conspiracy to commit fraud in connection with major disaster benefits.

Recognizing the magnitude and potential of these fraud schemes related to FEMA and unemployment insurance programs, we designated a team of special agents to investigate major unemployment insurance facilitated fraud schemes involving FEMA funds.

Over the last 10 months, this team has executed 15 search warrants and seizures, recovered $3 million, and realized 10 judicial actions. Our team continues to open new investigations nationwide that will likely yield high-impact results.

In addition, since March 2020, we have initiated nine new audits related to CARES Act funds and FEMA's response to COVID–19, including audits of FEMA's Federal coordination efforts and medical supply chain. We look forward to reporting the results of those audits when they are complete.

Earlier this month, we completed an audit that was initiated in 2019, and is directly relevant to FEMA's ability to deliver crucial supplies in response to the pandemic. We found FEMA personnel didn't always take the necessary steps to ensure prospective contractors could deliver goods and services during compressed disaster response timeframes. Between March and May 2020, FEMA awarded and canceled at least 22 contracts, valued at $184 million, for crucial supplies in response to the national COVID–19 pandemic. We made one recommendation to FEMA, which is currently open.

Thank you again for Congress' continued funding for our mission, which supports our robust oversight of the Department to help make its programs and operations more efficient and effective.

Mr. Chairman, this concludes my testimony. I am happy to answer any questions you or other members of the committee may have.

[Mr. Izzard's prepared statement follows:]

Prepared Statement of James Izzard, Jr., Assistant Inspector General for Investigations, U.S. Department of Homeland Security

Chairman DeFazio, Ranking Member Graves, and Members of the Committee:

Thank you for the opportunity to discuss the Department of Homeland Security, Office of Inspector General's (OIG) critical oversight of the Federal Emergency Management Agency's (FEMA) preparedness, response, and recovery efforts related to the coronavirus (COVID–19) pandemic. Since the beginning of the pandemic, we have provided significant and timely information about the Department and its COVID–19 response through our audits, inspections, evaluations, and investigations. We are committed to transparency and keeping you and your fellow Members of Congress fully informed of our findings and recommendations.

Annually, DHS OIG provides taxpayers with a substantial return on their investment. Each fiscal year DHS OIG issues hundreds of recommendations to improve the integrity, accountability, and performance of the Department. In FY 2020, DHS OIG identified $7,500,553,271 in questioned costs and funds put to better use through audits and inspections. In FY 2020, DHS OIG achieved more than $1.1 million in recoveries, $389,000 in fines, and more than $15.3 million in restitutions.

The DHS Inspector General (IG) is one of nine statutory IGs who are members of the Pandemic Response Accountability Committee (PRAC), created by Congress through the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. We closely coordinate with the PRAC, as appropriate, to share model practices and enhance our effectiveness.

The CARES Act provided DHS $45.9 billion for COVID–19 relief and provided DHS OIG $3 million in supplemental funding, through a transfer from the Disaster Relief Fund (DRF), to conduct oversight of those funds. Given this funding and the range of associated mandates, DHS adopted a layered response to deliver critical supplies and services. FEMA, along with other Federal partners, is the DHS component responsible for managing the Federal Government's COVID–19 pandemic response.[1] On August 8, 2020, then-President Trump authorized FEMA to expend up to $44 billion from the DRF for lost wage payments.[2]

On December 27, 2020, the *Consolidated Appropriations Act* first required FEMA to provide funeral assistance through its Individual and Household Programs for deaths related to the COVID–19 pandemic. The Act provided $2 billion to reimburse funeral expenses incurred through December 31, 2020, at a 100 percent Federal cost share. On March 11, 2021, President Biden signed the *American Rescue Plan Act* (ARPA), which appropriated $50 billion to FEMA for costs associated with major disaster declarations, including for funeral assistance and did not limit the date for expenses incurred.[3] As of July 12, 2021, FEMA has provided over $606 million to more than 91,000 people to assist with COVID–19-related funeral costs for deaths occurring on or after January 20, 2020.[4] DHS OIG did not receive an additional allocation to oversee those monies, but nonetheless, we initiated work to oversee FEMA's funeral assistance efforts, as described below.

INVESTIGATIONS

Since January 2020, DHS OIG has received a substantial number of COVID–19 fraud complaints nationwide and continues to investigate fraud perpetrated by companies and individuals seeking to exploit DHS-affiliated government programs, including relief programs that FEMA administers. To date, DHS OIG has received more than 6,000 complaints and initiated 120 investigations. Many of our investigations involve individuals who have also attempted to defraud other COVID–19 programs.

Since the passage of the CARES Act, DHS OIG has been at the forefront to detect, deter, and investigate COVID–19 fraud perpetrated against DHS and its components through our participation on working groups, coordination with FEMA, and reliance on the expertise of our professional staff.

Our special agents participate in various working groups and task forces at the local, state, and regional level. This includes partnering with the Small Business Administration (SBA) OIG, Department of Labor OIG, Veterans Affairs OIG, United States Postal Inspection Service, Homeland Security Investigations (HSI), United States Secret Service, Federal Bureau of Investigation (FBI), and United States Attorney's Offices.

We also participate in national working groups and task forces including the:

- Department of Justice (DOJ) Stimulus Funds Fraud Working Group;
- COVID–19 Fraud Enforcement Task Force;
- National Unemployment Insurance Fraud Task Force;
- DOJ Procurement Collusion Strike Force;
- DOJ Grant Fraud Working Group; and
- PRAC.

We interface with FEMA through a joint Fraud Working Group. That Fraud Working Group provides fraud training, including indicators and fraud scheme awareness, that is tailored to assist FEMA employees with preventing and reporting suspected fraud. With respect to FEMA's funeral assistance program, DHS OIG special agents are actively and independently collaborating with FEMA to facilitate early detection of fraud.

DHS OIG also developed an innovative approach to enhance the way we identify COVID–19 fraud schemes. Our team of special agents, forensic accountants, analysts, digital forensic examiners, and data scientists provides a multidisciplinary approach to analyzing large and complex data sets to identify fraud indicators and develop investigative leads. Using its expertise and a suite of cutting-edge data analytics tools, along with support from other Federal, state, and local partners, DHS OIG has uncovered complex, multi-million-dollar fraud schemes involving FEMA personal protective equipment (PPE) contracts and facilitators of major unemployment insurance fraud schemes involving FEMA funds. Over the last 10 months, our team has executed 15 search warrants and seizures, recovered $3 million, and realized 10 judicial actions, and our team continues to open new investigations that will likely yield high-impact results. We also developed an analytical dashboard to iden-

---

[1] "The Federal Emergency Management Agency's Response to COVID–19 and Other Challenges." Statement of Robert Fenton, Senior Official Performing the Duties of the Administrator, FEMA. April 14, 2021. *See also*, "Known for Disaster Aid, FEMA Prepares for New Challenge with Coronavirus Relief", *NPR*, March 19, 2020.

[2] Presidential Memoranda, Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019, August 8, 2020.

[3] *American Rescue Plan Act of 2021*, P.L. 117–2.

[4] FEMA press release HQ–21–134, July 12, 2021.

tify fraudulent FEMA vendors who were contracted to provide PPE for the National Stockpile. We have shared our model practice with the Inspector General community and through the PRAC.

In addition, we established an internal COVID–19 fraud investigation team dedicated to identifying and investigating unemployment insurance fraud. This team is comprised of geographically dispersed agents who conduct high impact COVID–19 fraud investigations nationwide. In addition to investigating fraud associated with FEMA COVID–19 funding, these agents coordinate with task forces, working groups, and United States Attorney's Offices nationwide.

Examples of our high-impact FEMA COVID–19 fraud investigations include:

Personal Protective Equipment Contract Fraud

On February 3, 2021, the Chief Executive Officer (CEO) of Federal Government Experts, LLC (FGE) pleaded guilty to making false statements, wire fraud, and theft of government funds. The investigation determined the CEO repeatedly, and falsely, claimed to contracting officials from FEMA and Veteran's Affairs (VA) that he was in possession of large quantities of PPE, including N95 masks.

Based on the CEO's statements, FEMA and the VA awarded FGE contracts to deliver more than 6 million N95 masks for a total cost of $38.5 million. FEMA intended to procure the N95 masks for the National Stockpile, and the VA intended to use the PPE to protect employees and patients at various VA facilities. Despite the CEO's claims, FGE failed to supply any PPE to FEMA and the VA. Ultimately, it was determined that the company was never in possession of large quantities of PPE or N95 masks despite the CEO's fraudulent claims.

In addition, it was determined the CEO applied for various loans on behalf of FGE under the Federal Payroll Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) Program. The loan applications submitted by the CEO falsely stated the number of FGE employees and the amount of FGE's payroll. Specifically, the CEO claimed FGE had 37 employees when, in fact, the company had 9. The CEO also claimed he had a monthly payroll of $322,000 when, in fact, FGE's monthly payroll was $13,907. FGE was awarded PPP and EIDL loans in the amount of $1.06 million. On June 16, 2021, the CEO was sentenced to 21 months in Federal prison, with 3 years of supervised release, and paid $348,714 in restitution.

Lost Wages Assistance Fraud

In November 2020, DHS OIG determined that an individual and her co-conspirators fraudulently acquired $436,834 in FEMA Unemployment Insurance (UI) benefits, which included using the identities of state prisoners. On April 8, 2021, the United States Attorney's Office for the Eastern District of Virginia issued a nine-count indictment charging four defendants with conspiracy to commit fraud in connection with major disaster benefits, fraud in connection with major disaster benefits, and mail fraud. One of the defendants pleaded guilty on June 24, 2021, and is scheduled to be sentenced in October 2021. Judicial outcomes regarding the three co-defendants are pending.

In a similar scheme, an individual pleaded guilty on June 11, 2021 to mail fraud for her role in fraudulently obtaining FEMA unemployment benefits for 22 prison inmates. With the assistance of an inmate co-conspirator, the individual used the identities of prisoners to file fraudulent UI claims to collect at least $223,984 in unemployment benefits.

We continue to build and maintain relationships with our Federal, state, and local law enforcement counterparts and to use data analytics to identify significant fraud rings that impacted FEMA's Lost Wages Assistance Program. Given our current limited funding, we are focusing on Federal, state and local partners in areas most heavily impacted by unemployment insurance fraud. As we identify new fraud schemes, the number of cases will continue to grow.

AUDITS

Between 2014 and 2017, DHS OIG issued three reports on DHS' readiness to continue mission essential functions during a pandemic. In FY 2014, we reported [5] that DHS did not adequately assess its needs before purchasing pandemic preparedness supplies and did not effectively manage its stockpile of pandemic PPE and antiviral medical countermeasures. In FY 2016, we reported [6] DHS did not ensure sufficient coordination, adequate training, and consistent screening of people arriving at U.S.

[5] *DHS Has Not Effectively Managed Pandemic Personal Protective Equipment and Antiviral Medical Countermeasures* (OIG–14–129).

[6] *DHS' Ebola Response Needs Better Coordination, Training, and Execution* (OIG–16–18).

ports of entry during its response to Ebola. In FY 2017, we reported[7] that DHS may not be able to effectively execute its preparedness plans during a pandemic. In total, we made 28 recommendations and those recommendations are closed. In FY 2021, we conducted a verification review of DHS' efforts to determine the adequacy and effectiveness of DHS' corrective actions to our prior recommendations.[8] While the Department provided adequate documentation of its initial plans and actions to address the 28 recommendations, DHS did not effectively implement corrective actions to address three recommendations intended to provide operational efficiencies and controls needed in the current pandemic. We made three recommendations to ensure we improved department-wide oversight of PPE and pandemic planning. The Department concurred with the three recommendations and they remain open.[9]

We recently completed an audit that is directly relevant to FEMA's ability to deliver crucial supplies in response to COVID–19 but was initiated prior to the COVID–19 pandemic: *FEMA Must Strengthen Its Responsibility Determination Process (OIG–21–44)*. We conducted this audit to determine whether FEMA contracting personnel followed Federal regulations, DHS policies, and FEMA procedures when awarding disaster response contracts. We found FEMA contracting personnel did not always take the necessary steps to ensure prospective contractors could deliver goods and services during compressed disaster response timeframes. As a result of inadequate guidance, FEMA personnel awarded contracts without making fully informed determinations as to whether prospective contractors could meet contract demands. Between March and May 2020, FEMA awarded and canceled at least 22 contracts, valued at $184 million, for crucial supplies in response to the national COVID–19 pandemic. By awarding contracts without ensuring prospective contractors can meet contract demands, FEMA will continue wasting taxpayer dollars and future critical disaster and pandemic assistance will continue to be delayed. We made one recommendation to strengthen FEMA's responsibility determination process. FEMA concurred with our recommendation and it remains open.

In the early days of the COVID–19 pandemic, DHS OIG identified the need to collect data before launching audit work in this unprecedented area. Therefore, in March 2020, DHS OIG began gathering DHS and the U.S. Department of Health and Human Services (HHS) pandemic response data in real time. We observed daily and semi-weekly interagency conference calls hosted by FEMA and HHS officials and monitored FEMA and HHS' daily national COVID–19 situation reports. OIG used this information to inform ongoing and proposed projects related to the pandemic.

Since June 2020 our auditors have been monitoring FEMA's use of CARES Act funds in addition to FEMA's vaccine support role. Our auditors participate with Federal, state, and local oversight officials on various working groups, including the PRAC and the National Association of State Auditors, Comptrollers and Treasurers' COVID–19 Accountability Work Group, to coordinate oversight work across local, state, and Federal agencies and to identify issues related to the administration of CARES Act and the ARPA funding. Finally, our Office of Audits is actively involved in DHS OIG's Disaster Relief Working Group, which focuses on our COVID–19 oversight work. This group collectively identifies common oversight issues and facilitates coordination and deconfliction.

Since March 2020, we have initiated nine new audits related to FEMA's response to COVID–19, including audits of FEMA's Federal coordination efforts and medical supply chain. Our ongoing audits of FEMA's COVID–19 response include:

- *FEMA's Federal Medical Supply Chain in Response to COVID–19*: Our objective is to determine to what extent FEMA managed and distributed medical supplies and equipment in response to COVID–19.
- *FEMA's Federal Coordination Efforts in Response to COVID–19*: Our objective is to determine how effectively FEMA supports and coordinates Federal efforts to distribute PPE and ventilators in response to the COVID–19 outbreak.
- *FEMA Emergency Food and Shelter Program (EFSP) Administration of CARES Act Funding*: Our objective is to determine whether FEMA is administering CARES Act funding for the EFSP in accordance with Federal requirements to meet program goals.

[7] *DHS Pandemic Planning Needs Better Oversight, Training, and Execution* (OIG–17–02).

[8] *Ineffective Implementation of Corrective Actions Diminishes DHS' Oversight of Its Pandemic Planning* (OIG–21–14).

[9] A recommendation is considered open when agreed-upon corrective action has not been implemented. A recommendation is resolved when the Component management official and OIG agree on (1) the reported findings and recommendations, (2) the corrective actions to be taken, and (3) where appropriate, target completion dates.

- *FEMA's Response to Declaration Requests for States, Tribes, and Territories*: Our objective is to determine whether FEMA follows its policies and procedures consistently when responding to state, tribal, and territorial declaration requests.
- *FEMA's Controls of Mission Assignments in Response to COVID–19*: Our objective is to determine to what extent FEMA develops and oversees mission assignments for COVID–19 in accordance with FEMA's policies and procedures.
- *FEMA's Disaster Relief Fund for Lost Wages Assistance to DHS Employees*: Our objective is to determine to what extent eligible DHS employees received FEMA's DRF for supplemental state lost wages assistance.
- *FEMA's DRF Lost Wages Assistance to States and Territories*: Our objective is to determine to what extent FEMA ensured states and territories distributed supplemental state lost wage assistance from the DRF to eligible recipients.
- *FEMA's Funeral Assistance for COVID–19*: Our objective is to determine how effective FEMA's policies, procedures, and internal controls are in providing proper oversight of its funeral assistance program for COVID–19.
- *FEMA's Workforce Management during Concurrent Events*: Our objective is to determine whether FEMA is effectively planning, managing, and deploying its workforce to successfully respond to concurrent and consecutive disasters and emergencies, including assisting other DHS components or Federal agencies.

We look forward to reporting the results of these audits when they are complete.

Our oversight of the Department and its components would not be possible without the continued, bipartisan support from Congress that we have received for our budget requests. Because of that support, we expanded our ability to obtain and analyze a growing volume of digital forensic evidence, initiated efforts to modernize our information technology infrastructure, and we augmented our program and support staff to enhance our effectiveness. For example, we hired experts to help us improve our business information systems, improve the strength of our processes, and increase the efficiency of our workforce. In addition, we hired additional special agents in our Major Frauds and Corruption Unit to expand our ability to combat COVID–19 fraud. Congress' support has directly enhanced our ability to promote accountability and deter future fraud against DHS and its programs.

Thank you for the opportunity to discuss the important work of DHS OIG and our continued oversight of the Department and FEMA's COVID–19 response. This concludes my testimony, and I look forward to answering any questions you may have.

Mr. DEFAZIO. Thank you for that. We will now proceed to questions to the first panel, and I think I will start with you, Mr. Izzard.

Congratulations on the fraud you identified. Obviously, part of the problem was the lack of stockpile and preparedness that DHS had. And then, as I understand, some of the stockpile was outdated, proved to be otherwise not usable. Where are we at now?

We are looking now—we are wearing masks again. That is just the Delta variant. Who knows what Epsilon, or Foxtrot, or whatever the next two are going to be. Where are we at in doing a better job of having a stockpile, so we don't have to go out for bids to unknown, specious vendors, and get ripped off?

Mr. IZZARD. Thank you for that question, sir. As mentioned, we have a number of ongoing projects that are looking at FEMA's readiness and preparedness to handle the pandemic. They are ongoing. And I would really be happy to take that back as a get-back, to make sure that we provide you a specific and detailed response to answer your question.

Mr. DEFAZIO. I would appreciate that. I have read recently that we are now sourcing the N95s in the United States, which would be greatly preferable.

I got involved—there was a gentleman in Texas who had—when 3M abandoned the U.S. to go get cheap labor in China, they abandoned a plant, and this gentleman bought it, and he was running it with just one line, because he didn't have a lot of business, and then he wanted to ramp it up, but it took quite a bit of convincing and cajoling to get FEMA to work with him, as opposed to all this stuff we were trying to fly in from China.

So I would like to get an update on that.

And then I also—for Mr. Currie—no, that is all right, we have covered that.

I had another question here.

Well, if you could all just sort of generally give a 30-second—in the areas which you oversee, a 30-second summary of what we can do to make this better in the future, and answer whether or not it requires specific changes in authorization or authority by Congress, or if this has all been internal to the bureaucracies and the Federal administrative rules.

I know that is a lot to say, but give it a try. So we would start with the first panelist. That would be Michael Horowitz.

Mr. HOROWITZ. Mr. Chairman, just a couple of things. I do think that work can continue to be done, as you referenced earlier, to advance transparency, to ensure that all information, all data is getting out there about how money has been spent, and where it has been spent, and to whom the money has gone to.

We also think additional controls need to be put in place, and we have been working over the last many months with OMB leadership, and with the ARP implementation team leadership to do that.

In terms of additional efforts that could be done from a congressional standpoint, or legislative standpoint, I think some of the needs of various programs, to ensure that they are taking the steps they are legally allowed to take with regard to, for example, data matching, and identity theft, that those agencies can undertake those efforts to try and address what are pretty substantial concerns in both of those spaces.

Mr. DEFAZIO. OK, thank you.

Ms. Krause?

Ms. KRAUSE. Sure. Yes, I would say there is a mix of things that both can be done when you are setting up programs in the future, as well as things that can still be handled on an ongoing basis, as we continue to respond.

We identified some lessons learned, so coordinating, and identifying, defining roles and responsibilities when you are setting up the programs, and also as you are executing things, providing clear and consistent communication. I think we saw some challenges with that, with some of the program implementation.

But there are opportunities, as, say, Treasury rolls out the CERTS Program, and FAA rolls out the Aviation Manufacturing Jobs Protection Program to sort of improve communications, and provide clear and consistent communications.

I think, again, establishing strong accountability and transparency mechanisms, those are things that, I think, as you heard from the panel today, a lot of us are continuing to look at, and audit, and oversee as agencies begin to set those up.

Mr. DEFAZIO. OK, thank you. And then Mr. Izzard?

Mr. IZZARD. Thank you, sir, for the question. I would echo the comments of my fellow panel members, except just to add, again, to really highlight what we believe is important, is accountability and transparency in the programs and processes.

From an oversight perspective, we continue to allow our existing work to inform our future work. So, as we continue to learn more things in our existing work, I think that will help to tell us where we go next.

As well as maintaining collaboration with FEMA, we do currently have collaborative efforts with FEMA within the lanes of our mission space, to ensure that they are able to detect fraud, and understand what types of things that we need to look for in their programs. So that is, I think, how we would answer that, from a DHS OIG perspective.

Mr. DEFAZIO. OK, thank you. My time has expired.

OK, I recognize Representative Webster for 5 minutes.

[Pause.]

Mr. WEBSTER. Thank you, Chair. I have a question, I think, of Mr. Horowitz, and that is, do you think that, if there is—I don't know if you investigated the fact that the money may have been spent properly, it may have been the right price at the right time, so forth, but if the science was flawed, would that have affected something that you might ask, in that we are buying things, but we don't even need to buy them?

Was there anything in your reports or any of the things that you did that would distinguish between right and wrong in that area?

Mr. HOROWITZ. Congressman, we wouldn't generally look at trying to assess that kind of a question. Our HHS OIG, Health and Human Services inspector general, has done a fair amount of work on the healthcare-related issues, and I can certainly follow up with her in that office to see if there is anything in particular that would address your question. But I am not aware of it, as I sit here today.

Mr. WEBSTER. Yes, well, for 60 years there has been an acceptance of some flawed information that has been proven flawed in the last month or so, dealing with the size of particles, and are they airborne, an aerosol, or are they droplets that fall to the ground.

So there were, literally, millions of these [indicating hand sanitizer bottle] bought by who knows who, everybody. And there was a bunch of dots that are on the ground—some of them are still out there—to keep 5 to 6 feet of distance between other people. All of that, basically, if this disease was carried from air particles, would be flawed, in that we would have spent millions, maybe billions of dollars on things that really didn't do any good, and it has been proven in this report that came out a couple of weeks ago from Linsey Marr, who is an aerosol scientist at Virginia Tech, but also is one of the few people in the world who is also studying infectious diseases.

So in the end, we ended up buying things that may have been the right price, we just didn't need them. And I just wondered if there is—I mean, that may be just as fraudulent as charging too much for some sanitizer.

[Pause.]

Mr. WEBSTER. So I guess my question would be is there anything in the future that you might be looking at that would also make sure that what we are buying is what we need?

Mr. HOROWITZ. Well, I will say, Congressman, as an IG community, we do look at questions about whether what has been purchased is consistent with what is needed. Obviously, over time, as information is learned and issues come up, that could evolve. But it is certainly something that we would look at in the context of what has been purchased, generally.

And I will just say, in terms of the website, PandemicOversight.gov, we are trying to put out there so that the public can see how money has been used, and where it has been used. Much of what we do, as inspectors general, is to get information out to the public, so that they can assess how that spending has occurred.

Mr. WEBSTER. Yes. Well, unfortunately, the bedrock of the science in every medical journal and medical book and doctors and their training, and so forth, stress hand washing, which is a good thing to do, and doesn't have anything to do with this, and distancing, in that the particles are—6 feet is enough distance. And therefore, that is OK.

And so that was sort of the basis of all of the protection that was being done, including in this chamber. I remember telling some of the leadership, "You don't have to be washing the doorknobs. It is in the air." But CDC and WHO were both saying, no, it is not, it gets into a droplet, falls to the ground, which was totally inaccurate, and has been proven false.

I don't know, I just think we spent a lot of money on some things that didn't really need to be bought. But my time has run out, and I would love to discuss this further.

I yield back.

Mr. LARSEN [presiding]. The Representative's time has expired. The Chair recognizes Congresswoman Norton for 5 minutes.

Ms. NORTON. Mr. Chairman, can you hear me?

Mr. LARSEN. We can hear you, yes.

Ms. NORTON. I very much appreciate this hearing, as we try to focus on what we have learned for the future.

My first question is for Inspector General Soskin. The District is Amtrak's hub, so I am particularly interested that Congress provided almost $4 billion in supplemental appropriations for Amtrak, in response to COVID–19 earlier this summer. You did an audit report on the Federal Railroad Administration's program of oversight of Amtrak's use of Federal funding. Your report found a range of problems at FRA: incomplete policies to assess Amtrak's adherence to programs, et cetera. You made several recommendations to FRA to improve its oversight.

Can you describe FRA's response to your office's findings, and the specific steps it plans to take to implement the recommendations?

Mr. SOSKIN. Yes, Representative Norton, I can.

That audit report on FRA's oversight of Amtrak grant spending recognized in it its likely application, and the application of those recommendations to the future spending through CARES Act and other coronavirus relief funds that actually exceed the amount of grant funding that FRA typically administers for Amtrak.

And we made several recommendations, which FRA has accepted, and is in the process of implementing, I believe, with target dates for closure later in 2021. Those recommendations include that they create measurable oversight goals and metrics for their oversight of Amtrak spending; that they create and develop policies and procedures by which they can track, on a comprehensive basis, the issues that are identified in their oversight, so that they don't just identify issues, and then those remain unaddressed by Amtrak; and relatedly, that they develop a more robust set of procedures to identify issues they identify that may need to be escalated to a higher level, to work with Amtrak to assure compliance with what has been identified in FRA's oversight.

We believe that, if these recommendations are implemented, and implemented successfully, and executed upon, they will greatly assist FRA's oversight of those Amtrak supplemental funds in the COVID relief legislation.

Ms. NORTON. I appreciate that you set target dates, and that, apparently, these dates are being adhered to.

My next question is for Mr. [sic] Krause of GAO.

I am chair of the subcommittee that has just passed the transportation infrastructure bill. And the District, of course, has Metro, and is dependent on transit. So I am particularly interested in the billions in grant assistance to help transit agencies that Congress provided to manage their fiscal restraints.

So, Mr. [sic] Krause, I would like to ask, how did the Federal Transit Administration perform in managing such a large influx of funds, and getting it to transit agencies in a timely manner?

Ms. KRAUSE. Thank you, Congresswoman Norton. This is actually Heather responding to your question, Heather Krause.

So FTA, we found that they had some initial implementation challenges, because the use of funds was expanded beyond what they typically did. But when we have talked to transit agencies, they identified very few challenges that they have experienced in getting the funds.

As it has been implemented, and as we get into the newer funds that have come out, there are more challenges at the local level, as they figure out how to allocate the funds among different entities at the local level.

But otherwise, we have heard few challenges from the transit agencies, in terms of implementation. I know that our colleagues at the DOT IG are looking more closely at——

Mr. LARSEN. The gentlewoman's time has expired.

The Chair recognizes Representative Davis of Illinois for 5 minutes.

Mr. DAVIS. Thank you, Mr. Chair. My first question would be to Mr. Horowitz.

First off, I want to say thank you for the work that you and your team have done on a wide variety of issues that you and your team and this country has faced over the last few years.

I do want to raise an issue that falls outside the realm of transportation and infrastructure, though. But you raised it in your testimony, and that is because it affects many of my constituents, including me, and it is the issue of unemployment insurance fraud.

Does your committee have data on how many individuals were victims of identity theft during the pandemic, as it relates to attempts to defraud the unemployment insurance system, and how much money has the Federal Government been defrauded?

Mr. HOROWITZ. Congressman, we have worked, the PRAC, closely with the IG at the Labor Department on these issues, and the Department of Labor OIG has done a lot of work in this space, and has made some estimates that the amount of fraud could be upwards of 10 percent at this point. But it is still unknown, I should emphasize, as we are investigating and looking at these issues.

But one of the significant issues, as I mentioned, and as you referenced, has been identity theft, and the number of people that we have heard from have expressed concerns about having their identity stolen, of course. There are two problems, two very serious problems that arise from that, as you know. One is the program itself gets defrauded. But then, separately, you have the victim, whose identity has been used, who has to deal with the fallout from their credit, other issues, security clearances, perhaps, if you are a Federal employee, or employed in a sensitive position, and a number of challenges that arise as a result of that.

And that is why we set up the Identity Fraud Working Group that we did, to try and tackle that problem.

Mr. DAVIS. Well, thank you, Mr. Horowitz. As I mentioned, I was a victim myself, in my home State of Illinois. And after going through that ordeal, we tried to make sure that all of our constituents who were affected knew the right steps to take to protect themselves, and protect their families, and their own identity.

But with that being said, sir, do you have any policy recommendations that you could lay out that might make it into any final report or recommendation?

Mr. HOROWITZ. We have, as a community, put out some—actually, the Labor Department IG and the SBA IG have public reports that they have recently issued on that, and certainly would be happy to send them to you. Much of it focused on what the agencies can do to both detect potential identity theft before it occurs, so stop it in its tracks, and then also, when it does occur, how to help victims of identity theft address those problems.

So, for example, ensuring—and some of these are maybe obvious steps, but steps that—SBA OIG, for example, has recommended, with regard to the Economic Injury Disaster Loan Program, [inaudible] the importance, for example, of just maintaining and tracking identity theft complaints, processing information about identity theft, and helping to restore identity theft victims to their condition prior to the fraud, including stopping loan billing statements, preventing delinquency collections, taking what may seem like commonsense steps, but steps that aren't necessarily yet being done. And the IG there, and the IG at the Labor Department has also made recommendations that they are following up on. I am happy to——

Mr. DAVIS. Thank you.

Mr. HOROWITZ [continuing]. Talk with you further about that.

Mr. DAVIS. Thank you. With that, you know, we tried to address the issue of unemployment in our initial funding given to States. Like, my home State of Illinois got $40 million to—over $40 million, I believe, to implement a pandemic unemployment insurance system to avoid some of these issues.

Is there any work being done at the DOJ to investigate where those administrative fees might have gone, and what States could have done better to actually address identity theft on the front end, and unemployment fraud on the front end, since they got that administrative money before the pandemic unemployment insurance system was in place?

Mr. HOROWITZ. That is an excellent question, and important question, Congressman. I would have to follow up with the Department on what they may be doing, investigatively, in that regard.

But I do know, from working with and speaking with the Labor Department IG, and with our meetings that we have had ongoing with OMB leadership, that this an important area that the Labor Department IG has been following up on, and taking steps to look to address within the UI program, and that we have been raising consistently at the PRAC level, and are going to continue to try and move forward on to get the steps taken to try and address this very serious problem.

Mr. LARSEN. The Representative's time has expired. I now recognize myself for 5 minutes, and my first question is for Ms. Krause of the GAO.

Since 2015, I have called for a National Aviation Preparedness Plan, following, in fact, your agency's recommendation from 2015. We have learned some lessons over the last year, and you have mentioned it in your testimony and report. Ms. Krause, could you elaborate on the GAO's recommendation for such a plan, and any new issues that ought to be addressed since your recommendation was released?

Ms. KRAUSE. Thank you, Mr. Larsen. We continue to advocate that this is something important that DOT needs to follow through on.

Given how the pandemic rolled out at the beginning, I think it would have benefitted by having a National Aviation Preparedness Plan to more clearly outline roles and responsibilities, as well as airlines and airports have individual plans that can feed into a national plan, so that we are better prepared.

Mr. LARSEN. I note, as well, for maybe Mr. Currie, the joint testimony states the Department of Transportation maintains that the HHS and Homeland Security should lead the effort to develop a preparedness plan. Are those agencies in a position to work with DOT in developing a plan?

Mr. CURRIE. Yes, sir. It is a good question. Those agencies are definitely more broadly responsible for national biodefense strategies, and so they should include those types of agencies, and work with them.

But I totally agree that, in the space of the aviation environment, the Department of Transportation would be the one expected to take the lead on something like that, working with their industry. DHS and HHS just have too much to do across the board to focus in on every single industry.

Mr. LARSEN. Yes, thanks. I think we always saw, though, upon the announcement that, basically, U.S. citizens had to get back to the U.S., and were given very few days to do that—I think that was in February or March—clearly, DHS has a role, as Americans flooded immigration turnstiles throughout the country.

So with this apparent conflict of agencies saying, "It is not our job, it is their job, it is not our job, it is their job," is there a different agency—does the NSC, National Security Council, need to get heads together to make this happen?

How do we get past the gridlock of finger-pointing at the bureaucracies? Have you thought through that, either Mr. Currie or Ms. Krause?

Mr. CURRIE. This is Chris Currie, I can take that. Absolutely.

So what we have been recommending for years, and what is being done right now is there has been a national biodefense strategy, even well before the pandemic, that is supposed to work across the entire Federal Government. And the Aviation Pandemic Plan would just be a piece of that, a sub-piece of that within the industry.

So it is pretty well spelled out, who is responsible at the highest level. HHS and DHS have that broad authority to develop the strategy, and work with the White House and NSC, as you have said. But as I mentioned, I totally agree with Ms. Krause, that the Department of Transportation would have the lead in working specifically with their industry.

Mr. LARSEN. That is great. Thank you both very much.

And just a reminder to Members, I have a bill to direct the DOT to develop a National Aviation Preparedness Plan, and would welcome cosponsors on that bill.

Continuing on, Ms. Krause, I think it is page 17 of your testimony, and if you could just quickly address the Aviation Manufacturing Jobs Protection Program, which we approved in the American Rescue Plan, it has been set up, the first round of applications are in, DOT has reopened the application process through August 4th—I think I got the dates right.

Have you started to look at the DOT's rollout of the application process, or will you wait a certain amount of time before GAO looks at the rollout of the plan?

Ms. KRAUSE. Yes, we have already begun work on that, in meeting with DOT and understanding how they are implementing the program, as well as talking to some of the industry associations to get a sense as to how the implementation has been going.

I mean, initial conversations is they feel like the communication has been good from DOT with that program. But obviously, we will be following closely, and expect to report out on the status of that implementation later this fall, in October.

Mr. LARSEN. And one of your points in your report is that a lot of these programs were rolled out through existing mechanisms throughout the agencies. This was one program that sort of had to be created from whole cloth. Is it one of the things you are looking at, the compare-and-contrast of that, of those activities?

Ms. KRAUSE. Yes, certainly. I think what we found, as we have looked at all the different transportation programs, whether it is at

Treasury or DOT, is if they are going through existing programs, that does help facilitate implementation.

But when you are setting up new programs, or with entities that you don't typically either work with or have that kind of relationship with the agency, like DOT, or get this type of funding, typically, it is taking some time to get the program stood up, the guidelines out there, and then, obviously, some mechanisms on the back end to track the funds.

Mr. LARSEN. That is great. Thanks. My time has expired. I appreciate the answers from the both of you very much. And I now recognize Representative Massie of Kentucky for 5 minutes.

Representative Massie.

Mr. MASSIE. Thank you, Chairman Larsen. I would like to ask unanimous——

Mr. LARSEN. Mr. Massie, could you try your volume? And we will try on our end to increase your volume, as well, thank you.

Mr. MASSIE. All right, can you hear me?

Mr. LARSEN. A little better, thank you, yes.

Mr. MASSIE. All right, I would like to ask unanimous consent to submit to the record two articles from NPR. The first one is from August 5, 2020, titled, "Foreign Workers Living Overseas Mistakenly Received $1,200 U.S. Stimulus Checks," and the second article is, "IRS Says Its Own Error Sent $1,200 Stimulus Checks to Non-Americans Overseas."

Mr. LARSEN. Without objection.

[The information follows:]

Article entitled, "Foreign Workers Living Overseas Mistakenly Received $1,200 U.S. Stimulus Checks," by Sacha Pfeiffer, NPR, August 5, 2020, Submitted for the Record by Hon. Thomas Massie

FOREIGN WORKERS LIVING OVERSEAS MISTAKENLY RECEIVED $1,200 U.S. STIMULUS CHECKS

by Sacha Pfeiffer

NPR, August 5, 2020
https://www.npr.org/2020/08/05/898903600/foreign-workers-living-overseas-mistakenly-received-1-200-u-s-stimulus-checks

Thousands of foreign workers who entered the U.S. on temporary work visas received $1,200 checks in error during the first round of stimulus payments, and many of them are spending the money in their home nations. One tax preparation firm told NPR that it has clients from 129 countries who mistakenly received stimulus checks, including Brazil, Canada, China, India, Nigeria and South Korea.

Government officials and tax experts say the mistake happened because many foreign workers, whether unintentionally or on purpose, file incorrect tax returns that make them appear to be U.S. residents. Some of them are now trying to amend their returns because they worry that having mistakenly received a stimulus check will jeopardize their visa status, green card application or ability to return to the U.S.

How much stimulus money was mistakenly sent to foreign workers living overseas is difficult to quantify. But Sprintax, which does U.S. tax preparation for nonresidents, did about 400 amended returns last year for people who mistakenly filed as U.S. residents, and so far this year it has done 5,000—almost 5% of the total federal tax returns it filed last year, according to the company. If just 5% of last year's more than 700,000 student and seasonal workers with F–1 and J–1 visas received a stimulus check in error, that would total $43 million.

The "economic impact payments" sent erroneously to non-U.S. citizens are the latest in a series of mishaps involving coronavirus relief efforts, including nearly $1.4 billion in stimulus checks sent to dead Americans. As Congress debates another pandemic relief package, it's considering a second round of payments that would exclude the deceased, but its new bill does not address the problem of $1,200 checks having mistakenly gone to foreign workers in other countries.

Many of those workers are college students, often from Eastern Europe and South and Central America, who travel to the United States for temporary and seasonal low-wage jobs such as waiters, lifeguards and hotel housekeepers at ski resorts, amusement parks and beach destinations. In a typical year, the U.S. issues work visas to several hundred thousand foreign students.

One of them is a 24-year-old citizen of the Dominican Republic who spent last summer working at a Cape Cod grocery store and this spring received a $1,200 stimulus check signed by President Donald J. Trump.

"I was really surprised because I was not expecting that money," the man told NPR, which agreed not to identify him because he is concerned that receiving the check could put him at odds with the U.S. government.

"I don't want . . . any problems," added the man, whose former Cape Cod landlord received the check and sent it to him in the Dominican Republic. "If they say that we have to return it, I will return it. It is not a problem."

He said numerous foreign student workers he knows have also received stimulus checks, including people in Bulgaria, Colombia, Jamaica and Montenegro. Sometimes the checks were directly deposited into bank accounts on file with the IRS. Sometimes the checks were mailed to their former U.S. addresses and forwarded to them. And some checks could have been mailed to them directly overseas.

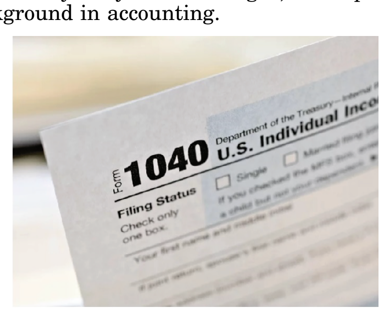
The payments were intended to stimulate the U.S. economy by giving consumers spending money, but this Dominican man is not able to work on Cape Cod this summer because the Trump administration's freeze on foreign work visas has prevented seasonal workers from coming to the U.S.—so he'll be spending his stimulus payment in his own country.

"This money, to be honest, is a big help," he said, "because we can buy food, we can pay the cable services, and we also can pay the university," referring to a school in the Dominican Republic where he takes online classes.

Only U.S. citizens and U.S. "resident aliens" are eligible for stimulus money, but the Dominican man interviewed by NPR and some of his friends do not meet that eligibility standard. A "resident alien" is a federal tax classification, and to qualify for it an individual needs a green card or must have been in the U.S. for a certain amount of time.

The U.S. government acknowledges that some stimulus checks were improperly sent to foreign workers and told NPR that the Treasury Department is "exploring possible options" to prevent that from happening again.

Most foreign workers should file a form 1040–NR—the NR stands for nonresident—but instead mistakenly file a 1040, the form most commonly used by individual U.S. taxpayers, according to Georgia attorney Clayton Cartwright, who specializes in immigration tax law and has a background in accounting.



LEFT: Stimulus checks are prepared on May 8, 2008, in Philadelphia. In 2020, stimulus checks again went to many Americans, this time during the pandemic's economic fallout. Some of that money went to thousands of foreign workers not eligible to receive the funds. Jeff Fusco/Getty Images
RIGHT: Thousands of foreign workers mistakenly received economic stimulus checks from the U.S. government, likely because many filled out an IRS 1040 tax form instead of a nonresident 1040–NR form. Daniel Acker/Bloomberg via Getty Images

"I would say probably anywhere to a third to a half [of first-time foreign filers] are filing the wrong return," especially if they use e-filing software such as TurboTax that is intended only for U.S. residents, Cartwright said.

When foreign workers file the wrong form, "I don't know if the IRS would even be able to tell," he added. "I mean, they have no way of knowing. You don't mark on your [Form 1040] tax return whether you're a citizen."

If a foreign worker files an incorrect tax form and also has a U.S. address, a bank account on file with the IRS, and a Social Security number—as many foreigners with work visas do—that increases the likelihood that the IRS would mistakenly mail them a stimulus check, he said.

Some foreign workers did not realize they had filed incorrect tax forms until they received a stimulus check in error this spring, and they are now scrambling to amend their returns, said Sprintax's vice president, Enda Kelleher.

"We saw a huge number of people contacting us after the first stimulus payment because they said, 'Hey, I got this check. I never asked for it, I didn't think I was entitled to it, and how can I correct it?' " he said.

Those clients were from 129 different countries, including Argentina, Zimbabwe, Peru, Colombia, Vietnam, Pakistan, Spain, Japan, Germany, Ghana, Russia, Nepal, Mongolia, Uzbekistan and the Philippines, according to Kelleher.

"It's a serious issue," he added, noting that in a recent Sprintax survey of more than 500 schools, 43% reported they had students or scholars who think they received stimulus checks in error. As a result, many schools "believe it's a significant problem," he said.

"It doesn't surprise me that that would have happened," said Cartwright, the Georgia attorney. "Now, does that make good policy sense? Probably not."

Cartwright said Congress was in "panic mode" in March as the U.S. economy was shutting down over the pandemic, so it rushed stimulus funding out the door. "You know—damn the torpedoes, full steam ahead. We've got to get the money out," he added. "So they just do it and just live with the consequences," including unintended ones.

"That is spillage," Cartwright said of the money that accidentally leaked overseas as Congress tried to flood the U.S. economy with stimulus money. "I don't mean to sound flip or cavalier, but it's spillage."

The IRS says non-U.S. residents who received stimulus money in error should return it. But Kelleher anticipates that if additional stimulus payments are distributed, some foreign workers who tried to send back their first mistaken check will get a second one.

Article entitled, "IRS Says Its Own Error Sent $1,200 Stimulus Checks to Non-Americans Overseas," by Sacha Pfeiffer, NPR, November 30, 2020, Submitted for the Record by Hon. Thomas Massie

IRS SAYS ITS OWN ERROR SENT $1,200 STIMULUS CHECKS TO NON-AMERICANS OVERSEAS

by Sacha Pfeiffer

NPR, November 30, 2020

https://www.npr.org/2020/11/30/938902523/irs-says-its-own-error-sent-1-200-stimulus-checks-to-non-americans-overseas

The IRS now acknowledges that its own error caused some citizens of other countries to mistakenly receive $1,200 coronavirus relief payments—and that the mistake is likely to happen again if more stimulus money goes out.

When reports of the mistake first surfaced, the U.S. government placed the blame on those non-Americans, saying that many noncitizens erroneously received stimulus checks because they had filed incorrect tax returns that made them appear to be American.

But many non-Americans who received stimulus money do not file U.S. tax returns. One of them is Susanne Wigforss, a 78-year-old Swedish citizen who lives in Stockholm.

Wigforss was surprised in July to get a $1,200 check in the mail from the U.S. Treasury. It was followed by a letter from the White House signed by President Trump, addressed to "My Fellow American" and informing her that "your economic impact payment has arrived."

"I thought, 'I can't believe it,' " Wigforss recalled. "They're sending it to me. Why? I mean, it's crazy, isn't it?"

Only U.S. citizens and U.S. "resident aliens" are eligible for stimulus money—"resident alien" is a federal tax classification, and to qualify an individual needs a green card or must have been in the U.S. for a certain amount of time—and Wigforss is neither.

Asked about this by NPR, the IRS acknowledged it mistakenly sent checks to some noncitizens who receive Social Security and other federal benefits—such as Wigforss, who receives a small Social Security payment from having worked in California for several years.

"This is so wrong," Wigforss said, "because I saw that a number of people were being evicted every month in Chicago, for instance, and I thought one of those families would have needed this stimulus check. Why should a Swedish citizen living abroad receive $1,200?"

"There's no way I'm going to cash this money—it doesn't belong to me," she added. "But how much money is bleeding out from the Treasury Department because of these [misdirected] stimulus checks, I wonder?"

The U.S. government cannot answer that question. The Treasury Inspector General for Tax Administration did find that, as of late May, $34 million in stimulus money had gone to people who filed a tax return with a foreign address.

But that includes eligible people, such as U.S. citizens living abroad, and does not include ineligible foreign citizens who received a check at a U.S. address. For example, NPR interviewed a citizen of the Dominican Republic who was not eligible yet received a $1,200 economic impact payment at his former address in Massachusetts. That $34 million also does not include people, such as Wigforss, who received a check but did not file a U.S. tax return.

Since Congress passed its coronavirus relief package in a hurry in March, the U.S. government has put no mechanisms in place to prevent these mistakes from happening again. As a result, if a new relief plan with more stimulus payments passes in the final weeks of the Trump administration or during the Biden administration, some of that money is likely to mistakenly end up in mailboxes overseas again.

U.S. Treasury officials said they are "continuing to assess the accuracy of the economic impact payments . . . and the recovery efforts for any erroneous payments." In the meantime, they told NPR, the IRS is "relying on individuals to voluntarily return these payments."

"I think the poor folks in the IRS don't have the bandwidth to go chasing this," said Enda Kelleher, a vice president at Sprintax, which does U.S. tax preparation for nonresidents, "but it would be great if they did, because I believe that there's millions of dollars that have gone to people that weren't entitled to it, or they're certainly not the intended recipients."

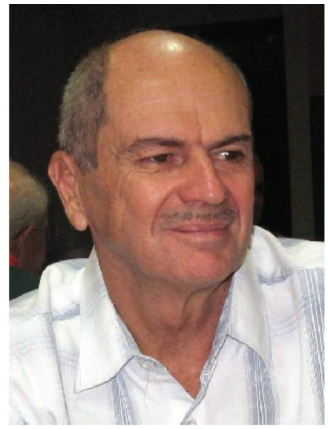
Kelleher said Sprintax has clients from about 150 countries who mistakenly received stimulus checks, mostly commonly in India, China, South Korea, Vietnam and the United Kingdom, as well as numerous nations in Latin America.

"It's awful when we hear of millions of dollars going into the wrong hands," he added, "but it was probably within a somewhat acceptable threshold of error or margin of error" because Congress opted for speed over accuracy when it flooded the U.S. economy with money last spring.

Many non-Americans who erroneously received a check are trying to return it because they worry it will jeopardize their visa or immigration status, "but there's equally thousands that are saying, 'Well, if they were silly enough to make this mistake, it's their mistake and I'm not going to give it back until they ask for it,'" Kelleher said.

Van Shockley falls in that category. He's 74 and was born in Pennsylvania, but he moved to Australia after becoming disillusioned with U.S. politics in the 1960s.

"I had always been depressed when JFK was killed," he explained. "I just couldn't get over that, so I started looking for someplace else [to] start all over."



LEFT: Susanne Wigforss, a Swedish citizen, poses with the letter she received from the White House about the $1,200 economic impact payment she received. Susanne Wigforss
RIGHT: Van Shockley, who gave up his U.S. citizenship and has been an Australian citizen for about a half-century, mistakenly received a stimulus check and suspects he got it because he receives Social Security from having worked in the U.S. before moving overseas. Van Shockley

Shockley gave up his U.S. citizenship and has now been an Australian citizen for about a half-century. His last trip to the U.S. was 40 years ago. But he, too, received stimulus money, even though he is not eligible for it and does not file a U.S. tax return.

"That was the weirdest thing ever," he recalled. "I checked the mail and I pulled out a check. It had a Federal Reserve/Treasury thingamajig on it with the eagle and all that. It's made out to me. I thought: 'What's it from—America? What the hell's going on here? Why am I getting a check from the government?'"

Shockley suspects he mistakenly got a check because he receives Social Security from having worked in the U.S. before moving overseas.

"At first, I thought it was a joke," he said, "and then I went down to the bank and I said, 'Do you have some way of verifying that this is legal?' And the girl came back after five minutes and said, 'It's legal. You got the money.'"

"I didn't ask for the money. I didn't expect any money," Shockley added. "But as soon as I got it, I stuck it in the bank. You ain't getting it back!"

He attributes the mistake to U.S. government incompetence.

"Oh, complete stupidity. They're just not doing their job properly," Shockley said. "But I'm not complaining totally because I was happy with the money!"

Mr. MASSIE. Mr. Horowitz, I want to focus on these stimulus checks that were sent overseas to folks that weren't American citizens. These articles were from last year.

But disturbingly, not only were the $1,200 checks sent, I am aware of a situation where somebody who hasn't even worked in the United States since the 1970s received not just the $1,200 check, but the $600 check and the $1,400 check. This individual does not file a U.S. tax return, and so there was no way to know whether the individual even met the constraints or requirements on income in order to receive these checks.

Can you tell me what the IG's office has done to investigate these?

Mr. HOROWITZ. Yes, Congressman. So last year, for example, the tax IG that oversees the IRS issued a report outlining a series of problems with payments by the agency of stimulus checks. And the GAO actually reported on that, as well, last year, and outlined some of the matching that failed to occur at the IRS with sending out the stimulus checks.

I would have to follow up with the tax IG about what ongoing work they may have done with regard to the subsequent checks that have been sent out. I am not familiar, frankly, as I sit here today, with the ongoing work, and I believe GAO may have some followup work, as well, in that space.

Mr. MASSIE. OK, if you could send those to my office, I would appreciate it, as it comes out in real time.

Mr. HOROWITZ. Will do.

Mr. MASSIE. I am afraid, since all three checks went to the particular person that I am aware of, and that this person does not file a U.S. tax return—this person actually worked in the United States in the late 1960s and early 1970s, and for that reason is somehow in the database. This person does not file a U.S. tax return. This person does not have a green card. This person is not a U.S. citizen or a dual citizen of the United States. And I would hope that we have the measures in place to keep this money from going to these individuals, or maybe Congress needs to acknowledge that they wrote a law that sends money overseas to people who aren't citizens.

One of two things is true. We are either sending money to people who don't qualify on the income level, people who don't file tax returns, to people who don't work in the United States, people who don't live in the United States. That is the other thing. These checks are going to foreign addresses. I would hope that would be a trigger to do a check to see if this person is a citizen, if we are sending it to a foreign address. Maybe we should check to see if they have filed a tax return.

I know U.S. citizens who didn't get checks. Some still haven't gotten their checks, who are U.S. citizens, and it had something to do with their tax return, yet this didn't keep people who are foreign nationals from getting these checks, who don't file tax returns, haven't filed tax returns in, you know, in at least 40 years.

So I hope we will keep a check on that. And I don't want to take any more of your time, and I appreciate you looking into it. And I will yield back the balance of my time. Thank you.

Mr. HOROWITZ. Thank you.

Mr. DEFAZIO [presiding]. Representative Napolitano?

Mrs. NAPOLITANO. Thank you, Mr. Chair.

Ms. Krause and Mr. Soskin, I want to follow up on Representative Norton's question regarding assistance at transit agencies.

Ms. Krause, you mentioned problems cities are having. Can you expand on that? Can you tell us about those problems you mentioned?

Ms. KRAUSE. What I was getting at is more the time that it takes at the local level to determine how to distribute the funds, when you are at the urbanized area and the funds are down at that level. There are some discussions at the local level as to how to dedicate those funds to the different and often multiple providers that are at the local level. So that is what is playing out, in terms of some of the transit funding now.

Mrs. NAPOLITANO. Are there any problems other than that?

Ms. KRAUSE. No. As I said before, when we have talked to transit agencies, largely implementation has gone—they found few challenges with implementation of the program from FTA.

Mrs. NAPOLITANO. Thank you.

Mr. Soskin, Ms. Krause mentioned you would be able to expand on the issues of assistance to transit agencies. Can you please explain your work and findings on assistance to transit agencies?

Mr. SOSKIN. Absolutely, Congresswoman Napolitano. We have two audits planned on Federal Transit Administration relief funding oversight. It is a sort of a two-phase audit, one of which will be the design of the FTA's controls for requirements and oversight risks during the awarding and life cycle of the grants that they are providing to transit agencies, and the second phase, or second audit will be a look at the implementation of their controls.

In the relief funding management challenges report that we identified for the Department of Transportation last year, we also recognized several of the other oversight challenges, the challenges the transit agencies will face with these funds.

One is that there is an interesting hybrid here of providing funds through an existing program, but providing them for new purposes, in terms of the operating expenses, and the 100-percent Federal share of those operating expenses. And we look forward in our work to examining how the oversight and how the expenditures work, given that new purpose within an existing program.

And the other challenge we highlight is monitoring funding and FTA's past reliance, in many cases, on either self-certifications by transit agencies of their compliance with eligibility and funding conditions, as well as the reliance on oversight contractors, oversight support personnel who can be contractors, who, of course, are a valuable, important resource when the spigot of funds opens suddenly, as it has with pandemic relief funding, and as it has with hurricane relief funding in the past, with the ARRA funding a decade ago.

But ensuring that those support personnel are properly trained, that they are familiar with the Federal oversight restrictions, and that they have methods to ensure that attention is brought to their recommendations and issues they identify will be critical.

Mrs. NAPOLITANO. Well, one of the transit agencies indicated that they were having problems securing the PPEs. Can you tell me why?

Mr. SOSKIN. I am not familiar with the details of that issue of securing PPEs. I am not sure if we have done work in that area, but my staff and I would be happy to follow up with you about that question, and work with the Department to try and get you a specific and accurate response.

Mrs. NAPOLITANO. Thank you very much. I think it would be important to find out why the distribution was held up to the States, and then filtered down to the counties. And it made a great problem for my transit agencies, especially the little ones, too.

Thank you very much. Mr. Chair, I yield back.

Mr. DEFAZIO. Representative LaMalfa.

Mr. LAMALFA. Thank you, Mr. Chairman. I did want to touch on the issue of commercial aircraft, and the mask-wearing issue with COVID, and I wanted to address this to Mr. Soskin.

Last month, 27 of us sent a letter to TSA and CDC about their decision to renew the mandate through September 13, at least—not even sure when they are going to review the length of time. But we asked them to review the policy, and remove or modify it for passenger commercial aircraft. What we are getting is reports of 75 percent of the unruly passengers reports this year are because of the mask situation.

I think we have all seen the videos of people getting pretty roughed up there, with the—if their 2-year-old doesn't have the mask on, or it is not on the right way, and this while people are on the plane that are not even wearing theirs correctly, with the enforcement or what have you.

So we know that the aircraft themselves have extremely efficient filters that do a good job through the HEPA filters, of circulating the air through the aircraft, and cleaning it. So the situation is such that people are getting extremely frustrated, and that we are asking TSA and CDC to look at this sooner, rather than after the complete summer season is over with.

So what was the consideration for the social effects for people that are on passenger planes, and the interaction this would cause with passengers and flight personnel on the aircraft?

Has that been considered by DOT at all, are you aware of, Mr. Soskin?

Mr. SOSKIN. Well, Representative LaMalfa, first let me express that we take extremely seriously the issue of unruly passengers on aircraft, and the potential impact on aviation safety. Our criminal jurisdiction here overlaps with the FBI's. And it is important to note that FAA has instituted a zero tolerance policy, and can pursue civil penalties, including increasingly more significant fines for unruly passengers, as they work to keep the onboard environment safe.

We haven't done any work at this time in looking at the mask policy, specifically. As you know, it is an evolving public health environment. We saw the new CDC guidance and OMB guidance, as well as that from the—I understand the congressional doctors over the last few days, regarding masking in nonaviation environments.

I do appreciate your highlighting, however, the efficiency of the filters on commercial aircraft. I think it is, of course, important for members of the traveling public to recognize all the safety measures that are in place to keep commercial aviation safe.

Mr. LAMALFA. Well, it is exciting to hear about the zero tolerance policy, but I am talking about real people that are trying to travel here. And if they do have kids, if they do have people with special needs, it seems there is some really overzealous enforcement going on. And I think, for the flight personnel themselves, I hear the browbeating by the people announcing, as the flight is going along, "Wear the mask," you know. Basically, it is really becoming an atmosphere that is not pleasant for something that has been on the wane here lately for, you know, the mask mandates.

Now we are seeing we are going back and forth on mask mandates in this very body here—a lot of politics being played around it, as you might be hearing, that on one side of the building, in the House, it is a strong mandate. And on the Senate side, it doesn't seem to be as big of a problem. So somewhere in the rotunda there is a transition of how big the threat is.

But I think we need to take a really good look at how this is affecting the morale of passengers, as flights are picking up once again, people with special needs, people with small children, and just a general attitude. It is not helping the airlines, it is not helping those personnel to have to be these hardcore enforcers on that.

So is that something that you see there being an issue, Mr. Soskin?

Mr. SOSKIN. Again, we have not engaged in any work to look specifically at the mask mandate or its effects. It is an area of overlapping responsibility among DOT and TSA, as well as the FBI, for enforcement. And I think my staff and I would be happy to discuss that question——

Mr. LAMALFA. I am interested in that FBI piece there. So that is something. OK, well, I thank you for your time.

Mr. Chairman, I will yield back.

Ms. DAVIDS [presiding]. Mr. Cohen, you are now recognized for 5 minutes.

Mr. COHEN. Thank you very much. And first I would like everybody—if you can notice in the background, there is a television screen in my office, where the Washington Nationals are playing a baseball game. Four of their players are on COVID restrictions. Eight of their personnel are on COVID restrictions. I think they—masks is a good idea, and especially on airplanes, and where the public gathers in small spaces.

But I want to thank Chairman DeFazio and Member Graves for holding this hearing.

Most of the transportation industry was devastated, with significant declines because of COVID–19, people afraid to fly, and concerned about flying next to people. And even with masks, it is still somewhat concerning.

We resuscitated the industry with lots of aid, but some of it was far from perfect in how it was delivered. One issue I worked on extensively was the disproportionate share of CARES Act grants that were awarded to certain smaller, less-trafficked airports at the expense of our major commercial-hub airports, who service most of the public, and do most of the work, and need most of the money, including Memphis, which is the world's largest cargo airport in the world.

These award amounts were based on a formula developed by the Senate and the Federal Aviation Administration that produced massive windfalls for certain small airports. As many as 31 airports received grants for at least 4 years' worth of operating expenses, and over and above—so they would have had 4 years' worth of operating expenses without any moneys that they would otherwise have received. Fortunately, the wrong-headed formula was changed, and the airports, for the future funding, didn't receive a disproportionate share of funding from two subsequent relief bills based on the pandemic. Nevertheless, the amounts that were awarded to certain airports for the CARES Act were far more than needed or were fair.

Mr. Soskin, can you tell me why the formula was written this way in the first place, and what your office is doing to monitor the smaller airports, and their use of that money, and to see to it that it is properly spent, in accordance with FAA grant requirements?

Mr. SOSKIN. Congressman Cohen, as Ms. Krause highlighted earlier, one of the tradeoffs that we face in awarding emergency relief funding, like in the CARES Act and CRRSA and the ARP, is the tradeoff between doing something new and unfamiliar for the agencies administering funds, and making use of existing mechanisms, existing programs, and existing formulas.

And in this case, I think it is instructive. The responsive approach that was taken by FAA when it identified the multiyears of operating expenses that you referenced, and updated and limited the funding beyond a certain point, and then Congress, in the CRRSA, extended that, and narrowed the scope——

Mr. COHEN. Mr. Soskin, I know the history. I know the history. I have been through it, and found it difficult to get through it. The question was why was it written that way in the first place?

It wasn't using a formula that we already had. It was a new formula that the Senate and the FAA came up with. Why did they do that?

Mr. SOSKIN. That is a question that we may look at, as part of our current audit in the FAA's award and oversight of CARES Act funds. And, you know, beyond its potential inclusion in that ongoing audit work, those are——

Mr. COHEN. Mr. Soskin, thank you. You are not answering the question, but I will go on to Ms. Krause, and hopefully she will be better at doing that.

What can you tell us about how much of the grants that were awarded to these small airports has been used, and whether larger, commercial service airports are getting enough funding from the FAA to meet their needs?

Ms. KRAUSE. Yes, we have some data, and we can give you more specifics. But at the highest level, the larger airports, when you are looking across the different funding streams, have expended more funds than the smaller ones.

So when you are looking at the large-hub airports, you are seeing about 75 percent of their funds that they have received across the 3 buckets of money having been expended, where you are seeing lesser funds closer—you know, it all depends. We can give you more details, but when you get to the smaller airports, it is a smaller percentage, but in some cases, you know, around 50 percent or so.

So I am happy to give you more details on sort of the spend rates across airport——

Mr. COHEN. If you can. And if they are spending that money on superfluous things, they had plenty of funds. They, basically, have long, dirt runways and a windsock, and they didn't really need all that money. And what are they spending it on now? Is it extraneous things, just to spend the money?

This was horrific. And if you would, let me know about that.

Mr. Soskin, if you would, give me your report, and let me know why that was done, and what is being done to oversee it, and make sure that the money is being spent properly.

With that, I yield back the balance of my time.

Ms. DAVIDS. Thank you. The gentleman yields back. Mr. Johnson from South Dakota is now recognized for 5 minutes.

Mr. JOHNSON OF SOUTH DAKOTA. Thank you very much, Madam Chair. My question will be for any of the panelists that want to weigh in, because I am sure you all have some expertise on this front. And I would compliment the chair on pulling together this panel. Clearly, we should all care about the efficiency and the effectiveness of Federal dollars invested in infrastructure, certainly during COVID, as well as during any time.

So I think my preference would be this, to remind all of us about how inefficient much of our investment in infrastructure is in this country. Environmental reviews in this country commonly run in excess of 1,000 pages. That is not typical across the world. Our environmental reviews take, on average, five times longer than they do in Canada, and twice as long as they do in the European Union. Of course, building subways is expensive, but the New York subway capital construction costs per project are quadruple the global average for urban subway systems.

And so I think my question for the panelists is, as you did your analysis of these infrastructure investments during COVID, did we get a sense of what the financial cost of compliance to these environmental and historical reviews were?

And do we have any sense about how they compare to what we would see in other parts of the world?

Mr. SOSKIN. Representative Johnson, I can take that question first, because I think it is important to understand that, at this point, a lot of the funds that have so far been allocated and awarded have been on the operating expense, upfront.

So we are going to see the reviews and the infrastructure awards flow out over a period of years, and, you know, that is something that we have observed in our work on the Hurricane Sandy relief funding, where, in our report earlier this year, we highlighted that, although $10 billion in hurricane resilience and recovery funds were awarded shortly after Hurricane Sandy, even at this point only about $4 billion of those funds have been expended.

So at this point——

Mr. JOHNSON OF SOUTH DAKOTA. Mr. Soskin, give this committee some—as we look forward, because, you are right, sort of the next tranche of capital investment is likely coming—given your historical experience, give us some sense of what the financial costs of those environmental and historical reviews would be.

Mr. SOSKIN. So I don't have readily at hand the details of what some of those expenses are. Anecdotally, I believe the elements of your question are correct, that planning and environmental reviews can take longer than in some other countries. I think that is a problem that has been recognized across the Government, and it is something we would be happy to follow up on if we have some work in that area we can share with you.

Mr. JOHNSON OF SOUTH DAKOTA. Maybe for all the panelists, just so we can focus on solutions, given your deep expertise, and as you have done analyses in inefficient and efficient governmental spending, are there things that could be changed in the Federal infrastructure, environment, landscape, statutes that could make for a more efficient investment?

Are we getting in the way? And if so, how?

Ms. KRAUSE. I can jump in. This is Heather.

So I would say, as infrastructure funding gets rolled out, depending on what folks are looking for out of the investment, being clear about and defining what the program is, if there are certain intentions, if there are certain outcomes that you are looking for; really, being clear on what you want the outcomes to be, and sort of thinking about how to measure that, I think upfront, is really important.

Mr. JOHNSON OF SOUTH DAKOTA. Thank you very much.

Anybody else?

Mr. CURRIE. I will jump in, sir——

Mr. JOHNSON OF SOUTH DAKOTA. Mr.——

Mr. CURRIE. Yes, I will jump in. This is Chris Currie from GAO. And so I do a lot of our work on disaster response and recovery, multibillion-dollar recovery programs, which, though, for disasters go to rebuild infrastructure.

And the issue you talked about of EHP reviews, or whether it is engineering reviews, or whatever it might be, has been a huge challenge in these infrastructure programs.

Another thing that I wanted to point out, though, it is not just within individual grants or programs. There are so many different funding streams from different agencies that—all of which often have different requirements and different timeframes.

So one of the things we hear from State and locals is, "I may have to do an EHP review for FEMA projects, and do a separate one for HUD, and then do a separate one for FTA, and do a separate one for Federal Highway." I think that is something that could be looked at in this area, as well.

Mr. JOHNSON OF SOUTH DAKOTA. Oh, thank you very much. That is an excellent tactical suggestion, Mr. Currie.

And for any of the other experts, if you have other suggestions, I am out of time, but I would love to have any comments from you. And we will work together, I am sure, on the committee in a bipartisan way to try to make these investments even more efficient.

And with that I would yield back. Thank you.

Ms. DAVIDS. Thank you. The gentleman yields back. The Chair now recognizes Mr. Johnson from Georgia for 5 minutes.

Mr. JOHNSON OF GEORGIA. Thank you, Madam Chair, for holding this hearing. And thank you to the witnesses for your time and your testimony. The amount of $5.9 trillion is a significant sum of money, a lifeline for hard-working Americans, and the sum total of relief and job protection measures provided in the CARES Act.

Last year, Congress acted decisively during a once-in-a-century pandemic. But our work is far from done. We are obligated to ensure that relief aid arrived to the folks who needed it most, especially Black Americans, communities of color, and low-income groups already in poorer health, due to being without healthcare coverage. Communities of color were the essential workers who disproportionately bore the brunt of sickness, hospitalization, and death due to COVID–19, and who were exposed throughout the pandemic, while enabling us to work from home. They are the people who have too often been underserved and unserved by the Federal Government.

Mr. Izzard, your office has found FEMA's management of disaster relief grants and funds to be inadequate. You reported last year that improving FEMA's management of these grants would be one of DHS's top challenges in responding to the COVID–19 pandemic. What is the impact of these deficiencies on FEMA's ability to get disaster relief grants to communities of color and Black Americans?

Mr. IZZARD. Well, thank you for the question, sir. As you rightly stated, we have done a lot of work in this area, and we have ongoing work now.

One particular audit that was done—and I will just say that I am much more attuned to our criminal investigative work, but have some general visibility on our audit work, and one particular audit that was done looked at FEMA strengthening its responsibility determination process, to ensure that contracts are granted properly in the right place and the right time. That audit, actually, was awarded and then cancelled, cancelled 22 contracts valued at about $184 million.

So we were able to identify, as a part of that audit, that there were deficiencies that FEMA had, in not providing guidance to the contracting personnel, and we provided a recommendation to them, as well, in order to fix that.

Also looking at——

Mr. JOHNSON OF GEORGIA. Let me ask you this. Has FEMA made any improvements in helping the underserved and underrepresented since your report was released?

Mr. IZZARD. Well, we do have other projects ongoing now that speak to equity, and one in particular that is going on now is we are looking at some work that will actually deal with equity in how things are handled. We are planning work that is related to that. So that is ongoing. And so we would hope to have an answer for you more specifically here, in the near future.

But we will take that as a get-back, because we believe that is very important work.

Mr. JOHNSON OF GEORGIA. All right, thank you.

Ms. Krause, the GAO reported on the CARES Act loan program for aviation, and found that small businesses were less likely to receive loans under this program, and that Treasury prioritized applications from large passenger carriers.

That said, small businesses are more likely to be led by minorities and women. As a result of Treasury's actions, what has been the impact on minority-owned small businesses and Black-owned small businesses from prioritizing the large carriers?

Ms. KRAUSE. So we didn't get into that level of detail, in terms of who is impacted, in terms of the types of—or that level of detail in the data.

I think what we did find, though, with that program, and some of the challenges that the small businesses faced, was some lessons to be learned if there is another similar type of program in the future. So having potentially multiple paths, or multiple programs to be able to support the diversity of businesses that might be applying for that type of assistance.

Mr. JOHNSON OF GEORGIA. Thank you.

Mr. Izzard, what key things do you believe FEMA still needs to do to improve their grant management oversight, especially for the grantees who desperately need these funds, whose livelihood and families depend on relief aid?

Mr. IZZARD. Well, as you stated, sir, that is a very, very important area to look into. We certainly remain in collaborative [inaudible] with FEMA to ensure that they are continuing to direct their attention——

[Audio malfunction.]

Mr. IZZARD [continuing]. Gaps and deficiencies.

In fact, our recommendations in my audit works are intended to actually point them in the direction of where the greatest deficiencies are. So we will continue our collaboration with them, and continue to—in the hopes that they will move in the direction that——

Ms. DAVIDS. Thank you, the gentleman's time has expired.

Mr. JOHNSON OF GEORGIA. Thank you.

Ms. DAVIDS. The Chair now recognizes Mr. Nehls from Texas for 5 minutes.

Mr. NEHLS. Thank you, Madam Chairwoman.

Mr. Izzard, I thank you for being here. It is good to see you. In your written testimony, it states that each fiscal year, DHS, Department of Homeland Security, OIG issues hundreds of recommendations to improve the integrity, accountability, and performance of the Department, the Department of Homeland Security.

The DHS inspector general is one of nine statutory IGs who are members of the Pandemic Response Accountability Committee, or PRAC. We know that the CARES Act provided DHS, Department of Homeland Security, almost $46 billion for COVID–19 relief, and I believe your Department, sir, you have around $3 million of that to conduct oversight of those funds.

So my question for you is, Mr. Izzard, are you monitoring the resources the Biden administration uses on border missions?

Mr. IZZARD. Thank you, sir. We have a number of ongoing projects with regard to the border at this time. In fact, our inspector general has recently made a number of trips to the border to personally take a look at the humanitarian crisis that is occurring at the border.

And so, as a result of that trip, our office has initiated additional projects. So there are projects that are ongoing. I am happy to get back with our staff, and make sure we provide details of what those projects entail, and what they will cover, what they are intended to cover.

Mr. NEHLS. Thank you. And as you stated, the humanitarian crisis—how much is the border crisis costing the American people?

In other words, how much money has DHS used to address the 1 million people who have been apprehended at our southern border since the start of the year?

Mr. IZZARD. That is a great question, sir, and I don't have that information and detail available. I prefer not to speak anecdotally to it, but I will certainly make sure that we get you the detailed information. I believe we have done work in that area, and we will look at that to get that answer back to you.

Mr. NEHLS. That is fair enough, and thank you for that.

And recently, the city of La Joya, in Texas, issued a public health warning due to the potential spread of COVID from infected migrants. And what took place? About July 26th, just a couple of days ago, there was an undocumented migrant family at a Whataburger, and they were coughing and sneezing while they were inside this Whataburger, and they weren't wearing any masks. And so a citizen contacted the La Joya Police Department, and the officer approached them and asked that family, "What are you doing here? What is going on?" And that family said that they were released by Border Patrol because they had COVID–19. The family also stated that a local charity group paid for their room at a local hotel.

We do know that the Hidalgo County judge, Mr. Richard Cortez, called on Federal immigration officials to stop releasing infected migrants into their communities.

So has the Department of Homeland Security—has your office examined how many migrants have been released from custody with COVID? If so, how many?

Mr. IZZARD. We do have an open project that looks at DHS's protocols, and how they handle matters such as that at the border. I will make sure we get that information to you. But yes, sir, to directly answer your question, we do have an open project. It is ongoing. We look forward to providing and publishing the final report, once it is complete.

Mr. NEHLS. Thank you. And I can't wait to receive that answer.

And you stated earlier that you have a collaborative effort with FEMA. And so is FEMA being deployed to the border?

Mr. IZZARD. I am aware that there are reports that FEMA has been represented at the border. That is my understanding.

Mr. NEHLS. All right, so what—so you don't really know what operations have been impacted due to FEMA's deployment at the southern border? You couldn't answer that. Fair enough.

Is FEMA spread too thin, sir?

And the reason I ask that is will FEMA be able to respond, as hurricane season bears down on the gulf coast?

I represent southwest Houston, southwest Texas, and hurricane season is coming. Will FEMA be able to handle that, with the responsibility that I believe they also have at the southern border?

Mr. IZZARD. Well, I certainly understand that question, sir, and I appreciate it. We believe that our independence and objectivity is really the bedrock of what we do, and so we will continue to conduct our oversight work to ensure that we address issues that arise. And if there are gaps that arise, that we will address those.

I don't know that we would opine on whether they are spread too thin, or their role and how they function, but we certainly will, in an oversight capacity, address any gaps that do arise as a result of how they lay out their programs.

Mr. NEHLS. Thank you, Mr. Izzard, and I look forward to hearing back from you. And thank you for your candidness.

Madam Chair. I yield back.

Ms. DAVIDS. Thank you. The gentleman yields back. Ms. Titus is now recognized for 5 minutes.

[Pause.]

VOICE. Muted.

VOICE. You are muted, Ms. Titus.

Ms. DAVIDS. Ms. Titus, I believe that your microphone is muted.

Ms. TITUS. Is that better?

Ms. DAVIDS. We can hear you now.

Ms. TITUS. Oh, OK——

Ms. DAVIDS. You are recognized for 5 minutes.

Ms. TITUS. I was addressing this to Mr. Currie.

Early on in the pandemic, there were several reports from State and local emergency responders, alleging that their orders for supplies were getting redirected. The chairman and I raised some concerns with the former Administrator, and it seemed that the former President's son-in-law was heavily involved in some of the coordination efforts under FEMA.

One example was in Arizona. The Phoenix fire chief complained, "We have ordered millions of dollars of personal protective equipment that keeps getting hijacked before getting to the city of Phoenix." I wonder what steps FEMA has taken to prevent this kind of unpredictability from happening again in the future.

And is there any investigation still going on about that, or what can we do to take additional steps to be sure that we don't have a bridge to nowhere?

Mr. CURRIE. Yes, ma'am, thanks for the question. That was actually one of our recommendations last year, still early on in the pandemic. There is no doubt there was a ton of confusion early on between FEMA and the State and local governments about who was making decisions, where Federal supplies wound up, and where they didn't. We heard lots of stories from States about supplies showing up that they didn't ask for, and then supplies that they asked for never showing up.

So one of our recommendations was that, obviously, FEMA needed to get a better handle on communication and coordination with the States on that prioritization.

Actually, back when we made that, they disagreed. They thought we were already doing that. But they have taken a number of steps to improve that. And we have heard some improvements. But I will say that the need for the PPE and the supplies, as you know, has drastically been reduced over the last 6 months or so.

So my concern, moving forward, if we face another surge, and we get into the need for the Federal Government to begin airlifting and providing those supplies again, that we are going to face similar challenges moving ahead.

Ms. TITUS. Well, that distresses me because Las Vegas is becoming a hot spot, and we see on the news every night hospitals are being backed up, we need more testing to complement the vaccine. So I hope all these things you hear about supply chain are not going to apply to the work that you all are doing. So I am glad you are trying to get on top of that.

I would add that, while most of the people you worked with were good actors, there were a number of kind of schemes that we heard about, fraud schemes, theft of public funds, hoarding of scarce materials, fictitious claims against the Government. Are you all working with the State and local law enforcement to try to either go after those people, or be sure that it doesn't happen in the future, or what we need to put in place to prevent it?

Mr. CURRIE. Yes, ma'am. A couple of things I will say, and then I want the DHS IG to talk about some of their investigative work, too.

But one of the things we saw in the pandemic that creates that situation is when there was a run on supplies, FEMA and DHS were looking around, trying to find anybody that could provide that. And, of course, mixed up in that were people that were looking to defraud the system and could never provide the supplies.

We saw the same thing after 2017, with the disasters, people promising they could provide a certain amount of meals or water in Puerto Rico, and things like that, and they never could. So, you know, whenever there is——

Ms. TITUS. There is also price gouging, I am sure.

Mr. CURRIE. Oh, yes, ma'am, absolutely, and that is one of the—I mean, that is not outright fraud, but that is one of the most important roles of the Federal Government, to make sure that is not going on.

So we have looked at that from the standpoint of, like, how do we get better at contracting, so we don't have these kind of gaps and deficiencies. But I know Mr. Izzard has also done a lot of investigative work on that side, too.

Ms. TITUS. Thank you.

Mr. Izzard?

Mr. IZZARD. Yes, ma'am. So, as Mr. Currie mentioned, we have done and continue to do a lot of investigative work on that front.

We found that the amount of fraud, as it relates to identity theft, misuse of the lost wage assistance program is continuing to grow. We identified additional misconduct allegations and threats to that program that we have to wind up initiating investigations on.

So we are using sort of a parallel approach with initiating audits that address potential gaps in the program, as well as going after the bad actors who have defrauded the system.

It would not be a stretch or an exaggeration to say that we have seen it across the entire Nation. And so we believe that we are going to continue to find those pockets in areas where there are individuals who have exploited the system to personally enrich themselves, financially,

Ms. TITUS. Well, thank you. I serve also on the Homeland Security Committee, so be sure you reach out and let me know if we can be helpful in that in any way with our local State officials, working together with you.

Thank you both, and thank you, Mr. Chairman. I yield back.

Ms. DAVIDS. Thank you. The gentlelady yields back. The Chair now recognizes Mr. Stauber for 5 minutes.

Mr. STAUBER. Thank you, Madam Chair.

You know, I first would like to speak a little about some of the jaw-dropping scenes we have seen over the past several months, where entire classes of individuals have been refused service and the ability to fly because they have a disability.

I have a son with Down syndrome, and I understand the difficulties that parents must deal with when traveling with children with disabilities. I will say this loud and clear: Just because someone has a mental or physical disability does not mean they are less of a human, or have less of a right to fly than you and I. And yet we have seen this exact situation play out all over the country.

Those with disabilities and their families have been shamed, embarrassed, and harassed, all because a child may take down their mask unintentionally, or someone has such a severe disability that it precludes them from wearing a face covering. This type of discrimination is not what America should look like. It is unacceptable. And I urge President Biden to stop encouraging these types of rigid and inflexible mandates that both put our transportation workers in uncomfortable positions, and discriminate against those with disabilities.

And now, shifting gears, Mr. Horowitz, according to your testimony it is your responsibility to "ensure that taxpayer money is used effectively and efficiently to address the pandemic-related public health and economic needs that were funded through the various COVID–19 relief bills," It is clear that the last 12 months may account for the largest amount of financial fraud to ever be committed against the United States. We have seen countless stories of algorithms and bots applying for fake unemployment insurance, identity theft, misuse of PPP, and idle grants and loans, and an array of other crimes that we haven't even heard about yet.

And Mr. Horowitz, are you aware that the EIDL program alone has $80 billion—that is with a "B"—$80 billion in fraud?

Mr. HOROWITZ. Congressman, I am aware of various reports to that effect, in terms of the numbers. And frankly, there are still investigations ongoing.

Mr. STAUBER. Yes, and just so——

Mr. HOROWITZ. How that was distributed——

Mr. STAUBER. Just so we are on the same page, you are aware of $80 billion worth of fraud, and——

Mr. HOROWITZ. I am aware of reports——

Mr. STAUBER. Yes, and how about the PPP, Mr. Horowitz? How about the PPP? Do we know how much fraud is in there yet? And can you give us an estimate?

Mr. HOROWITZ. I don't have an estimate. I can get back to you on what the SBA IG has reported on. And he has put out——

Mr. STAUBER. Sure.

Mr. HOROWITZ [continuing]. A number of reports about his concerns regarding how that—both of those programs, frankly, were handled certainly a year ago, when——

Mr. STAUBER. Yes, Mr. Horowitz, I think that, if you would get back to the committee on what the PPP fraud is, or what you think it is—and I know that, working with the SBA, you can get a really, really good idea. And I appreciate that.

And I hope that it concerns you as much as it does me that there are everyday Americans who were being denied loans and assistance because the accounts had run dry, while at the same time there were criminals collecting, in one example, $20 million from these relief funds for fake small businesses.

And I understand that you aren't working to combat these crimes, but these crimes against the taxpayer should never have been able to be committed in the first place. And I thank you for testifying today, and I think that before my colleagues on the other side of the aisle prepare to pass another $4.5 trillion in spending that we can't afford, we should address this fraud, corruption, and abuse that has already plagued the Federal Government and hurt everyday Americans.

Mr. Currie, with my 1 minute remaining, you had mentioned that FEMA was doing all they could in reference to the supply chain, getting the supplies wherever they could. Mr. Currie, would you agree that bringing back manufacturing to our shores, bringing back pharmaceutical manufacturing to this country, bringing back PPE-making in this country, and bringing back critical minerals mining to this country to hold the destiny of this great country into our own hands, would you agree with that?

Mr. CURRIE. Sir, there is no doubt that the pandemic exposed that we are reliant on foreign sources for many of our products, pharmaceutical, all the things that you mentioned. So the——

Mr. STAUBER. And if we don't—Mr. Currie, if we don't learn from that, shame on us, correct?

Mr. CURRIE. Yes, sir.

Mr. STAUBER. OK, thank you. I yield back.

Ms. DAVIDS. Thank you. The gentleman yields back. The Chair now recognizes Ms. Brownley for 5 minutes.

Ms. BROWNLEY. Thank you, Madam Chair. I appreciate it. My first question is to Mr. Horowitz.

And just in general, do you feel like you have enough resources, in general, to appropriately oversee fraud and abuse?

Mr. HOROWITZ. So, Congresswoman, I think we have been certainly very appreciative in the community about the support coming from Congress. But frankly, several IGs have noted the challenge they have, overseeing billions of dollars in spending in their agency, compared to what they have gotten in terms of additional relief.

I know DHS OIG is one of the IGs that have mentioned this problem, and Mr. Izzard could speak to that, about, I think, getting a few million dollars to oversee tens of billions of dollars has been a challenge, for example, for DHS OIG. And I know some other IGs have also raised that concern.

We have demonstrated, as IGs, as a track record, that we have returned multiples of investments in our efforts because of the wrongdoings that we find, the efficiencies we find. And so investment in IGs have proven, over our 40-year history, to be very good investments for the taxpayers.

Ms. BROWNLEY. I couldn't agree with you more.

And Mr. Izzard, if you have anything to add to that?

Mr. IZZARD. Oh, yes, ma'am, thank you. I agree 100 percent with Mr. Horowitz, and appreciate his response.

The Department received, I believe it was, over $40 billion to assist with our CARES—from the CARES Act, and we were—OIG received about $3 million, too, for oversight work. And so we have found it at times challenging. However, we forged ahead. And I believe we have been successful in our efforts, and certainly leveraging our relationships and partnerships, for example, with the PRAC, which is a relationship that we thoroughly appreciate, as well as the other OIGs in the community.

So also, funeral assistance is a new one, a newer one, where there was tens of billions of dollars allocated to support that. And we have not gotten any supplementals for that. However, we have moved ahead. We actually have projects ongoing now to address funeral assistance.

So I think, with more, we certainly can do more. But notwithstanding, we are going to continue to forge ahead and do everything we can to address the challenges that the pandemic has brought with it.

Ms. BROWNLEY. Thank you, sir. And I just wanted to say to you, I know that you personally are not responsible for Homeland Security priorities, and particularly around FEMA. But I was concerned, in your response to another question with regards to FEMA's readiness, in terms of extreme weather conditions. I mean, I think we all have to look ahead and know that that is coming.

I am from California. There is no question that our fire season has started very early. And I just anticipate across the country that we are going to continue to experience more extreme weather conditions. And coupled with that, we don't know whether there is going to be another surge in this pandemic, where we are going to have to call upon FEMA, as well.

So I would just like to say, I hope that FEMA is doing the appropriate planning and expressing what their needs may be in order to be ready for any pandemic issues or any extreme weather conditions experienced across the country.

And my last question is, again, back to Mr. Horowitz. On the CARES Act and other related legislation, there were detailed reporting requirements to ensure transparency and accountability. And then, going on OMB's guidance to agencies, then, was to say we don't really need any more additional information.

Your office has come back and said that that your office recommended that OMB issue the guidance to agencies to collect the missing information. So I was just wondering if that actually happened.

Mr. HOROWITZ. Thank you for asking about that, Congresswoman, because that has—you are right—been a very important issue for us. We were very concerned last year, when OMB issued its guidance initially after the CARES Act, without consulting with the PRAC, that basically said USAspending.gov would be the tool that you will use to report through.

We have identified in another report that is on our website that we issued in November some of the significant problems with that. And we are pleased that OMB——

[Audio malfunction.]

Mr. HOROWITZ [continuing]. This year issued a revised memo that tried to address some of that. Of course, it's very difficult to go back from a year ago to get that kind of data that we need.

Ms. BROWNLEY. Well——

Mr. HOROWITZ. We are working with leadership to do that.

Ms. BROWNLEY. Thank you. I believe my time is up.

I yield back, Madam Chair.

Ms. DAVIDS. The gentlewoman yields back. The Chair now recognizes Mr. Westerman for 5 minutes.

Mr. WESTERMAN. Thank you, Madam Chair. And thank you to the witnesses.

Mr. Soskin, at the end of the 116th Congress, Congress authorized a Maritime Transportation System Emergency Relief Program. But the administration has not requested any funds for this program.

The U.S. maritime industry estimates it needs $3.5 billion in emergency relief, as a result of unanticipated COVID costs, and has requested those funds be provided under the MTS Emergency Relief Program. Are you monitoring the maritime industry's resources?

Mr. SOSKIN. Mr. Westerman, I am not actually familiar with the maritime industry funding issue that you have identified. I would be happy to consult with my staff, and we can follow up with you on your question about that area.

Mr. WESTERMAN. OK, thank you. I would appreciate that.

Mr. Soskin, in March, Administrator Fenton, in talking about testing on the border, he said that testing is happening, COVID testing, and that there is less than a 6-percent positive rate on the border. Are you aware if this testing is still happening, and if those testing rates have increased, those positive rates?

Mr. SOSKIN. I am not familiar with that issue, but I think DHS Assistant IG Izzard might have more awareness about testing on the border.

Mr. WESTERMAN. Yes, I was going to ask him that question, as well.

Mr. Izzard, do you have any information on that?

Mr. IZZARD. I do know that we have ongoing projects. And as I said earlier, our inspector general recently made personal visits to the border, which has resulted in some of the projects.

I don't know specifically the answer to that question, but I will make sure we get you a response, directly.

Mr. WESTERMAN. Thank you, sir. I was on the border last weekend, down in the Rio Grande Valley, and I saw reports on Monday that there were 671 additional COVID-positive tests in Hidalgo County. And I have seen reports that say the COVID infection rate is up 900 percent along the border.

One thing that I took back from the trip to the border, along with many what I would call crisis areas, was on the flight back out of McAllen. I noticed, in the airport, there were several passengers that were holding manila envelopes that, on one side, it was printed. I think it was something like, "Please help me. I do not speak or read English. Please help me get on the right airplane." And then, on the other side of the envelopes, it would have flights outlined on it, departing airports, arriving airports, and the times on that.

Mr. Izzard, can you confirm if those were migrants, or was that just a group of people carrying envelopes through the airport?

Mr. IZZARD. Sir, I can't confirm, I really don't know. I am sorry, I just don't know the answer to that.

Mr. WESTERMAN. So you don't know if DHS is putting migrants on commercial airlines, and shipping them around the country?

Mr. IZZARD. Well, I do know that we have an open audit at this point that looks at that specific area. It is ongoing. So I can't speak to the findings of that at this point, but I certainly look forward to providing that at the point in which the audit is finalized. We do have an audit working that direction, though.

Mr. WESTERMAN. So if you don't know if commercial airlines are being used to move migrants around the country, you also wouldn't know if those migrants are being tested for COVID, or being vaccinated before being moved around the country.

Mr. IZZARD. I don't know the answer to that. Perhaps that is something that our project may look into. But I will make sure to take note of that, to take that back for consideration with our staff.

Mr. WESTERMAN. Yes, I would appreciate that, if you could look at that sooner than later, and get an answer back on that issue.

And Madam Chair, I yield back.

Ms. DAVIDS. The gentleman yields back. The Chair now recognizes Mr. Lowenthal for 5 minutes.

Mr. LOWENTHAL. Thank you. Thank you, Chair. And I want to focus on a specific program that means a lot to me that Mr. Currie and Ms. Krause had mentioned in their testimony. And if you could, just help me with that, and that is the Coronavirus Economic Relief for Transportation Services, or what is known also as the CERTS Program.

As you highlighted, none of the $2 billion provided by Congress has been allocated. You note that Treasury faced a huge challenge setting up a new program to support industries where the agency had no experience, and where there were many small stakeholders. And you pointed out that Treasury is working to learn from its experience with the Payroll Support Program and other pandemic relief programs to communicate clearly, for instance, and that is very encouraging.

But I want to be clear. The relief that Congress provided was vital to prevent dislocation and disruption in critical infrastructure. And no matter what sector we are talking about, aid prevented job loss, and kept businesses and agencies we all rely on, it kept them afloat.

So my question is that climate change and many other challenges make this world, I understand, much less predictable, and we need to get better at responding to unique and unexpected challenges.

So my question, then, is what can we do to build our capacity to implement programs like the CERTS Program?

Ms. KRAUSE. Thank you for the question. This is Heather Krause at GAO, and my colleague can jump in, as well.

I would say, when you have an agency implementing a program where they don't, in Treasury's case, work with this applicant pool—and as you mentioned, it is a big, broad number of applicants there—it is really important that they work closely with the other Federal agencies that may have information or knowledge of those industries.

So in this case, we are in the process of looking at the CERTS Program. We know that Treasury has reached out to DOT, and has worked with them to figure out—as well as the Coast Guard—to figure out how to determine eligibility for this program, because you do have a lot of different operators. And DOT can look and sort of see what are the operators and applicants that might—you know, ways to check eligibility.

As we understand, the application process just closed on July 19th. So it is still in progress. But, in terms of implementing programs where they are new, and it is a new entity you work with, it is important to work with the industry, understand the industry, and work with those Federal agencies to better understand how you might effectively implement the program.

Mr. LOWENTHAL. Is that what we have learned? If another crisis occurred, what have we learned to expedite that process now?

Ms. KRAUSE. I think it is really encouraging those agencies to work together upfront. Clearly communicating to industry sort of the status of the timelines and what they are doing, those are the types of things that we certainly learned are—and expectations for the program, and sort of the timing of when it will roll out. Those types of communications are really important in these scenarios.

Mr. LOWENTHAL. Thank you. I am also wondering whether the question can also be answered by—let me just see who that was. I think that was Mr. Currie.

You also mentioned——

Mr. CURRIE. Yes, sir.

Mr. LOWENTHAL [continuing]. The CERTS Program. What can we do to build our capacity to implement programs—like the CERTS Program, which is all new—in the future, when there is a crisis that comes up?

Mr. CURRIE. Yes, sir. Ms. Krause is definitely an expert on the CERTS Program, but I cover our work on disaster response and recovery, and one of the biggest themes that we see in the preparedness side is that, often, gaps in capabilities at the local level or in different industries have been identified through prior exercises and assessments.

The problem is, because the event hasn't happened yet, we often don't take action to address that before it happens, and we don't close the gap that we know exists. And I think some of that is just latency, and especially with the pandemic, of disbelief in thinking that it is actually going to happen. And that is——

Ms. DAVIDS. Thank you, Mr. Currie.

Mr. CURRIE. That is a key theme——

Mr. LOWENTHAL. Thank you. I yield.

Ms. DAVIDS. The gentleman's time has expired. The Chair will now recognize Mr. Guest for 5 minutes.

Mr. GUEST. Thank you, Madam Chair.

Mr. Horowitz, within the Federal Government's National Disaster Recovery Framework, the EDA serves as a coordinating agency for the economic recovery support function on behalf of the Department of Commerce. Congress has appropriated $1.5 billion for EDA's Economic Adjustment Assistance Program in the CARES Act and, more recently, $3 billion in EAA funding in the American Rescue Plan. Twenty-five percent of that funding is dedicated to addressing employment and gross productivity losses in the travel, tourism, and outdoor recreation industry.

As an agency that received $3.5 million in fiscal year 2021 appropriations, how is the Pandemic Response Accountability Committee working with the EDA to ensure that this large appropriation amount that had been distributed during the pandemic is being distributed with transparency, and reducing waste, fraud, and abuse?

Mr. HOROWITZ. So Congressman, what we have been doing at the Pandemic Response Accountability Committee is working with the IGs who oversee the specific agencies and the specific programs, to coordinate and make sure that we have got the right resources and tools to take those steps and do that oversight.

And I can follow up with the IG to see what kind of work they have been doing with regard to that specific program.

Mr. GUEST. And let me follow up on your written testimony. You talk about the fraud task force that, as of July of this year, that 28 agents have been assigned to that task force. Can you talk a little bit about the work that the task force is doing?

Mr. HOROWITZ. Absolutely. So one of the things that became clear early on in the work we have been doing from a law enforcement standpoint—and the IG community has a number of law enforcement agencies—is that, first of all, several of the programs, and several of the IGs were facing extraordinary requests and resource needs to deal with some of the fraud that they were dealing with, the SBA IG and Department of Labor IG being at the front of that line.

In addition, what we found was that the fraud wasn't necessarily isolated, and the wrongdoing wasn't necessarily isolated to a specific program, but rather, it cut across programs. And so we needed to be coordinated with each other to share the learnings we were seeing.

And then finally, we needed to make sure that what we were doing with that information, as we saw wrongdoing and fraud, was interacting with the other parts of the IG community that handled these issues, like auditors, and making sure that we were taking steps to go back and try and prevent further fraud and detect further fraud. So we were coordinating to do all of those things.

Mr. GUEST. And you also talk about the adoption of the subpoena policy, and how that has contributed in efforts to stop large-scale fraud that we are seeing in the pandemic response programs. Can you talk a little bit about the effect that this subpoena policy has had on what your agency is doing?

Mr. HOROWITZ. Yes, and I certainly appreciate Congress giving us that authority in the CARES Act last year.

We have put in place the subpoena authority that we have been given. IGs generally have documentary subpoena authority. They don't, though, have—for almost all of them—testimonial subpoena authority. [Inaudible] the House passed a bill that would, in fact, give IGs that authority, it is pending in the Senate, we hope it will get passed.

And so we have put in place a subpoena policy that will allow the PRAC to assist IGs who need testimonial subpoenas to get that authority, so they can ask recipients of the funds, who may have evidence of wrongdoing, what they know, and help advance those kinds of investigations.

Mr. GUEST. Well, and last question; Mr. Izzard, here is a question for you.

Several of your recent reports regarding FEMA look at challenges that occurred during Hurricane Harvey, Hurricane Sandy, and other large disasters. As we are once again approaching hurricane season, and as Mississippi is one of those States that is typically in the bull's-eye of approaching hurricanes, what can Congress do to fix some of these ongoing issues, as a result of the reimbursement backlogs, contract controls, and delayed processes?

Mr. IZZARD. Oh, well, thank you for that question. As you stated, we have a number of projects that we have done with regard to Hurricanes Harvey, Irma, and Maria, and we learned a lot from those, and we anticipate that we will learn a lot as we move forward. So I think, as we continue to perform our work, we will just continue a lot of work to inform the work that we have done in the past, and inform where we go from here.

So we appreciate all the support that Congress has provided so far, and we look forward to continuing——

[Audio malfunction.]

Mr. IZZARD [continuing]. Regard.

Ms. DAVIDS. Thank you. The gentleman's time has expired. The Chair now recognizes Mr. Carbajal for 5 minutes.

Mr. CARBAJAL. Thank you.

Mr. Currie, the Government Accountability Office, GAO, reported that some States had difficulty accessing the various Federal programs available to pay for PPE and testing supplies throughout the COVID–19 pandemic. My office heard directly from local leaders on this issue, and many were confused about the reimbursement and cost share responsibility. In times of crisis, I was disappointed in the lack of clarity from the Federal Government, and the bureaucratic redtape we had to navigate to get the needed resources in the hands of the American people, including my constituents.

What has FEMA done to remedy this situation so that, in future emergencies, medical personnel around the country can get the equipment they need in a timely, efficient manner?

Mr. CURRIE. Thank you, sir. I think I mentioned earlier that one of our first recommendations in this area was early on in the pandemic, was FEMA and its partners, to clarify with the States and local governments how it was providing supplies, when, and where, and why.

Across 50 States, multiple Territories, multiple Tribes, all of which had disaster declarations, that was a little messy, upfront. I think they have made a lot of progress since then. But as I mentioned when Ms. Titus asked about this, my concern is that that was—you know, the needs have decreased significantly over the last 6 months or so for PPE. If that need was to explode again in the coming months, I would hope that what they have done to address some of these issues would fix some of those early problems. But at this point, I don't know.

Mr. CARBAJAL. Thank you, Mr. Currie. In light of the votes scheduled that have been called, I have two other questions, but I am going to submit them for the record.

With that, Madam Chair, I yield back.

Ms. DAVIDS. Thank you. The gentleman yields back.

For the information of all Members and witnesses, we have a long vote series on the floor, and are going to go into recess. We will reconvene as soon as possible after the last floor vote, and we will come back to the first panel of witnesses.

The committee stands in recess.

[Recess.]

Ms. NORTON [presiding]. At the direction of the chair, in light of the series of votes and the lateness of the day, the committee now stands adjourned.

[Whereupon, at 5:26 p.m., the committee was adjourned.]

APPENDIX

QUESTIONS FROM HON. SALUD O. CARBAJAL TO HEATHER KRAUSE, DIRECTOR, PHYSICAL INFRASTRUCTURE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Question 1. The COVID–19 pandemic exposed serious flaws in our federal government's preparedness to keep people in the aviation sector and travelers safe. It highlighted the need for a national aviation-preparedness strategy to combat communicable diseases, like COVID–19.

I have introduced H.R. 2387, the Fly Safe and Healthy Act, to establish a pilot for temperature checks and have supported Chairman DeFazio's legislation, the Healthy Flights Act of 2021, that calls for a national aviation strategy.

a. Can you describe the barriers the Department of Transportation and the Federal Aviation Administration have faced in developing a national strategy?

ANSWER. While the Department of Transportation (DOT) is in the best position to develop a national aviation-preparedness plan, as we recommended in 2015, DOT does not believe that it should lead the development of such a plan. Rather, DOT maintains that those agencies that have both legal authority and expertise for emergency response and public health—namely the Department of Homeland Security (DHS) and the Department of Health and Human Services (HHS)—are best positioned to take the lead role in developing such a plan.[1] However, in May 2020, DHS stated that it had reviewed its existing national, sector, and modal plans for pandemic preparedness and response activities and determined that it is not best situated to develop a national aviation-preparedness plan. In June 2020, HHS stated that it is not in a position to develop a national aviation-preparedness plan because it does not have primary jurisdiction over the entire aviation sector or the relevant transportation expertise.[2]

In June 2020, in the absence of efforts to develop a plan, we urged Congress to take legislative action to require the Secretary of Transportation to work with relevant agencies and stakeholders, such as HHS and DHS, and members of the aviation and public health sectors, to develop a national aviation-preparedness plan.[3] While FAA has provided some guidance to the aviation industry in response to the COVID–19 pandemic, we continue to believe that DOT is in the best position to work with its relevant stakeholders to develop a national aviation-preparedness plan, which could guide preparation for individual airlines and airports, as well as establish a framework for communication and response for the next communicable disease outbreak. Furthermore, as we reported in 2020, FAA and DOT have strong-

[1] In 2015, we recommended that DOT work with relevant stakeholders, such as HHS, to develop a national aviation-preparedness plan for communicable diseases. See GAO, *Air Travel and Communicable Diseases: Comprehensive Federal Plan Needed for U.S. Aviation System's Preparedness*, GAO–16–127 (Washington, D.C.: Dec. 16, 2015).

[2] GAO, *COVID–19: Federal Efforts Could be Strengthened by Timely and Concerted Actions*, GAO–20–701 (Washington, D.C.: September 21, 2020).

[3] Priority Open Recommendations: Department of Transportation. GAO–21–591PR. (Washington, D.C.: Jun. 25, 2021) and GAO, *COVID–19: Opportunities to Improve Federal Response and Recovery Efforts*, GAO–20–625 (Washington, D.C.: Jun. 25, 2020). As we reported in July 2021, legislation related to a national aviation-preparedness plan has been introduced in the current legislative session, as well as in previous sessions. For example, in October 2020, H.R. 8712, National Aviation Preparedness Plan Act of 2020, was introduced. If enacted, this bill would have required the Department of Transportation, in collaboration with DHS, HHS, and other aviation stakeholders, to develop a national plan to prepare the aviation industry for future communicable disease outbreaks. Further, in February 2021, H.R. 884, the National Aviation Preparedness Plan Act of 2021, was introduced in the House of Representatives, and in May 2021, S. 82, Ensuring Health Safety in the Skies Act of 2021, was reported favorably out of the Senate Committee on Commerce, Science, and Transportation. For additional information, see GAO, *COVID–19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*, GAO–21–551 (Washington, D.C.: July 19, 2021). Since our July 2021 report, none of these bills have advanced.

er and deeper ties to, as well as oversight responsibility for, the relevant stakeholders that would be most involved in such a broad effort, namely airlines, airports, and other aviation stakeholders. In addition, DOT's Office of the Secretary is the liaison to International Civil Aviation Organization (ICAO) for Annex 9 to the Chicago Convention—an international aviation treaty to which the United States is a signatory—in which the relevant ICAO standard that obligates member states to develop a national aviation-preparedness plan is contained.[4] We urge Congress to take swift action to require a national aviation-preparedness plan, without which the U.S. will not be as prepared to minimize and quickly respond to ongoing and future communicable disease events.

b. Can you also describe the importance of establishing a national aviation strategy?

ANSWER. A national aviation-preparedness plan could help maximize an effective response to a public health threat, while minimizing potential inefficiencies in the national response effort and unnecessary disruptions to the national aviation system, and could ensure that individual airport and airline plans work in accordance with one another, among other things.[5] For example, while the 14 airports and 3 airlines we reviewed in 2015 had plans that address communicable disease threats from abroad, representatives from these airports and airlines reported facing multiple challenges in responding to threats. These challenges included obtaining guidance; communication and coordination among responders; and assuring employees have appropriate training, equipment, and sanitary workplaces. A national aviation-preparedness plan to respond to communicable disease outbreaks could help address these challenges. In addition, as stated above, under the Chicago Convention, the United States has obligated itself to implement standards that include a national aviation-preparedness plan for communicable disease outbreaks.[6] In 2017, a joint evaluation of U.S. capacity to prevent, detect and rapidly respond to public health threats of a natural, deliberate or accidental nature highlighted the absence of a comprehensive national aviation-preparedness plan aimed at preventing and containing the spread of diseases, which would include points of entry not already covered by the Centers for Disease Control and Prevention (CDC).[7]

The COVID–19 pandemic has further highlighted the need for a national aviation-preparedness plan. Stakeholders publicly highlighted piecemeal response efforts that may have led to some of the confusion among stakeholders and chaos at certain airports that occurred earlier in 2020 following travel restrictions as a result of COVID–19, as well as increased screening efforts. For example, as we reported in June 2020, stakeholders described actions taken by individual airlines in the absence of FAA guidance, such as to cease operations to certain countries, and a piecemeal approach to establishing standards for safely continuing or expanding service. This piecemeal approach points to the continued need for DOT to implement our 2015 recommendation to develop a coordinated effort to plan for and respond to communicable disease threats or for Congress to take legislative action, as we recommended in 2020, to require DOT to work with relevant agencies and stakeholders to develop such a plan. Without a national aviation-preparedness plan, the United States remains insufficiently prepared to respond to communicable disease threats, now and in the future.

QUESTION FROM HON. SALUD O. CARBAJAL TO CHRIS P. CURRIE, DIRECTOR, HOMELAND SECURITY AND JUSTICE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Question 1. Since 2011, the Government Accountability Office (GAO) has called for interagency planning to address nationally significant biological events. The ongoing COVID–19 pandemic is showing us the need for a whole-of-government approach to address biological threats.

What steps has FEMA and the federal government taken to protect our nation against biological threats?

---

[4] GAO, *Air Travel and Communicable Diseases: Status of Research Efforts and Action Still Needed to Develop Federal Preparedness Plan*, GAO–20–655T (Washington, D.C.: Jun. 23, 2020).

[5] GAO–16–127.

[6] Member states, including the United States, are obligated to establish regulations or take other appropriate steps to implement International Civil Aviation Organization standards within their own civil aviation systems. Additionally, member states are obligated to notify the International Civil Aviation Organization of a "difference" from the international standard, if they find it impractical to fully comply with an international standard or otherwise differ from the standard in their regulations or practices. Chicago Convention on International Civil Aviation art. 38, Apr. 4, 1944, 61 Stat 1180, T.I.A.S. No. 1,591

[7] World Health Organization. *Joint External Evaluation of IHR Core Capacities of the United States of America: Mission Report, June 2016*. (Geneva: 2017).

ANSWER. Effectively preparing for and responding to biological incidents, including infectious disease outbreaks and pandemics, requires engagement and commitment from the entire biodefense enterprise. At the highest level, national strategies, such as the National Biodefense Strategy, are designed to help guide preparedness activities by providing long-range strategic vision to guide policymaking. The Department of Homeland Security (DHS) was one of four agencies required by law to jointly develop a national biodefense strategy and associated implementation plan.[1] The Strategy outlines a whole-of-government approach intended to help the United States actively and effectively assess, prevent, prepare for, respond to, and recover from all types of biological threats, whether they are natural, accidental, or deliberate.

In August 2021, we issued a report on steps taken by the federal government to protect our nation against biological threats.[2] Specifically, we found that the key federal agencies, including the Departments of Homeland Security (DHS), Defense (DOD), Health and Human Services (HHS), and Agriculture (USDA), developed a range of interagency response plans to prepare for nationally significant biological incidents. These strategic, operational, and tactical level plans address responding to a broad spectrum of biological threats, including those that are natural, accidental, or deliberate. At the time of our review, agencies were reviewing and revising a key planning document for responding to biological incidents. Officials GAO interviewed stated this revision would incorporate lessons learned from the ongoing COVID–19 pandemic, as well as lessons learned from a major biological incident exercise conducted in 2019 (Crimson Contagion).

DHS, DOD, HHS, and USDA conducted numerous interagency exercises to help prepare for and respond to a wide variety of biological incidents, such as anthrax attacks, influenza pandemics, and diseases affecting plants and animals. Specifically, GAO identified 74 interagency biological incident exercises conducted from calendar years 2009 through 2019.

GAO also reported that FEMA's initial review of the COVID–19 response demonstrated that capabilities needed for nationally significant biological incidents were underdeveloped. In its January 2021 assessment of its response activities during the initial phase of the pandemic, FEMA recognized that its ability to anticipate state, local, and other nonfederal requirements during the pandemic was affected by an insufficient understanding of projected consequences and capabilities of such partners.

Through the National Exercise Program, FEMA facilitates interagency feedback and reviews after-action reports to develop priorities for the next National Exercise Program cycle. However, analysis of after-action reports submitted to the program do not reflect the comprehensive view of all exercises conducted across the nation. The National Exercise Program is only one line of effort to conduct exercises, meaning analysis done through this effort does not encapsulate all exercise or real-world incident findings.

In our August 2021 report, we found that the Biodefense Coordination Team is uniquely positioned to carry out activities to enhance preparedness and response for future biological incidents.[3] For example, based on our analysis of after-action reports for selected interagency biological incident exercises and real-world incidents, as well as findings from the COVID–19 response, we found that the biodefense enterprise has gaps in its capabilities-based approach to response planning. Specifically, we found the biodefense enterprise lacked elements necessary for preparing for nationally significant biological incidents, including:

- a set of defined capabilities that account for the unique elements specific to responding to nationally significant biological incidents;
- a process at the interagency level for agencies to assess and communicate priorities for exercising capabilities;
- a process to consistently report on those capabilities in after-action reviews; and

---

[1] Signed into law on December 23, 2016, the National Defense Authorization Act for Fiscal Year 2017 required the Secretaries of Defense, Health and Human Services, Homeland Security, and Agriculture to jointly develop a national biodefense strategy and associated implementation plan, which shall include a review and assessment of biodefense policies, practices, programs and initiatives. Such Secretaries shall review and, as appropriate, revise the strategy biennially. See Pub. L. No. 114–328, div. A, title X, subtitle G, § 1086, 130 Stat. 2000, 2423–24 (2016) (classified, as amended, at 6 U.S.C. § 104).

[2] GAO, *Biodefense: After-Action Findings and COVID–19 Response Revealed Opportunities to Strengthen Preparedness*, GAO–21–513 (Washington, D.C., Aug. 4, 2021).

[3] The Biodefense Coordination Team helps carry out the strategic goals and objectives of the National Biodefense Strategy on behalf of the secretaries of participating departments and agencies, including the Secretary of Homeland Security.

- routine monitoring at the interagency level of exercises and real-world incidents in order to evaluate lessons learned across the government, identify patterns and possible root causes for systemic challenges, and make recommendations to address these challenges.

We made four recommendations to DHS to help ensure the Biodefense Coordination Team develops ways to address the above stated deficiencies. We reported that the ability to monitor and assess the outcomes of interagency biological incident exercises and real-world events could be instrumental in identifying persistent challenges and their root causes before they become systemic, intractable problems. Identifying these issues could also help agencies prioritize which capabilities need further development or exercising.

QUESTIONS FROM HON. STEVE COHEN TO HON. ERIC J. SOSKIN, INSPECTOR GENERAL, U.S. DEPARTMENT OF TRANSPORTATION

Question 1. In June of last year, your office sent a letter to the Secretary of Transportation outlining key potential risk areas for the Department in overseeing its implementation of the CARES Act and suggesting actions to mitigate these risks. One of the areas you identified as being subject to risk included airport grants.

a. What were the key potential risk areas that your office identified?

ANSWER. We identified 5 key potential risk areas: effectively managing grants to support the Nation's airports; adapting existing stewardship and oversight approaches while making prudent use of waivers in surface transportation; executing contracts and grants effectively to achieve transportation program and project outcomes; tracking and monitoring CARES Act funds while ensuring the availability and integrity of DOT's financial management systems; and increasing outreach and education to transportation agencies to prevent and detect fraud, waste, and abuse.

b. What if anything did your office hear back from the previous Secretary last year after sending this letter?

ANSWER. After sending this memorandum, we did not hear back from the previous Secretary on this subject.

Question 2. Can you describe in detail what your office is doing to make sure that the smaller airports that received these unusually large grants are spending it properly and in accordance with FAA grant requirements?

ANSWER. To ensure that the unusually large grants given to smaller airports are used appropriately and in accordance with FAA grant requirements, we are conducting a thorough audit to assess whether FAA's policies and procedures for awarding and overseeing CARES Act grants are sufficient to protect taxpayer interests. Our assessment of FAA's oversight includes a review of airports' grant expenditure rates and compliance with the Revenue Use Policy. We will also assess airports' action plans for funds in excess of the initial grant amount—which FAA capped at four times the airport's annual operating expenses—as well as FAA's approach for monitoring unexpended funds. We expect to complete this work in the winter of 2022.

QUESTION FROM HON. STEPHEN F. LYNCH TO HON. ERIC J. SOSKIN, INSPECTOR GENERAL, U.S. DEPARTMENT OF TRANSPORTATION

Question 1. We recently had a brand new N93 mask manufacturer set up shop in my district, in Bridgewater, Massachusetts. They anticipated they would be welcomed by hospitals, schools, businesses and State, local and Federal Government agencies. However, they have struggled to obtain any sizable contracts for PPE because the purchasing agents of local hospitals, businesses and government agencies continue to maintain contracts with Chinese suppliers. These purchasing agents have lucrative contracts with these Chinese manufacturers and don't want to let that go. The Chinese manufacturers have also lowered their prices and made it more profitable for these purchasing agents and companies and agencies.

I would like to know the terms to the actual supply contracts at DOT. Can we have copies of their PPE purchasing contracts? These should be a matter of public record so we know to whom and how much our agencies are spending.

ANSWER. We do not have ongoing audit work related to DOT's supply contracts and do not have copies of the referenced supply contracts in our audit files. Copies of DOT's executed contracts or modifications to such contracts are a matter of public record; however, the Agency would have to gather and provide copies of these contracts and/or modifications in order to make this information publicly accessible. For this reason, we believe the answers to Representative Lynch's questions could be answered more expeditiously by requesting this information directly from DOT.

ASSESSING THE FEDERAL GOVERNMENT'S COVID–19 RELIEF AND RESPONSE EFFORTS AND ITS IMPACT—PART 2

THURSDAY, SEPTEMBER 30, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
WASHINGTON, DC.

The committee met, pursuant to call, at 10:05 a.m., in room 2167 Rayburn House Office Building and via Zoom, Hon. Peter A. DeFazio (Chair of the committee) presiding.

Members present in person: Mr. DeFazio, Mr. Larsen, Mr. Garamendi, Mr. Carbajal, Mr. Lamb, Mr. Auchincloss, Ms. Williams of Georgia, Mr. Crawford, Mr. Webster, Mr. Perry, Mr. Graves of Louisiana, Mr. Rouzer, Mr. Weber, Mr. LaMalfa, Mr. Westerman, Mr. Balderson, Mr. Burchett, Mr. Guest, and Mr. Nehls.

Members present remotely: Ms. Norton, Ms. Johnson of Texas, Mrs. Napolitano, Mr. Johnson of Georgia, Ms. Brownley, Mr. Payne, Mr. Lowenthal, Mr. DeSaulnier, Mr. Brown of Maryland, Mr. Stanton, Ms. Davids, Mr. García of Illinois, Mr. Delgado, Mr. Moulton, Mr. Carter of Louisiana, Mr. Massie, Mr. Katko, Mr. Fitzpatrick, Miss González-Colón, Mr. Johnson of South Dakota, Dr. Van Drew, Mr. Gimenez, and Mrs. Steel.

Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Peter A. DeFazio
Chairman

Katherine W. Dedrick, Staff Director

Sam Graves
Ranking Member

Paul J. Sass, Republican Staff Director

SEPTEMBER 24, 2021

SUMMARY OF SUBJECT MATTER

TO: Members, Committee on Transportation and Infrastructure
FROM: Staff, Committee on Transportation and Infrastructure
RE: Full Committee Hearing on "Assessing the Federal Government's COVID–19 Relief and Response Efforts and Its Impact: Part II"

PURPOSE

The Committee on Transportation and Infrastructure (T&I) will meet on Thursday, September 30, 2021, at 10:00 a.m. EDT in 2167 Rayburn House Office Building and via Zoom to hold a hearing titled "Assessing the Federal Government's COVID–19 Relief and Response Efforts and Its Impact: Part II." Part I of this hearing series was held on July 29, 2021, and testimony was received by government witnesses on the federal government's COVID response and relief efforts. This hearing will examine the federal response to the COVID–19 pandemic and the impact of pandemic relief efforts on the transportation and infrastructure sectors and their workers.

The Committee will hear testimony from the American Public Transportation Association (APTA), the International Association of Emergency Managers (IAEM), the Hoover Institution at Stanford University, the Hamilton Project at the Brookings Institution, and the Transport Workers Union of America (TWU).

BACKGROUND

In response to the COVID–19 pandemic, Congress and the Executive Branch took a range of actions to protect the health and economic security of American individuals and businesses. Congress included $5.9 trillion of relief and job protection measures in the CARES Act, the Consolidated Appropriations Act of 2021, the American Rescue Plan, and other legislation.[1] Federal agencies, including the Federal Emergency Management Agency (FEMA), the operating administrations within the Department of Transportation (DOT), and the U.S. Department of the Treasury (Treasury) are responsible for administering and overseeing more than $200 billion in federal assistance provided for transportation and emergency management.[2]

---

[1] CARES Act, Pub. L. No. 116–136 (2020); Consolidated Appropriations Act, 2021, Pub. L. No. 116–260 (2020); American Rescue Plan Act of 2021, Pub. L. No. 117–2 (2021).

[2] U.S Department of the Treasury, "Coronavirus Economic Relief for Transportation Services (CERTS) Program," (accessed on July 26, 2021), *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services, and "Airline and National Security Relief Programs," *accessed on July 26, 2021*, available at https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/airline-and-national-security-relief-programs; Federal Transit Administration, "Novel Coronavirus (COVID–19)" (accessed on July 26, 2021), *available at* https://www.transit.dot.gov/coronavirus; National Railroad Passenger Corporation (AMTRAK) Office of Inspector General, *GOVERNANCE: Amtrak Continues to Demonstrate Good Stewardship of Pandemic Relief Funds*, OIG–MAR–2021–009, (May 12, 2021), *available at* https://amtrakoig.gov/sites/default/files/reports/OIG-MAR-2021-009%20Relief%20Act.pdf; GAO, *COVID–19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*, GAO–21–551, (July 2021), *available at* https://www.gao.gov/assets/gao-21-551-highlights.pdf; Federal Aviation Administration, "Information for Airports about COVID–19," (accessed on July 26, 2021), *available at* https://www.faa.gov/airports/special_programs/covid-19-airports; House Committee on Transportation and Infrastructure, "Chair DeFazio Applauds New Round of Aid for the Hard-Hit Transportation Sector in Omnibus and COVID Relief Legislation," December 22, 2020, *available at* https://transportation.house.gov/news/press-releases/chair-defazio-applauds-new-round-of-aid-for-the-hard-hit-transportation-sector-in-omnibus-and-covid-relief-legislation-; FEMA, *100*

These agencies also conduct other pandemic response and recovery functions. For example, FEMA helped supply states and localities with personal protective equipment, distributed vaccine, and testing supplies, and reimbursed for many activities tied to the COVID–19 pandemic response.[3] Within DOT, the Federal Aviation Administration (FAA), the Federal Transit Administration (FTA), and other department components provided pandemic-related guidance and support to their respective modes to help keep employees and passengers on our nation's transportation systems safe.[4]

PART I OF THE HEARING: OVERSIGHT OF THE FEDERAL RESPONSE

During Part I of this hearing series, the Committee heard testimony from the Government Accountability Office (GAO), the Department of Transportation Office of Inspector General (DOT OIG), the Department of Homeland Security Office of Inspector General (DHS OIG), and the Pandemic Response Accountability Committee (PRAC).[5] These witnesses discussed the work they have done to monitor agencies' use of COVID–19 relief and response funds, assess the federal government's actions, policies, and programs to respond to COVID–19, and identify areas for improvement.

IMPACT OF FEDERAL COVID–19 RESPONSE AND RELIEF EFFORTS

The policies and programs the federal government has implemented over the course of the pandemic have had wide-ranging and significant impacts. States and localities received assistance to help vaccinate their residents.[6] Businesses and public sector agencies retained workers that they otherwise would have laid off.[7] The nation's transportation systems continued to operate safely, providing transportation for essential workers and others.[8] Moreover, the economy as a whole is beginning to recover as the economy opens back up with gross domestic product expected to show an increase this year after dropping to an annual rate of 31.4 percent in Q2 2020.[9] However, there are concerns about the effect of inflation on this recovery.[10] The current Consumer Price Index (CPI) rose 5.3 percent over the year ending in August 2021.[11]

FEMA's Assistance to States, Localities, Tribes, Territories, and Individuals

The COVID–19 pandemic posed an unprecedented challenge to the disaster response capabilities of states, localities, tribes, and territories. As the lead federal agency for the COVID–19 response, FEMA has undertaken expansive efforts to help them, and to assist individuals suffering from the economic hardships of the pandemic.[12] Since January 2020, FEMA has taken the following actions, among others:

Days of FEMA and Our Partners in Action (April 30, 2021), *available at* https://www.fema.gov/blog/100-days-fema-and-our-partners-action.

[3] FEMA, *Pandemic Response to Coronavirus Disease 2019 (COVID–19): Initial Assessment Report*, (January 2021), *available at* https://www.fema.gov/sites/default/files/documents/fema_covid-19-initial-assessment-report_2021.pdf;

[4] FTA, "FTA COVID–19 Resource Tool" (May 7, 2021), *available at* https://www.transit.dot.gov/regulations-and-programs/safety/fta-covid-19-resource-tool; and FAA, Coronavirus Guidance and Resources from FAA (April 19, 2021), *available at* https://www.faa.gov/coronavirus/guidance_resources/.

[5] The CARES Act established the Pandemic Response Accountability Committee (PRAC) as a committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which is composed of inspectors general from across the government. *See* https://www.pandemicoversight.gov/our-mission/about-the-prac; CARES Act, Pub. L. No. 116–136 (2020), Sec. 15010.

[6] FEMA, *100 Days of FEMA and Our Partners in Action* (April 30, 2021), *available at* https://www.fema.gov/blog/100-days-fema-and-our-partners-action.

[7] General Aviation Manufacturers Association, *Protecting Aviation Manufacturing and Maintenance Jobs*, (March 10, 2021), *available at* https://gama.aero/news-and-events/press-releases/protecting-aviation-manufacturing-and-maintenance-jobs/, Amalgamated Transit Union, *Relief on the way for transit and working families with American Rescue Plan* (March 10, 2021), *available at* https://www.atu.org/media/releases/atu-relief-on-the-way-for-transit-and-working-families-with-american-rescue-plan.

[8] *Id*.

[9] Congressional Research Service, *COVID–19 and the U.S. Economy* (May 11, 2021), *available at* https://crsreports.congress.gov/product/pdf/R/R46606.

[10] Rachel Siegel, *Biden Says Fed 'should take whatever steps it deems necessary' to respond to inflation*, Wash. Post. (July 19, 2021), *available at* https://www.washingtonpost.com/us-policy/2021/07/19/biden-powell-inflation-economy/.

[11] U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Price Index* (Sept. 14, 2021), *available at* https://www.bls.gov/news.release/cpi.nr0.htm.

[12] FEMA, *100 Days*.

- Provided more than $4.75 billion in support of vaccination efforts in communities across the country.[13]
- Worked with its federal, state, and local partners to establish 1,732 new community vaccination centers.[14]
- Coordinated with the Department of Health and Human Services to deliver, as of September 2020, 249 million N95 masks, 1.1 billion surgical masks, 46.7 million eye and face shields, 432 million surgical gowns or coveralls, and more than 28.6 billion gloves.[15]
- Provided funding to nonprofits, faith-based organizations, and government entities that provide shelter, food, transportation, COVID–19 testing, and medical care to their communities.[16]
- Obligated, as of the end of September 2020, $42.6 billion as a supplemental benefit for unemployment insurance benefits.[17]
- In January 2021, the federal cost-share for a majority of eligible FEMA assistance for all COVID–19 related Emergency and Major Disasters was expanded to 100 percent and made applicable to costs of eligible activities from the beginning of the pandemic incident period on January 20, 2020, to September 30, 2021.[18]

Aviation Industry

As a result of the pandemic, air passenger demand fell far below prior years and, according to some industry analysts, a return to pre-pandemic traffic levels might not occur until 2023.[19] The number of passengers going through Transportation Security Administration (TSA) checkpoints increased in 2021 but remains below pre-pandemic levels. In August 2021, for example, TSA traveler throughput was almost 23 percent lower than in August 2019.[20] As a result of this decline in passenger demand and other factors, U.S. passenger airlines recorded $4.3 billion in pre-tax losses in the first half of 2021 and are projecting pre-tax losses of $18 billion this year, according to Airlines for America.[21] Similarly, Airports Council International–North America (ACI–NA) expects that U.S. airports will lose at least $40 billion by March 2022 because of the prolonged decline in commercial aviation traffic.[22]

The Payroll Support Program (PSP) was created to prevent layoffs in this hard-hit sector. Congress has appropriated $63 billion to this program, which provides financial assistance to airlines, manufacturers, and other related businesses for employee wages, salaries, and benefits.[23] According to the General Aviation Manufacturers Association, PSP has allowed companies to keep highly skilled workers in the

---

[13] *Id*.
[14] *Id*.
[15] *Id*.
[16] *Id*.
[17] FEMA, *Pandemic Response to Coronavirus Disease 2019 (COVID–19): Initial Assessment Report*. FEMA's Lost Wages Assistance (LWA) program was unprecedented because it was instituted as a new program despite another discrete Stafford Act section on disaster unemployment assistance (Sec. 410). FEMA failed to provide the Committee with a legal justification memo explaining why or how LWA was administered as it was despite section 410.
[18] FEMA, *FEMA Statement on 100% Cost Share* (February 3, 2021) *available at* https://www.fema.gov/press-release/20210203/fema-statement-100-cost-share.
[19] GAO, *COVID–19 Pandemic: Preliminary Observations on Efforts toward and Factors Affecting the Aviation Industry's Recovery*, GAO–21–412T (March 2, 2021) *available at* https://www.gao.gov/assets/gao-21-412t.pdf.
[20] See, e.g., TSA, *TSA Checkpoint Travel Numbers*, (last accessed September 3, 2021), *available at* https://www.tsa.gov/coronavirus/passenger-throughput.
[21] Airlines for America, *Impact of COVID–19: Data Updates*, (September 2, 2021) (last accessed September 3, 2021), *available at* https://www.airlines.org/dataset/impact-of-covid19-data-updates/; Statement of Mr. Nicholas E. Calio, President and Chief Executive Officer, Airlines For America, "COVID–19's Effects on U.S. Aviation and The Flight Path to Recovery" before the United States House Committee on Transportation and Infrastructure Subcommittee on Aviation, (March 2, 2021) *available at* https://transportation.house.gov/imo/media/doc/Calio%20Testimony.pdf.
[22] Airports Council International, *Airports Council Applauds Passage of $8 Billion in COVID–19 Relief for Airports* (March 10, 2021) (last accessed July 19, 2021), *available at* https://airportscouncil.org/press_release/airports-council-applauds-passage-of-8-billion-in-covid-19-relief-for-airports/
[23] House Committee on Transportation and Infrastructure, *Chair DeFazio Applauds Inclusion of T&I Provisions, Including Payroll Support Program Extension, in House Democrats' Latest COVID–19 Relief Package*, (September 29, 2020), *available at* https://transportation.house.gov/news/press-releases/chair-defazio-applauds-inclusion-of-tandi-provisions-including-payroll-support-program-extension-in-house-democrats-latest-covid-19-relief-package; U.S. Department of the Treasury, *Airline and National Security Relief Programs* (accessed on May 7, 2021), *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/airline-and-national-security-relief-programs.

industry and supported some of the smaller companies that needed assistance to maintain operations.[24] Airlines were able to preserve the jobs of flight attendants, pilots, mechanics, gate agents, and others, according to Airlines for America.[25]

Congress also appropriated about $20 billion in grant assistance to help airports respond to the COVID–19 pandemic, including funds for operating expenses, debt service, and other expenses.[26] The additional grants are helping airports offset some of the financial damage from the abrupt, unexpected drop in air travel that resulted from precautions to limit the spread of COVID–19, according to ACI–NA.[27]

Transit Agencies

COVID–19 and the resulting shelter-in-place orders, business closures, suspension of tourism, increasing unemployment, and increasing numbers of employees working from home significantly decreased public transit and commuter rail ridership.[28] Nationally, transit ridership in 2020 was down a historic 79 percent at the start of the pandemic compared to 2019 levels.[29] Transit agencies anticipate long-term consequences from the COVID–19 pandemic, including reduced demand for service, increased operating costs, and limited state and local funding.[30] According to APTA, when the economy does begin to recover, transit agencies will still be challenged with severe fiscal constraints as a result of physical distancing requirements that reduce vehicle capacity, increased costs of facility and vehicle cleaning and disinfection, and decreased ridership due to the dramatic increase in telework.[31]

The CARES Act and subsequent pandemic relief funding have provided about $67.25 billion in grant assistance to help transit agencies manage these fiscal constraints.[32] So far, $37.94 billion, or 56 percent of the funds, has been obligated and $23.45 billion, or 35 percent, has been spent.[33] Federal relief funds also allowed transit agencies to keep critical service running, avoid layoffs, and provide workers and riders with COVID–19 protections.[34] As a result, some transit agencies across the country have restored previously reduced service or have canceled plans to further cut service.[35] Transit agencies have also used the funds to mitigate the spread of COVID–19, including through enhanced cleaning and sanitation and social distancing.[36] Further, restoring transit service is expected to help the nation's economic recovery, such as in New York City, where the economy depends on trains and buses to carry riders to businesses, including theaters, retail stores, and restaurants, that have been crippled by the pandemic.[37]

---

[24] General Aviation Manufacturers Association, *Protecting Aviation Manufacturing and Maintenance Jobs*, (March 10, 2021), *available at* https://gama.aero/news-and-events/press-releases/protecting-aviation-manufacturing-and-maintenance-jobs/.

[25] Airlines for America, *Statement from A4A CEO and President Nicholas E. Calio on the Passage of the American Rescue Plan* (March 10, 2021), *available at* https://www.airlines.org/news/statement-from-a4a-ceo-and-president-nicholas-e-calio-on-the-passage-of-the-american-rescue-plan/.

[26] GAO, *COVID–19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, GAO–21–387 (March 31, 2021) *available at* https://files.gao.gov/reports/GAO-21-387/index.html.

[27] Airports Council International, *Airports Council Statement on CARES Act Grants* (last accessed July 19, 2021) *available at* https://airportscouncil.org/press__release/airports-council-international-north-america-statement-on-cares-act-grants/

[28] Abby Vesoulis, *The Future of American Public Transit Depends on Congress, Time* (December 17, 2020), *available at* https://time.com/5921917/mass-transit-covid-congress/.

[29] American Public Transportation Association, *The Impact of the COVID–19 Pandemic on Public Transit Funding Needs in the U.S.* (January 27, 2021), *available at* https://www.apta.com/wp-content/uploads/APTA-COVID-19-Funding-Impact-2021-01-27.pdf.

[30] *Supra*, n. 9, GAO–21–387.

[31] American Public Transportation Association, *The Impact of the COVID–19 Pandemic on Public Transit Funding Needs in the U.S.* (January 27, 2021), *available at* https://www.apta.com/wp-content/uploads/APTA-COVID-19-Funding-Impact-2021-01-27.pdf.

[32] This includes $25 billion from the CARES Act, $14 billion from the Consolidated Appropriations Act, 2021, and $28.25 billion from the American Rescue Plan. *See* https://www.transportation.gov/mission/budget/usdot-covid-19-relief-funding.

[33] *U.S. Department of Transportation COVID–19 Relief Funding Status* (last updated Sept. 13, 2021), *available at* https://www.transportation.gov/mission/budget/usdot-covid-19-relief-funding.

[34] Amalgamated Transit Union, *Relief on the way for transit and working families with American Rescue Plan* (March 10, 2021) *available at* https://www.atu.org/media/releases/atu-relief-on-the-way-for-transit-and-working-families-with-american-rescue-plan.

[35] Christina Goldbaum and Pranshu Verma, *Transit Got $30 Billion in Stimulus Aid. What Does That Mean for Riders?*, The New York Times (March 15, 2021), *available at* https://www.nytimes.com/2021/03/15/nyregion/biden-stimulus-public-transportation.html.

[36] *Supra*, n. 9, GAO–21–387.

[37] Goldbaum and Verma, *Transit Got $30 Billion*.

Other Transportation Sectors

Operators of motorcoaches, school buses, and passenger vessels have also suffered the financial effects of lower demand for their services due to the pandemic. For example, though passenger ships operating exclusively inside the United States have begun to resume operations, virtually the entire U.S. domestic commercial passenger fleet, including overnight excursions, day charters, and tours, was forced to shut down for a year.[38] Companies operating commuter shuttle buses and private bus charters also were forced to suspend service due to lack of passengers, and some went out of business entirely, according to the American Bus Association.[39]

The Coronavirus Economic Relief for Transportation Services (CERTS) Program was created to support companies such as motorcoach, school bus, passenger vessel, and pilot vessel companies that were affected by the COVID–19 pandemic.[40] Under the program, up to $2 billion in grants is made available to eligible companies that certify they have experienced an annual revenue loss of 25 percent or more as a direct or indirect result of COVID–19.[41] Grant funds administered through the CERTS program are primarily used to cover payroll costs but may also be used to cover the acquisition of services, supplies, and the cost of operating and maintaining equipment, among other things.[42] Applications for CERTS grants were due to Treasury by July 19, 2021, and grants will be paid out with two payments, the first representing approximately 80 percent of the award amount, with the remaining 20 percent to be paid out to the extent funds are available.[43] The first grant agreements were made on August 13, 2021, with 1,327 grant agreements and first payments issued as of September 1, 2021.[44]

Federal Requirements for Masking on Transportation

In addition to providing financial assistance to mitigate the pandemic's economic impact, the federal government also took action to promote mask-wearing on transportation systems as a way to help reduce the spread of the virus. In January 2021, the Centers for Disease Control (CDC) issued an order requiring the wearing of masks by all passengers and workers on public conveyances (e.g., airplanes, ships, ferries, trains, subways, buses, taxis, and rideshares) in the United States.[45] Shortly

---

[38] Letter from Passenger Vessel Association to Speaker Nancy Pelosi (April 8, 2020), *available at* http://www.passengervessel.com/downloads/letters/2020-CARES-ACT-2-Speaker-Pelosi.pdf; The Maritime Executive, *American Coastal and River Cruising is Resuming* (March 16, 2021), *available at* https://www.maritime-executive.com/article/american-coastal-and-river-cruising-is-resumming.

[39] American Bus Association, *New Report Details Motorcoach Industry's Dire Situation* (August 10, 2020), *available at* https://www.buses.org/news/article/new-report-details-motorcoach-industrys-dire-situation.

[40] U.S. Department of the Treasury, *Coronavirus Economic Relief for Transportation Services (CERTS) Program, available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services.

[41] *Id.*, and *Guidelines for the Coronavirus Economic Relief for Transportation Services (CERTS) Grant Program* (May 6, 2021), *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services.

[42] U.S. Department of the Treasury, *Coronavirus Economic Relief for Transportation Services (CERTS) Program and Guidelines for the Coronavirus Economic Relief for Transportation Services (CERTS) Grant Program* (May 6, 2021), *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services. According to the CERTS guidelines Treasury published on May 6, 2021, to be eligible for payments under this program, companies must be established or organized in the United States or pursuant to federal law and must have a majority of employees in the United States, among other things. Further, passenger vessel companies must carry out their principal business using one or more passenger vessels of the United States (as each is defined in 46 USC § 2101) that (a) are for hire with a capacity of 6 to 2,400 passengers and (b) have U.S. Coast Guard issued Certificates of Inspection.

[43] U.S. Department of the Treasury, *Coronavirus Economic Relief for Transportation Services (CERTS) Program and Guidelines for the Coronavirus Economic Relief for Transportation Services (CERTS) Grant Program* (May 6, 2021, updated August 12, 2021) (accessed September 3, 2021), *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services

[44] U.S. Department of the Treasury, *Coronavirus Economic Relief for Transportation Services (CERTS) Grant Payments*, (Data set published September 1, 2021) (accessed on September 3, 2021), *available at* https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/coronavirus-economic-relief-for-transportation-services/Coronavirus-Economic-Relief-for-Transportation-Services-CERTS-Grant-Payments

[45] CDC, "Order Under Section 361 of the Public Health Service Act (24 U.S.C. 264) and 42 Code of Federal Regulations 70.2, 71.31(b), 71.32(b) Requirement for Persons to Wear Masks While on Conveyances and at Transportation Hubs," January 29, 2021) *available at* https://www.cdc.gov/quarantine/pdf/Mask-Order-CDC__GMTF__01-29-21-p.pdf.

thereafter, the TSA issued Security Directives and an Emergency Amendment to implement the CDC order and President Biden's Executive Order on Promoting COVID–19 Safety in Domestic and International Travel that required passengers and workers to wear face masks "in airports, bus and rail stations, as well as while on passenger aircraft, public transportation, passenger railroads, and over-the-road buses operating on scheduled fixed-routes."[46] The TSA directives currently expire January 18, 2022.[47] The operating administrations within DOT have also taken steps to ensure that operators under their purview implement this requirement. For example, in February 2021, FTA updated its Master Agreement for grantees to include compliance with CDC's mask order, and in May 2021, FAA released interim health and occupational safety guidance for airlines discussing requirements for mask-wearing.[48]

CONCLUSION

These federal relief efforts have been critical to the nation's economic and public health recovery from COVID–19. They helped to get needed supplies to states and local governments and financial relief to transportation workers and U.S. businesses impacted by the pandemic. Having heard from federal government witnesses on their oversight work to monitor the use of COVID–19 relief and response funds in Part I of this hearing series in July 2021, Members will now have an opportunity to discuss the impact of the federal government's actions on the transportation industry and its workers.

WITNESS LIST

- Mr. Paul Skoutelas, President & CEO, American Public Transportation Association (APTA)
- Mr. Juan Ortiz, Director of Homeland Security and Emergency Management, City of Austin, Texas—on behalf of the International Association of Emergency Managers (IAEM)
- Dr. Michael J. Boskin, T.M. Friedman Professor of Economics and Senior Fellow, Hoover Institution, Stanford University
- Dr. Wendy Edelberg, PhD, Director, The Hamilton Project, The Brookings Institution
- Mr. John Samuelsen, Transport Workers Union of America (TWU)

---

[46] TSA, "TSA to implement Executive Order regarding face masks at airport security checkpoints and throughout the transportation network," (January 31, 2021), *available at* https://www.tsa.gov/news/press/releases/2021/01/31/tsa-implement-executive-order-regarding-face-masks-airport-security.

[47] TSA, "Face Mask Requirements: Security Directives and Emergency Amendment," (last accessed September 7, 2021), *available at* https://www.tsa.gov/sd-and-ea.

[48] FTA, "Master Agreement: For Federal Transit Administration Agreements authorized by 49 U.S.C. chapter 53 and Title 23, United States Code (Highways), as amended by the Fixing America's Surface Transportation (FAST) Act, the Moving Ahead for Progress in the 21st Century Act (MAP–21), the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU), the SAFETEA–LU Technical Corrections Act of 2008, or other federal laws that FTA administers," (February 9, 2021) *available at* https://www.transit.dot.gov/sites/fta.dot.gov/files/2021-02/FTA-Master-Agreement-v28-2021-02-09.pdf; FAA, "Safety Alert for Operators: COVID–19: Updated Interim Occupational Health and Safety Guidance for Air Carriers and Crews," (May 25, 2021) *available at* https://www.faa.gov/other__visit/aviation__industry/airline__operators/airline__safety/safo/all__safos/media/2020/SAFO20009.pdf.

Mr. DEFAZIO. The Committee on Transportation and Infrastructure will come to order.

I ask unanimous consent that the chair be authorized to declare a recess at any time during today's hearing. Without objection, so ordered.

As a reminder, please keep your microphone muted unless speaking. Should I hear inadvertent background noise, I will request the Member please mute their microphone.

To insert a document into the record, please email it to DocumentsT&I@mail.house.gov.

In July, we held the first part of this hearing examining oversight of the Government's response to the COVID–19 pandemic within the purview of this committee.

Today, we will hear about the impact that the Government's COVID–19 relief funding and response have had on the transportation sector and its workers, on the ability of States and localities to support their communities with COVID–19 testing and vaccination, and on our Nation's economy.

We will also hear from our witnesses about how these efforts can be improved to be even more effective in the future.

The pandemic has had devastating health consequences for our Nation and the world. More than 42 million Americans have been infected; 675,000 have died, and the Federal Government was called upon to maintain a national-scale response to this crisis for an unprecedented period of time.

The Federal Emergency Management Agency has led the way in protecting the health and well-being of our communities. They have helped States and local governments establish community vaccination centers, provided relief for COVID testing, delivered tens of millions of N95 masks, surgical gowns, and other personal protective equipment.

States and local governments are now receiving reimbursement from FEMA, Federal Emergency Management Agency, for 100 percent of their costs for the safe opening and operation of schools, hospitals, shelters, and transit systems.

In addition, to prevent the further spread of the virus and protect the health of transportation workers and passengers, President Biden has ordered masks to be worn on transportation modes, including buses, airplanes, ferries, and other forms of transportation.

It not only hit the health of our citizens; it obviously directly impacted our economy. Commercial airline demand fell to virtually nothing, affecting revenues for airlines, airports, and associated businesses.

Today, passenger levels are still 25 percent lower than before the pandemic and not looking too good in the near term. Transit ridership on buses, subways, and commuter vanpools across the country has been decimated. Here in DC, ridership on Metrorail decreased 90 percent.

These declines led to devastating economic consequences for local, regional and State governments, transit agencies, airlines, and airports, among many others.

Companies operating shuttle buses and private bus charters were not spared. Some were forced to suspend service due to lack of passengers. Some went out of business altogether. It will take our transportation networks a very long time to recover financially, and they may be forever altered by changing workplace practices.

Congress took unprecedented actions to help cushion the economic blow to these transportation sectors. The programs Congress created and the funding it authorized helped transit and bus operators, airlines, airports, and other companies provide paychecks to their employees and essential transportation services to communities across the country.

Federal relief funds administered by the Federal Transit Administration allowed transit agencies to keep critical service running, avoid layoffs, and provide workers and bus riders with COVID–19 protections.

In aviation, the Payroll Support Program provided financial assistance to airlines—actually, to their employees, administered by the airlines—manufacturers, and other related businesses for wages, salaries, and benefits.

Airports, which also suffered revenue losses, received additional grant assistance from the Federal Aviation Administration for costs such as salaries and debt service.

Congress also created the Coronavirus Economic Relief for Transportation Services, or CERTS Program, so that motorcoach, schoolbus, and passenger vessel companies affected by the pandemic can maintain their payroll and hire back employees who were laid off.

These and other pandemic relief programs have helped thousands upon thousands of workers and their families.

According to the Bureau of Labor Statistics, so far this year, job growth has averaged nearly 600,000 new jobs each month, although not last month.

The economy has also been growing, due in part to a boost from pandemic relief spending with gross domestic product expected to show a substantial increase this year.

Governors, mayors, local officials, labor, and business have all applauded the support Congress provided through legislation that stopped the hemorrhaging of the economy and helped to fight the COVID epidemic.

Today we will hear from witnesses about how the Federal Government's pandemic assistance has helped transportation workers, emergency managers, and the Nation's economy.

We will also hear their views on how the Federal Government can do a better job as it continues to help our country recover from the impacts of the COVID–19 pandemic and how it can be better prepared to respond to future disasters.

I thank all our witnesses for being here today. I look forward to your testimony.

[Mr. DeFazio's prepared statement follows:]

Prepared Statement of Hon. Peter A. DeFazio, a Representative in Congress from the State of Oregon, and Chair, Committee on Transportation and Infrastructure

In July, we held the first part of this hearing examining oversight of the government's response to the COVID–19 pandemic. Today we will hear about the impact that the government's COVID–19 relief funding and response efforts have had on the transportation sector and its workers, on the ability of states and localities to support their communities with COVID–19 testing and vaccination, and on our nation's economy. We will also hear from our witnesses about how these efforts can be improved to be even more effective going forward.

The COVID–19 pandemic has had devastating public health consequences for our nation and the world. In the United States, it has infected more than 42 million Americans and resulted in over 675,000 deaths. The federal government was called upon to maintain a national-scale response to this crisis for an unprecedented period of time.

The Federal Emergency Management Agency (FEMA) has led the way in protecting the health and well-being of our communities. They have helped states and local governments establish community vaccination centers, provided funding for COVID–19 testing, and delivered tens of millions of N–95 masks, surgical gowns, and other personal protective equipment. States and local governments are now receiving reimbursement from FEMA for 100 percent of their costs for the safe opening and operation of schools, hospitals, shelters, and transit systems. In addition, to prevent the further spread of the virus and protect the health of transportation workers and passengers, President Biden ordered masks to be worn on transportation modes, including buses, airplanes, ferries, and other forms of transportation.

The pandemic wreaked havoc not only on the health of our citizens, but also on the health of our economy, and transportation was one of the hardest-hit sectors. Commercial airline demand fell drastically, affecting revenues for airlines, airports, and associated businesses. Today, passenger levels in the U.S. are still about 25 percent lower than before the pandemic.

Transit ridership on buses, subways, and commuter vanpools across the country has been decimated. Here in Washington, D.C., ridership on metro rail decreased nearly 90 percent in the spring of 2020. These declines led to devastating economic consequences for local, regional, and state governments, transit agencies, airlines, and airports, among many others.

Companies operating commuter shuttle buses and private bus charters were not spared. Some were forced to suspend service due to lack of passengers, and some went out of business entirely. Our transportation networks will take a long time to recover financially, and they may be forever altered by changing workplace practices.

Congress took unprecedented actions to help cushion the economic blow to these transportation sectors. The programs Congress created and the funding it authorized helped transit and bus operators, airlines, airports, and other companies provide paychecks to their employees and essential transportation services to communities across the country. Federal relief funds administered by the Federal Transit Administration allowed transit agencies to keep critical service running, avoid layoffs, and provide workers and riders with COVID–19 protections.

In the aviation sector, the Payroll Support Program provided financial assistance to airlines, manufacturers, and other related businesses for employee wages, salaries, and benefits. Airports, which also suffered revenue losses, received additional grant assistance from the Federal Aviation Administration for costs such as salaries and debt service.

Congress also created the Coronavirus Economic Relief for Transportation Services, or "CERTS," program so that motorcoach, school bus, and passenger vessel companies affected by the pandemic can maintain their payroll and hire back employees who were laid off.

These and other pandemic relief programs have helped thousands upon thousands of workers and their families. According to the Bureau of Labor Statistics, so far this year, job growth has averaged nearly 600,000 new jobs added each month. The economy has also been growing, due in part to the boost from pandemic relief spending, with gross domestic product expected to show a substantial increase this year. Governors, mayors and local officials, labor organizations, and business associations have all applauded the support Congress provided through legislation that thwarted the loss of American jobs, bolstered the economic security of U.S. small businesses, and helped to slow the spread of the COVID–19 virus.

Today we will hear from our witnesses about how the federal government's pandemic assistance has helped transportation workers, emergency managers, and the nation's economy. But I also hope to hear their views on how the federal government can do a better job as it continues to help our country recover from the impacts of the COVID–19 pandemic and how it can be better prepared to respond to future disasters of this nature.

Thank you to all of our witnesses for being here today. I look forward to your testimony. With that, I yield to Ranking Member Graves for his opening statement.

Mr. DEFAZIO. With that, I yield to the ranking member, Mr. Crawford.

Mr. CRAWFORD. I thank the chair and I just want to add a few comments. The Federal Government has spent at least $5.9 trillion to combat and respond to COVID–19. Much of this year's $1.9 trillion relief package, masqueraded as pandemic-related relief, was really just throwing money at various Pelosi priorities.

House committees also just marked up another $3.5 trillion for the majority's reconciliation bill, which, if it is jammed through Congress, will cost American taxpayers about $50,000 per household.

Despite throwing around all this money, we still haven't done our basic duty of funding the Government, which is hurtling toward a shutdown.

This unchecked spending is directly contributing to rising inflation, and Americans are feeling this hidden tax every day. We cannot continue with inflationary increases in prices every month as we have so far during the Biden Presidency.

Gasoline is up 42 percent. Bacon is up 17 percent. Beef is up more than 12 percent. Eggs are up 10 percent. And the list goes on.

What is worse is, despite the high cost of fighting this virus, we still have done nothing to hold China accountable for it.

I look forward to hearing from our witnesses and thank them for their patience and returning today. And with that, I yield back the balance of my time.

[Mr. Crawford's prepared statement follows:]

Prepared Statement of Hon. Eric A. "Rick" Crawford, a Representative in Congress from the State of Arkansas

Thank you, Chair DeFazio.

The federal government has spent at least $5.9 trillion to combat and respond to COVID–19.

Much of this year's $1.9 trillion relief package masqueraded as pandemic-related relief was really just throwing money at various Pelosi priorities.

House committees also just marked up another $3.5 trillion for the Majority's reconciliation bill, which, if it is jammed through Congress, will cost American taxpayers about $50,000 per household.

Despite throwing around all this money, we still haven't even done our basic duty of funding the government, which is hurtling towards a shutdown.

This unchecked spending is directly contributing to rising inflation and Americans are feeling this hidden tax every day.

We cannot continue with inflationary increases in prices every month as we have so far during the Biden Presidency. Gasoline is up 42 percent. Bacon is up 17 percent. Beef is up more than 12 percent. Eggs are up 10 percent, and the list goes on.

What's worse is despite the high cost of fighting this virus, we still have done nothing to hold China accountable for it.

I look forward to hearing from our witnesses and thank them for their patience and returning today.

I yield back the balance of my time.

Mr. DEFAZIO. I thank the gentleman for his brevity, and now we will turn to our witnesses. We will have five witnesses: Mr. Paul Skoutelas, president and CEO, American Public Transportation Association, APTA; Mr. Juan Ortiz, director of the Office of Emergency Management and Homeland Security, city of Austin, on behalf of the International Association of Emergency Managers; Dr. Michael J. Boskin, T.M. Friedman Professor of Economics and senior fellow at the Hoover Institution, Stanford University; Dr. Wendy Edelberg, director of The Hamilton Project, the Brookings Institution; and Mr. Greg Regan, the president of the Transportation Trades Department, AFL–CIO. Thank you for joining us here today, and I look forward to your testimony.

Without objection, your full witness statement will be included in the record, and with that, I would recognize Mr. Skoutelas for 5 minutes.

TESTIMONY OF PAUL P. SKOUTELAS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN PUBLIC TRANSPORTATION ASSOCIATION; JUAN MANUEL ORTIZ, DIRECTOR, OFFICE OF EMERGENCY MANAGEMENT AND HOMELAND SECURITY, CITY OF AUSTIN, TEXAS, ON BEHALF OF THE INTERNATIONAL ASSOCIATION OF EMERGENCY MANAGERS; MICHAEL J. BOSKIN, PH.D., TULLY M. FRIEDMAN PROFESSOR OF ECONOMICS AND WOHLFORD FAMILY SENIOR FELLOW, HOOVER INSTITUTION, STANFORD UNIVERSITY, ON BEHALF OF HIMSELF; WENDY EDELBERG, PH.D., DIRECTOR, THE HAMILTON PROJECT, THE BROOKINGS INSTITUTION, ON BEHALF OF HERSELF; AND GREGORY R. REGAN, PRESIDENT, TRANSPORTATION TRADES DEPARTMENT, AFL–CIO

Mr. SKOUTELAS. Good morning, Chairman DeFazio, Ranking Member Graves, and members of the committee. Thank you for this opportunity to testify today on the Federal Government's COVID–19 relief and its impacts on public transportation.

My name is Paul Skoutelas. I am the president and CEO of APTA, the American Public Transportation Association. We are the only association in North America that represents all modes of public transit. We are the voice of public transportation for both public- and private-sector members of our industry.

Public transportation has always been an essential service for American families. It provides essential mobility options, supports economic growth, improves the environment, makes our roads safer for drivers and pedestrians, and has served critical roles during natural disasters and other emergencies.

When the COVID–19 pandemic disrupted the lives of every American, transit, once again, served as an essential lifeline. Public transit systems brought healthcare professionals to the front lines, delivering groceries and medicine to at-risk populations, and connecting essential workers to their places of work.

Some agencies even provided exceptional services, such as delivering COVID–19 tests, or retrofitting buses into Wi-Fi hotspots to help students who would otherwise have difficulty accessing remote learning.

As States and cities implemented stay-at-home orders and encouraged social distancing, ridership for many agencies fell to as low as 20 percent of pre-pandemic ridership levels and many below that.

Through it all, healthcare and other essential workers continued to rely on transit to get to their critical jobs. Most significantly, transit workers served as heroes on the front lines.

The public transit industry directly employs some 450,000 workers today, and I would be remiss if I did not mention the significant toll that COVID–19 has had on transit agencies' frontline employees. Five hundred forty-five transit workers have been lost to COVID.

At the same time, the pandemic has devastated transit agency budgets, and we are deeply grateful that Congress recognized transit's essential role by passing emergency legislation to provide significant support for transit operating costs.

According to a recent APTA survey, nearly one-half of transit agencies stated that the COVID–19 emergency funding helped them avoid a complete shutdown of public transit service.

In addition, more than 75 percent of agencies said that COVID funding helped them avoid layoffs and furloughs. And the agencies today are putting these emergency funds to work.

According to the Federal Transit Administration, public transit agencies have obligated 98 percent of CARES Act funds. More than half of the CRRSAA funds have been obligated, and more than one-quarter of American Rescue Plan funds.

There should be no doubt that COVID relief funding is being well spent and has been absolutely critical to the survival of transit service during this public health emergency.

Public transit agencies are also helping to combat the pandemic directly. Last spring, APTA created a health and safety commitments program for public transportation agencies to implement in their own communities.

The goal was simple—control the spread of COVID–19, keep the riding public and our own workers healthy and safe, and win back public trust.

The program consists of four commitments to specific practices and policies for both transit agencies and transit users. They include following public health guidelines from official sources, protecting each other by taking appropriate precautions, keeping passengers informed and empowered to choose the safest times and routes to ride, and putting health first by requiring riders and employees to avoid public transit if they have been exposed to COVID–19 and feel ill.

More than 200 transit agencies participated in the program, helping to protect millions of people every day, which is leading to increased public confidence.

At the same time, public transit agencies have made it a priority to do everything they can to help Americans get vaccinated.

Transit agencies have done everything from ensuring that their transit employees had access to vaccines to helping the public get to vaccines by establishing clinics onsite or providing free rides to vaccine facilities.

The Federal emergency funding makes all of that possible.

Just as transit agencies have served Americans during this ongoing public health emergency, transit is well-poised to be a key driver of building a 21st-century transportation system that will address the challenges of our time: economic recovery, equity, climate change, and global competitiveness.

As the Nation emerges from the pandemic, transit ridership continues to climb each month. About 6 months ago, the ridership levels compared to pre-pandemic were about 41 percent; 3 months ago, national transit ridership was at 50 percent of pre-pandemic levels; and today, transit ridership is almost two-thirds, about 63 percent of 2019 levels.

We expect increasing transit ridership to continue as Americans return to offices and become more comfortable resuming normal activities in their communities.

As we look to the future, we urge Congress to provide the necessary funding to address the $105 billion state-of-good-repair backlog that exists which is needed to modernize our systems and meet the growing and evolving demands of our communities, large and small, all over the country.

APTA strongly supports the Infrastructure Investment and Jobs Act, which makes critical investments in surface transportation, including $107 billion for public transit——

Mr. DEFAZIO. Thank you, Mr. Skoutelas. If you could summarize very briefly.

Mr. SKOUTELAS. Sure. Let me conclude with just three facts that we always need to keep in mind with regard to transit investment. Every dollar invested in public transportation [inaudible] in economic returns; 50,000 jobs are created for every $1 billion of investment.

Thank you, Mr. Chairman, and I look forward to answering any questions that the committee may have.

[Mr. Skoutelas' prepared statement follows:]

Prepared Statement of Paul P. Skoutelas, President and Chief Executive Officer, American Public Transportation Association

INTRODUCTION

Chairman DeFazio, Ranking Member Graves, and Members of the Committee on Transportation and Infrastructure, on behalf of the American Public Transportation Association (APTA) and its public- and private-sector member organizations that directly employ 450,000 transit workers and support several million private-sector jobs, thank you for the opportunity to testify on "Assessing the Federal Government's COVID–19 Relief and Response Efforts and its Impact—Part II".

My name is Paul Skoutelas, and I am the President and Chief Executive Officer of APTA, an international association representing all modes of public transportation—bus, paratransit, light rail, commuter rail, subways, waterborne services, and high-performance intercity passenger rail.[1] I am pleased to have the opportunity to discuss how public transit agencies have used federal COVID–19 emergency funding during the ongoing pandemic.

TRANSIT'S ESSENTIAL ROLE DURING THE PANDEMIC

Transit has always been an essential service, providing mobility options for Americans, supporting economic growth, improving the environment, making our roads safer for drivers and pedestrians, and serving critical roles during natural disasters and other emergencies. When the COVID–19 pandemic disrupted the lives of every American, transit served as an essential lifeline. Public transportation systems brought healthcare professionals to the frontlines, delivered groceries and medicine to at-risk populations, and connected essential workers to their places of work. Some agencies even provided exceptional services such as delivering COVID–19 tests or retrofitting buses into Wi-Fi hotspots to help students who would otherwise have difficulty accessing remote learning.

[1] APTA members include public transportation systems; planning, design, construction, and finance firms; product and service providers; academic institutions; state transit associations; and state departments of transportation.

Given official declarations to close businesses and impose stay-at-home orders, as well as other measures such as a dramatic increase in remote work, public transit agencies across the nation faced severe ridership declines and state and local revenue losses. Public transportation continued to serve our communities despite significantly increased operating costs and dramatically reduced sources of funding, including fares and other revenues. In most places, fare collection was suspended for safety reasons. State and local transit funding was diverted to address other COVID-related needs. Most significantly, transit workers served as heroes on the front lines. The public transit industry directly employs 450,000 workers, and I would be remiss if I did not mention the significant toll that the COVID–19 pandemic has had on transit agencies' frontline employees—545 transit workers have been lost to COVID.

We thank Congress for recognizing transit's essential role by passing emergency legislation to provide significant support for transit operating costs that was essential for the very survival of many agencies. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act (ARP) each provided critical support for public transportation. COVID relief funds helped stabilize agency budgets, which allowed them to continue their capital and construction programs, maintain jobs, and help the economy recover.

According to a recent APTA survey, almost one-half of public transit agencies (44 percent) stated that COVID–19 emergency funding helped them avoid a complete shutdown of service. In addition, the overwhelming majority of agencies said that COVID–19 funding helped them avoid layoffs (77 percent) and furloughs (79 percent).[2]

In addition, COVID–19 relief funding has enabled public transit agencies to ramp up service as people start traveling more and return to offices. Today, two-thirds of public transit agencies (65 percent) are operating at 75 percent or more of their pre-pandemic service levels.[3]

Emergency federal funding was vital to keeping public transportation systems operating, but this does not mean those dollars were used to simply maintain pre-pandemic functions. Transit agencies pivoted to address urgent needs during the pandemic, such as:

- Redesigning routes and revising schedules to better serve riders who most heavily rely on transit;
- Keeping transit workers on the job, often deploying employees in different jobs that had become priorities due to COVID–19;
- Reallocating resources to ensure essential workers—such as front-line responders, health care employees, pharmacists, hospital staff, grocery store clerks, and community service providers—could reach their places of employment;
- Delivering meals and critical supplies to those without resources and carrying individuals with chronic health issues to life-saving treatments; and
- Ensuring that vaccines were available to transit employees as soon as they were eligible, and providing free, convenient travel to vaccination sites for the general public.

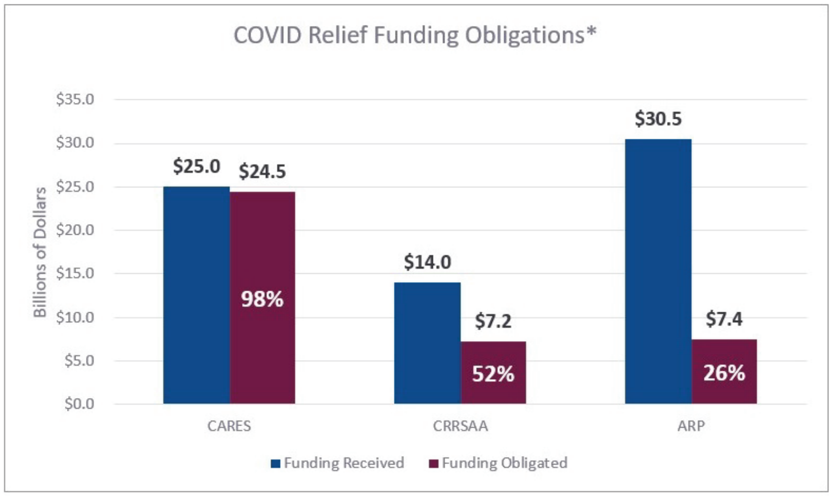
Transit agencies are investing these emergency funds in services that are absolutely vital in their communities. To date, public transit agencies have obligated 98 percent of CARES Act funding. Transit agencies have also obligated more than one-half of CRRSAA funds and one-quarter of ARP funds. According to APTA's survey, one-half of responding agencies (51 percent) expect to exhaust all of their COVID–19 relief funds by January 2023 and the vast majority of agencies (82 percent) expect to expend all of their funds within the following year.[4]

---

[2] APTA Policy Brief, *Covid Relief Funding Critical to Transit Survival* (APTA Policy Brief) (July 2021), at 2. This survey was conducted of APTA transit agency members in July 2021. One hundred thirty-six (136) members responded to the survey, with those agencies carrying more than three-quarters of U.S. transit ridership.

[3] *Id*. at 1.

[4] *Id* at 3.



* Please note that the percentages obligated represent the percentage of formula funds allocated under the COVID–19 emergency funding acts.

There should be no doubt that COVID–19 emergency funding was critical to the survival of transit service during the pandemic. Agencies that responded to our survey had this to say about the impact of COVID emergency funding:

- "COVID relief funding has prevented the outright cancelation of our commuter bus program. It has also been a valuable tool to pay front-line staff to self-isolate/quarantine when they showed symptoms of COVID. As a result, we have had no outbreaks amongst staff that have been tied to work."
- "The biggest benefit we saw was the preservation/continuation of employment and pay for our employees and contract teams, and the provision of essential service to our community (especially essential workers)."
- "COVID-related funding has been a major factor in being able to pay for PPE, purchase of ion electric cleaners, driver compartment plexiglass barriers, adding bus/facility cleaners for heightened cleaning to keep our employees and the public as safe as possible."

Finally, one agency summed it up as follows: "Receiving the CARES, CRRSAA, and ARP monies literally saved our region's public transportation system."

APTA members have also done their part in ensuring that their systems were ready to welcome passengers back, as detailed below.

APTA SAFETY & HEALTH COMMITMENTS PROGRAM

At the outset of the pandemic, APTA members established a Mobility Recovery & Restoration Task Force, which developed a Health & Safety Commitments Program for public transportation agencies to implement in their own communities. The goal was simple: control the spread of COVID–19, keep the riding public and our own workers healthy and safe, and win back public trust. The APTA program consists of four commitments to specific practices and policies for both transit agencies and transit users to follow:

More than 200 public transit agencies participate in this program, helping to protect millions of people every day.

Keeping buses on streets and trains on rails—where and when they were needed most—was our mission, but we also needed to make sure these operations were safe for passengers and transit employees.

As a result of our agencies' concerted efforts, ridership continues to climb, albeit slowly. According to the Federal Transit Administration (FTA), some smaller transit systems are reporting ridership nearing 80 percent or more of pre-pandemic levels.[5] This is a positive development to see riders return as public transit is essential for economic recovery and the nation's well-being.

TRANSIT AGENCIES HELPING VACCINATE AMERICANS

Public transportation agencies and organizations are helping people get to COVID–19 vaccination sites by providing free rides, and in some cases, transit facilities have become vaccination clinics. These efforts have been made possible because of federal emergency funding provided to the public transit industry. There are countless examples of transit agencies going above and beyond the call of duty to help in the vaccination effort, and I will describe a few here.

The Tri-State Transit Authority (TTA) (Huntington, WV) has partnered with the Cabell-Huntington Health Department to provide free rides to and from any vaccine clinic in Cabell County, available on any TTA bus or dial-a-ride service.

The Jacksonville Transportation Authority (JTA) (Jacksonville, FL) partnered with a non-profit health center to provide "Wellness on Wheels", a mobile vaccination service to bring the COVID–19 vaccine directly to seniors and at-risk citizens throughout Jacksonville, specifically targeting areas where there are gaps in health equity.

In May, the North Carolina Department of Transportation (NCDOT) reported that its state's transit systems had taken more than 8,500 residents to vaccine appointments. It credited federal COVID–19 emergency funds for enabling 82 North Carolina transit agencies to provide rides to vaccine sites.[6]

The Santa Clara Valley Transportation Authority (VTA) (San Jose, CA) offered free rides on its buses and light rail to Levi's Stadium in Santa Clara, which hosted a mass vaccination site. VTA also increased the frequency of seven bus routes to help relieve the impact of passenger pass-ups due to limited capacity necessitated by the requirements to social distance.

Again, there are countless other examples of transit agencies supporting their communities in this way, and the work is ongoing across the country.

TRANSIT'S ESSENTIAL ROLE IN REBUILDING OUR ECONOMY

As the nation emerges from the ongoing COVID–19 public health emergency, transit is poised to be a key driver of building a 21st century transportation system that will support economic recovery, address equity and climate change, and increase our global competitiveness. Transit ridership continues to climb each month. Three months ago, national transit ridership was at 50 percent of pre-pandemic levels. Today, transit ridership is almost two-thirds (63 percent) of 2019 levels. Increasing transit ridership is expected to continue as Americans return to offices and become more comfortable resuming normal activities.

I again express our deep gratitude for the federal COVID–19 emergency funding that supported operations during a time that posed an existential threat to public transit. While the COVID–19 emergency support was designed to support the *operating* budgets of transit agencies,[7] we look forward to continuing to work with Congress to invest in transit *capital* programs. APTA strongly supports the Infrastructure Investment and Jobs Act (IIJA), which makes critical investments to surface transportation infrastructure, including $107 billion for public transportation and $102 billion for commuter rail, Amtrak, and other high-performance rail. APTA also strongly supports this Committee's title of the Build Back Better Act, which creates a new, innovative program to provide $10 billion for competitive grants for public transit access to affordable housing and to enhance mobility for low-income riders and residents of disadvantaged communities.

Taken together, these critical investments in public transportation prioritize equity, health, job creation, and climate action. Investing in public transit will signifi-

[5] *See* FTA Press Release, Americans Riding Public Transportation in Greater Numbers [https://www.transit.dot.gov/about/news/americans-riding-public-transportation-greater-numbers] (July 21, 2021).

[6] According to NCDOT, "Since January, NCDOT and NCDHHS have been administering $2.5 million in Coronavirus Relief Funding to local transit agencies in every county. The funds are being used to offset the operating costs associated with transit rides to and from vaccination sites for people who are receiving or assisting someone in receiving the COVID–19 vaccine. To date, 82 transit agencies have reported using the federal funds to take people to and from vaccine sites in North Carolina. Those agencies have traveled more than 100,000 miles to take people to vaccine appointments." https://www.ncdot.gov/news/press-releases/Pages/2021/05-11-2021-transit-agencies-8500-vaccine-sites.aspx

[7] According to APTA's July 2021 survey, 90 percent of transit agencies have used their COVID emergency funding exclusively or mostly for operations.

cantly reduce greenhouse gas emissions, improve air quality and public health, and help transform our nation's transportation network for a sustainable future. Together, the bills reflect key pillars of APTA's Surface Transportation Authorization Recommendations,[8] addressing the $105 billion state-of-good-repair backlog and providing the necessary investment to meet the growing and evolving demands of our communities.

We believe that passing both the IIJA and the Build Back Better Act will provide the transformational investment in infrastructure that the country so desperately needs to recover from the COVID–19 pandemic and thrive in the future.

Conclusion

On behalf of APTA, thank you for giving me the opportunity to testify about the tremendous work that transit agencies have been doing throughout this pandemic. Public transit will continue to be essential for our economic recovery. We stand ready to work with you on these important infrastructure initiatives and other issues related to public transportation.

Mr. DeFazio. OK. I thank the gentleman.

Mr. Ortiz, you are recognized for 5 minutes.

Mr. Ortiz. Chair DeFazio, Ranking Member Graves, and members of the committee, thank you for the opportunity to testify at today's hearing. My name is Juan Manuel Ortiz. I serve as the director of the city of Austin's Homeland Security and Emergency Management Department. I am testifying today on behalf of the International Association of Emergency Managers, as well as the city of Austin.

The city of Austin's Office of Homeland Security and Emergency Management is responsible for preparedness, response, recovery, and mitigation for emergencies and disasters, among many other services.

In the past 18 months, we have responded to a category 4 hurricane, a devastating pandemic, a major winter storm that crippled our State's power grid, and many other emergencies.

My testimony today will provide examples of constructive comments with the goal of strengthening Federal, State, and local emergency management, and improving our ability to meet our core mission in protecting our community in emergency situations.

Today, I will cover inconsistencies in the application of Federal rules and law, the necessity for adequate funding for grant operations, and if time permits, supply chain management.

During the COVID–19 pandemic, providing temporary protective shelters for Austin's most vulnerable and at-risk residents proved to be one of our most difficult and most expensive challenges.

In the wake of an outbreak at Austin's primary congregate shelter facility, the city took quick action and leased six hotels to provide noncongregate, protective shelter and isolation facilities for people at high risk of severe disease from COVID–19, including people experiencing homelessness.

The city implemented these shelter spaces on the established rules and guidance from the CDC and FEMA, and staff worked closely with FEMA region 6 to establish the noncongregate shelter program in accordance with their policies and guidelines.

---

[8] In October 2019, the APTA Board of Directors adopted *APTA's Recommendations on Surface Transportation Law* [https://www.apta.com/advocacy-legislation-policy/federal-legislative-issues/authorization/]. The *Recommendations* detail a funding proposal and programmatic reforms that will create or sustain more than two million jobs.

Regrettably, it became very clear months into the process that although the rules and guidance published by the agencies allowed the local expenditures to protect our most vulnerable population, our reimbursement from FEMA for the program was at risk because of the inconsistent enforcement of rules from regional FEMA offices throughout the Nation.

After pursuing the program for over a year, we have received strong indications from FEMA region 6 that our reimbursement request for our pandemic noncongregate shelter program may be denied.

An adverse FEMA decision on noncongregate shelter reimbursement poses serious risk to public health and our budget.

The city of Austin has spent $40 million in noncongregate shelters, and as you can imagine, our frustration has grown with the thought of no reimbursement as we have learned that expenditures identical to ours are being reimbursed in other FEMA regions. This showcases the inconsistencies in the application of laws across the country.

It is critical that FEMA approve pandemic-related, noncongregate shelter project applications and other requests uniformly across all 10 FEMA regions. Consistency in the application of policy from FEMA on these decisions is critical to improving efforts to protect our residents.

I recognize that I am addressing the authorizing committee and that annual funding decisions are the responsibility of the Appropriations Committee, but I must include a discussion about our funding, specifically regarding the Emergency Management Performance Grant, EMPG, the Urban Area Security Initiative, UASI.

To improve the Federal, State, and local partnership and our ability to meet our joint emergency missions, it is essential that Congress increase funding for these core programs. EMPG and UASI are the foundation of the local emergency management efforts.

Regrettably, the sequester and the budget austerity that followed the 2011 budget agreement did not spare these core programs, and funding has not kept pace with population growth, inflation, and, most importantly, need. Essentially, local governments are being asked to do more with much less.

I know that you are all too familiar with what it means for a community to be at the margins of inclusion in UASI. However, Austin has not participated in UASI since Congress reduced funding for the program in fiscal year 2011.

Austin should be a UASI participant just as we were one decade ago. For metropolitan areas such as ours, the best answer lies not in tweaking the UASI threat risk assessment, but in Congress increasing funding for the program to ensure that many more Americans benefit from UASI.

Local emergency management programs are historically understaffed, most consisting of just one person, and are struggling to keep up with the new demand placed upon them with the pandemic.

EMPG funding flows to the local communities through the State as a subaward. However, there are no requirements for a State to allocate funds to local communities, and as a result, access to EMPG funding varies from State to State.

Even in my State, which is one of the only to have a process to support local programs, we have seen consistent reductions ranging from 30 to 60 percent in funding over the past 10 years.

As you all know, the benefits of UASI and EMPG are considerable. Communities that are fortunate to participate in the program are not just better prepared, equipped, and trained, but also able to benefit from the regional collaboration and cooperation that the UASI——

Mr. DEFAZIO. If you could summarize, please, sir.

Mr. ORTIZ. In conclusion, that concludes my testimony, and as I mentioned previously, I am grateful for the opportunity to discuss these issues with you today. My written testimony provides much more detail on these issues as well as others. I am happy to answer any questions you may have for me today. Thank you.

[Mr. Ortiz's prepared statement follows:]

Prepared Statement of Juan Manuel Ortiz, Director, Office of Emergency Management and Homeland Security, City of Austin, Texas, on behalf of the International Association of Emergency Managers

INTRODUCTION

Chair DeFazio, Ranking Member Graves, and members of the Committee, thank you for the opportunity to testify at today's hearing. My name is Juan Manuel Ortiz. I serve as the Director for the City of Austin's Office of Homeland Security and Emergency Management [https://www.austintexas.gov/department/homeland-security-and-emergency-management].

I am testifying today on behalf of the International Association of Emergency Managers (IAEM) [https://www.iaem.org/]. IAEM is the premier professional organization for emergency management, with more than 6,000 members worldwide. The mission of IAEM is to advance our profession by promoting the principles of emergency management; and, to serve our members by providing information, networking, and development opportunities. We are a non-profit educational organization dedicated to promoting the "Principles of Emergency Management" and representing those professionals whose goals are saving lives and protecting property and the environment during emergencies and disasters. IAEM was founded in 1952 as the U.S. Civil Defense Council, becoming the National Coordinating Council of Emergency Managers (NCCEM) in 1985, and the International Association of Emergency Managers in 1997. Today, IAEM continues to drive the development of the profession of emergency management through its promotion of the Principles of Emergency Management [https://www.iaem.org/About/Principles-of-EM], Certified Emergency Manager (CEM) Program [https://www.iaem.org/certification/intro] and IAEM Scholarship Program [https://www.iaem.org/Resources/Scholarships]. The Student Council [https://www.iaem.org/council/student/home] now has chapters at universities around the world and works to engage with future professionals as they choose their career paths.

The City of Austin [https://www.austintexas.gov/] is a home rule local government covering 271 square miles and serving nearly 1 million residents and more than 30 million annual visitors each year. Austin is the heart of one of our nation's fastest growing (32.4% population growth over the past decade) and most dynamic metropolitan areas, which is home to 2.2 million people. In addition to state government, the University of Texas, and major regional health care institutions, we are the proud home of the Army Futures Command [https://www.army.mil/futures/?from=org] and of numerous national and regional corporate headquarters, including such well-known names as Apple, Dell, eBay, IBM, Oracle, NXP Semiconductors, VRBO, Whole Foods, and Yeti. Austin annually hosts numerous events that draw tens of millions of visitors, including major internationally known events such as South by Southwest [https://www.sxsw.com/], the Formula 1 Aramco United States Grand Prix [http://circuitoftheamericas.com/f1/tickets], and Austin City Limits [https://www.aclfestival.com/], in addition to countless other events that draw large crowds and visitors from around the nation and the world.

The City of Austin Homeland Security and Emergency Management Office is one of several public agencies charged with keeping our city and metropolitan area safe. The 14 employees of our Office plan and prepare for emergencies, educate the public about preparedness, develop volunteers, manage grant funding to improve homeland security and public safety capabilities, coordinate emergency response and recovery, support planned events, and work with public and partner organizations to protect our whole community when it needs us the most. We were the first local emergency management agency in Texas to earn full accreditation under the Emergency Management Accreditation Program, placing us among the nation's leading emergency management agencies. That distinction is the result of our broad-based work and our innovative programs, such as Disaster Ready Austin [https://www.austintexas.gov/department/homeland-security-and-emergency-management/disaster-ready-austin], a collaborative initiative to educate and empower residents to be prepared for emergencies and disaster that provides households, businesses, and schools with emergency planning and preparedness tools, and a recognition of our comprehensive emergency management program.

We are a comprehensive emergency management operation. In addition to planning and preparing for events that draw tens of millions of visitors and large crowds, our work addresses all aspects of emergency management. Indeed, although large events constitute a sizable portion of our workload, the top five hazards that Austin and Central Texas residents face and that keep our staff perpetually busy are floods (Austin is in the heart of "flash flood alley"), wildfires, severe weather, hazardous materials spills, and, especially over the past 18 months, a pandemic.

Our 2020 Annual Report [http://www.austintexas.gov/sites/default/files/files/HSEM/2020%20Annual%20Report__Web.pdf] provides a good snapshot of our work. Quoting from my opening message in the report:

> "2020 proved to be anything but a normal year, not only for emergency management, but the Austin community with the challenges we faced. It was a year that brought struggles for many but was also a year that saw Austinites and other communities come together and lead the way in tackling a global pandemic.
>
> On March 1, 2020, the Austin-Travis County Emergency Operations Center (A–TCEOC) was activated in response to COVID–19. In truly historical times, emergency operations have now been sustained well into 2021—over a yearlong activation. The COVID–19 response has brought together partners and organizations across the region to provide support and care for individuals.
>
> While COVID–19 was the headline for 2020, our staff has continually met additional challenges head on as other events unfolded throughout the year—staff pursued training and learning how to combat new emergencies that our community faces and handled numerous severe weather events ranging from extreme heat to bitter cold. Additionally, Austin became a shelter for many Hurricane Laura evacuees.
>
> In 2019, we began redevelopment our emergency plans to ensure that our team maintains both its focus and readiness posture to mitigate, respond to and recover from all-hazards emergencies that affect our community, and that mission did not end with COVID–19. These processes carried on well into 2020 as we adapted and modified plans to meet growing challenges and is a process that will continue every year.
>
> The lessons learned from 2020 will be invaluable to our vision of being a disaster-prepared and resilient community and will shape the future of emergency management responses.
>
> The partnerships forged during the trying year will ensure that we are more prepared than ever." [1]

In 2020, we added nearly 50 temporary staff to help us respond to COVID–19, created a disaster reserve team to support response needs , logged 1.1 million response hours, sheltered thousands of Gulf Coast residents displaced by category 4 Hurricane Laura, coordinated the regional response to record breaking cold that crippled our state's power grid, distributed 71,676 units of hand sanitizer, distributed nearly 12 million pieces of personal protective equipment, housed 536 severely at-risk individuals in temporary protective shelter, housed more than 2,000 people in an isolation facility for COVID–19, established an alternate care site for COVID–

[1] http://www.austintexas.gov/sites/default/files/files/HSEM/2020%20Annual%20Report__Web.pdf

19 patients, coordinated medical staffing to 31 area hospitals and launched a mobile phone application to help residents be better prepared for disasters.

Of course, we do not do this on our own. In addition to our City of Austin and our regional partners, our partnership with the Texas Division of Emergency Management (TDEM) and with the Federal Emergency Management Agency (FEMA) are critical to our efforts. We greatly appreciate their partnership and their support as our work would not be possible without it.

As this Committee and Congress look at how the federal government can better support local emergency management efforts, my testimony will aim to provide constructive guidance with the aim of strengthening these partnerships and improving our ability to meet our core mission.

RECENT LAWS: FACE ACT OF AND DISASTER RECOVERY REFORM ACT OF 2018

I would be remiss if I did not begin with a recognition of what Congress has done in recent years to improve the federal-state-local emergency management partnership. The Federal Advance Contracts Enhancement Act (FACE Act/PL 116–272) and the Disaster Recovery Reform Act of 2018 (PL 115–254) made important improvements to the federal-state-local emergency management partnership. The full Transportation & Infrastructure Committee worked hard on these laws, and we deeply appreciate those efforts.

Enacted in response to a 2018 General Accountability Office (GAO) report [2], the FACE Act makes several improvements to the advance contracts process whereby FEMA provides its state and local partners with goods and services ahead of disasters so that they can be rapidly deployed. The bill implements GAO's recommendations to improve the advance contracts process, including providing state and local partners with updated and full information about available advance contracts, updating program guidance, and regular communication with congressional oversight committees.

The Disaster Recovery Reform Act of 2018 made even more important improvements. It made it more difficult for FEMA to recapture disaster assistance funds based on technicalities and put a statute of limitations to recapture disaster assistance funds. There is no question that FEMA should have full authority to recapture disaster assistance funds that were willfully or carelessly misspent. However, FEMA all too often recaptures disaster assistance funds on the pretext of small violations of arcane procedural rules and regulations, the complexity of which are exacerbated by policy inconsistencies across regions and from year to year. That situation not only creates an adversarial relationship between FEMA and its state and local partners, but it leads to trepidation among state and local emergency managers and officials and a focus on bureaucratic minutiae when state and local emergency managers and officials should be focused on a bold and comprehensive disaster response effort. These provisions in the 2018 law went a long way towards reducing that adversarial relationship and to allowing for a more robust state and local response in the immediate aftermath of a disaster.

More importantly, Section 1234 of the 2018 law overhauled and bolstered FEMA's pre-disaster mitigation efforts, creating the Building Resilient Infrastructure and Communities (BRIC) and Flood Mitigation Assistance (FMA) programs. This may be the most important change Congress has made to FEMA programs in a generation. For too many years, there was much study, discussion, and debate about how our nation needed to shift from responding to disasters, usually in an ad hoc and increasingly expensive manner, to creating more resilient communities that are better protected from and prepared for disasters. BRIC and FMA put words into action, providing a major increase in federal funding for pre-disaster mitigation and better focusing that funding on local governments that implement local policies to make their communities more resilient.

Austin has an excellent pre-disaster mitigation story I can share with the Committee. As I mention above, a major challenge facing Austin and other central Texas communities is the ever-present danger of flash floods. The combination of local topography, a rocky landscape, and rainfall events that are often severe and localized lead to flash floods that can quickly turn quiet streams into raging torrents with little or no warning. It is for good reason that Austin and Central Texas have been dubbed "flash flood alley".

The City of Austin has taken a proactive approach to this problem, establishing a Watershed Protection Department [http://www.austintexas.gov/department/watershed-protection] charged with protecting lives, property, and the environment by reducing the impact of flood, erosion, and water pollution. Where practicable, City pol-

[2] https://www.gao.gov/assets/gao-19-93.pdf

icy favors a "natural" approach to flood damage protection that focuses on removing households and people from repetitive risk flood areas. Similarly, City policy promotes a "natural" approach to watershed protection and stormwater management that uses green infrastructure and natural elements to protect riparian areas and water quality.

For example, in the Onion Creek watershed in a low- and moderate-income neighborhood in south Austin, the City has partnered with the Army Corps of Engineers and FEMA to buy out and relocate more than 800 households from a severely flood-prone neighborhood of single-family homes. After completion of those buyouts, the City and our federal partners restored the flood plain and its riparian areas to their natural state and created a new park that provides an array of recreational opportunities.

The City combines these "natural" approaches with traditional grey infrastructure in areas where relocations are not practicable and natural, green infrastructure approaches are not practicable or sufficient. For example, to address flooding along Waller Creek, which runs from the University of Texas through the heart of downtown Austin before emptying into Lady Bird Lake, the City constructed the Waller Creek Flood Control Tunnel [3] in downtown Austin. For years, severe flooding, erosion and water quality problems have beset Waller Creek. The Project consists of a stormwater bypass tunnel that will address high priority flooding, erosion, and water quality problems along lower Waller Creek. The mile-long tunnel will safely convey floodwaters by capturing and redirecting floodwater, creating an opportunity to restore the creek and revitalize the Waller Creek District. The Waller Creek Tunnel protects lives from the dangers of flash flooding, removed more than 28 acres of downtown from the floodplain, protects 42 structures, 12 roadways and creates an environment suitable for redevelopment in the heart of downtown Austin, a centrally located area that is well served by existing infrastructure and provides easy and sustainable access (pedestrian, bicycle, and transit) to jobs, education, services, and other opportunities.

However, the City has been unsuccessful in obtaining much-needed BRIC funding for mitigation projects, despite the strong benefit cost analysis addressing an area that has been impacted multiple times, and where power and water plants are cut off from access. We feel this may be due in part because the State of Texas does not facilitate the adoption and enforcement of the latest published editions of Building Codes (IBC/ IRC 2015/ 2018). However, this reduction in points does not factor in the higher building standards at the local level, and this points system denies funding opportunities for worthy mitigation projects.

RECENT AUSTIN EXPERIENCE & HOW IT CAN INFORM EFFORTS TO IMPROVE THE FEDERAL-STATE-LOCAL PARTNERSHIP

As mentioned above, in 2020, HSEM added nearly 50 temporary staff to help us respond to COVID–19, logged 1.1 million response hours, sheltered thousands of Gulf Coast residents displaced by category 4 Hurricane Laura, coordinated the regional response to record breaking cold that crippled our state's power grid, distributed 71,676 units of hand sanitizer, distributed nearly 12 million pieces of personal protective equipment, housed 536 severely at-risk individuals in temporary protective shelter, housed more than 2,000 people in an isolation facility for COVID–19, established an alternate care site for COVID–19 patients, and launched a mobile phone application to help residents be better prepared for disasters.

Providing temporary protective shelter for the most vulnerable and at-risk residents of Austin proved to be one of our most difficult and most expensive challenges. In the wake of an early COVID–19 outbreak at our congregate shelter facility, the City acted, fearing that future outbreaks among people experiencing homelessness would pose a risk to those people and to the larger community, especially in terms of hospital capacity. Specifically, the City leased six hotels to provide protective shelter and isolation facilities to provide non-congregate shelter for people at high-risk of contracting COVID–19, including people experiencing homelessness.

The Austin-Travis County Interim Health Authority established the non-congregate shelter program to provide quarantining and isolation to individuals exposed to, carrying, or at high-risk for severe illness from COVID–19. The City's actions were in accordance with FEMA policy allowing reimbursement for non-congregate shelter and support services on a case-by-case basis. In addition, the City closely consulted with FEMA Region VI and the State and hewed closely to CDC guidance.

[3] http://www.austintexas.gov/department/waller-creek-tunnel

The COVID–19 pandemic represents the first time in U.S. history that every County, State and Territory is under identical and concurrent major disaster declarations. This unprecedented dynamic has FEMA regions making eligibility determination on similar issues, which has unfortunately resulted in inconsistent and non-uniform application of policy across the different regions. Public Assistance (PA) funding requests funnel through a series of reviews at the regional, Consolidated Resource Center (CRC) and headquarter levels. Given the complexity in program and policy, each region is given the latitude to apply certain discretionary interpretations of eligibility. For COVID–19, this has resulted in certain FEMA Regions applying a more flexible eligibility interpretation than others. For the City of Austin within FEMA Region VI, this has resulted in an unfavorable situation where FEMA Region VI has indicated in writing that certain significant non-congregate sheltering costs are ineligible for PA. Within FEMA Region IV and Region III similar costs have been approved and obligated.

The City is incurring costs of approximately $3 million per month to lease six hotels to provide these services: one Isolation Facility (ISOFAC) for individuals who have been exposed to or tested positive for COVID–19 that do not require hospitalization but require quarantine or isolation; and five facilities that provide temporary protective sheltering facilities for asymptomatic, high-risk individuals who require emergency non-congregate sheltering as a social distancing measure (PROLODGE).

FEMA has only approved the City's non-congregate sheltering request for June, citing the following concerns in response to requests for additional months:

1. Sheltering of individuals identified as homeless, "high-risk," or "at-risk" because they do not have secure housing arrangements would not be eligible for PA.

   The City of Austin contends that its ProLodges are an effective public health measure that is in alignment with FEMA, Center for Disease Control (CDC), and Local Health Authority guidance. Consistent with CDC guidance, and based on the direction the Public Health Authority for Austin-Travis County, the City identifies individuals over the age of 65; individuals of all ages with certain underlying medical conditions; and individuals without the ability to safely self-isolate, including those experiencing unsheltered homelessness, at increased risk for severe illness from COVID–19 and constitutes the designation of "high-risk" category. Providing temporary non-congregate sheltering to high-risk individuals is an effective public health measure that mitigates the transmission of COVID–19 and reduces the threat of inundating our area hospitals.

2. Individuals that have been identified as needing NCS must remain in the facility full-time. Sheltering costs incurred for individuals leaving the facility periodically during the day or night, and then returning, does not protect those individuals at the facility or the public at large, and, therefore, would not be eligible for PA.

   The City would like to clarify that at the at the IsoFacs, which are for individuals who have been exposed to or tested positive for COVID–19 that require quarantine or isolation, guests are not permitted to enter and leave at-will. At the ProLodges, which are a form of protective sheltering for asymptomatic high-risk individuals who cannot otherwise effectively socially distance, guests are encouraged to remain sequestered in their rooms and avoid other travel, unless deemed essential. The City has taken efforts to incentivize guests to remain in their rooms. However, as these individuals are not confirmed, or suspected carriers of COVID–19, the City does not and cannot legally restrict their movement.

3. Sheltering of individuals that exceeds 14 calendar days will require justification upon submission of request for reimbursement that identifies that the length of sheltering for individuals is based on health guidance and is limited to what is needed to address the immediate threat to public health and safety. CDC guidance recommends a 14-day isolation or quarantine period for those that test positive or have been in contact with a person that tested positive.

   The City of Austin is in compliance with the CDC's recommended 14-day maximum period for isolation or quarantining at the IsoFacs. Historically, the average length of stay at the IsoFac has been between 6 and 7 days. There is not a specified timeframe for a guest duration at the ProLodges because there continues to be sustained virus transmission within the community and the Local Health Authority has regularly reassessed and ordered protective non-congregate shelters necessary to protect public health and safety. According to FEMA guidance the length of non-congregate sheltering depends on the needs in each area and should be in accordance with the guidance and direction from appropriate health officials. Following this guidance, the ProLodges are a form of protective shelter—not a quarantine or isolation site—meant to shelter high-risk individ-

uals who are unable to social distance as a precautionary measure and deemed appropriate by Austin public health officials. Further, the City is providing case management for these individuals to find alternate housing solutions through a myriad of programs to relocate them from the non-congregate shelters.

We greatly appreciated President Biden's January 21 and February 2 Presidential Memoranda instructing FEMA to provide 100 percent reimbursement for state and local government emergency protective measures taken for the safe opening and operation of schools, hospitals, shelters, and transit systems. We were especially pleased that the Memoranda included 100 percent reimbursement for provision of non-congregate shelter, which has been a critical component of local prevention and response efforts, helping to contain transmission of COVID–19 among the most vulnerable and at-risk residents of our communities, helping contain community spread and preserving critical health care capacity.

However, Austin is deeply concerned that FEMA has not consistently approved requests for reimbursement for non-congregate shelter, putting many local governments at risk of having to absorb significant costs. It is therefore critical that FEMA flexibly approve pandemic-related non-congregate shelter reimbursement requests uniformly across all FEMA regions.

Cities, including Austin, established non-congregate shelter programs to specifically prevent and respond to COVID–19. They are not permanent programs and they have not replaced the homeless assistance efforts. They are a well thought out response to a temporary crisis that addresses the stark, on-the-ground reality that failing to shelter high-risk and vulnerable individuals during a pandemic poses a grave threat to public health and to healthcare capacity.

An adverse FEMA decision on reimbursement requests for non-congregate shelter reimbursement pose a serious risk to public health and our budget. The City of Austin has spent $40 million on non-congregate shelter. The City acted in good faith to protect public health and to serve a very vulnerable population during this crisis. An adverse determination from FEMA would leave the City liable for considerable costs at a time of uncertain budgets.

Supply Chain Management

Supply chain management is another subject that requires improvements to benefit the partnership between federal, state and local governments. As Austin sought out supplies, such as PPE, in response to COVID–19, it became clear that adequate levels of critical supplies would be a challenge, and the distribution of those supplies would be difficult as well.

The need for a national strategy for supply chain management during a pandemic quickly became apparent as we found ourselves competing with our state and other cities for the same limited supply of PPE. Further, these limited supplies lead to price increases and unequal distribution patterns that were bad for our recovery efforts and ultimately bad for the taxpayer.

At the outset of the COVID–19 pandemic, Austin needed to gather PPE quickly to provide the necessary supplies for our frontline workers, workforce, and general residency. after Austin was told by multiple of the nation's largest suppliers that orders of PPE for the City of Austin were not large enough, we found it necessary to partner with the City of Houston and the Texas Medical Center in Houston to purchase a massive supply of masks in Florida that would help accommodate our needs. After confirmation of the PPE purchase and as we were about to begin obligation the funds for the purchase, we were told by the supplier that the Texas Department of Emergency Management took possession of the supplies, before we could close the deal. In this situation, we found ourselves competing not only against other cities attempting to mitigate a disaster, but even our own state.

This is the consequence of inequitable distribution of necessary supplies and a lack of a national strategy for supply chain management. Had there been a prioritization on the supply chain and we had been able to seek out one specific source for our necessary supplies, our efforts to provide PPE could have been much more effective and efficient.

With that said, the City of Austin appreciates that in the wake of Hurricane Katrina, Congress enacted legislation to address supply chain issues, however, the COVID–19 pandemic has illustrated that there is much room for improvement and that empowering and trusting local partners could be an important part of the solution.

RESOURCES

My final plea is likely one you hear from stakeholders on a wide array of issues, but it is one I cannot leave out of my testimony. I recognize that I am addressing an authorizing committee and that annual funding decisions are the domain of the Appropriations Committee, but I must close my testimony with a discussion of funding.

If Congress and FEMA address the concerns raised above, it would significantly improve the federal-state-local partnership and our ability to meet our joint emergency management mission and serve our community. However, sometimes the best answer is also the simplest one. If Congress really wants to bolster local emergency management, I urge you to increase funding for core programs such as Emergency Management Performance Grants (EMPG), the Urban Area Security Initiative (UASI), and the State Homeland Security Grant Program (SHSGP).

Annual appropriations for the FEMA Disaster Assistance Account and emergency supplemental appropriations bills enacted in response to disaster garner the most attention (and money), but EMPG, UASI, and SHSGP are the foundation of local emergency management efforts. Unfortunately, the sequester and budget austerity that followed the 2011 Budget Agreement did not spare these core programs. Funding for these programs has not kept pace with population growth, inflation, and, most importantly, need.

- Congress provided $350 million for EMPG in FY 2021, barely above its FY 2010 level of $340 million.
- Congress appropriated $615 million for UASI in FY 2021, well below its FY 2010 level of $887 million.
- Congress appropriated for $610 million for SHSGP, well below its FY 2010 level of $950 million.

The EMPG program is the primary source of funding available to local communities to support preparedness, response, recovery, and mitigation. Local Emergency Management Programs are understaffed most consisting of just one person and are struggling to keep up with the new demand placed upon them with the pandemic and climate change. EMPG fund flows to local communities through the state as a sub award. There are no requirements for state to allocate funds to local communities and as a result, access to EMPG funding varies from state to state. Even in my state which is one of the only to have a process to support local programs, we have seen consistent reductions from 30 to 60%. Enhancement to EMPG should also include mandate on minimum pass through to local governments or a separate process.

On UASI, I know that committee members are fully aware of what it means to serve a community at the margin of participation in the program at the current, reduced funding levels. Austin falls on the wrong side of the participation margin each year. We have not participated in UASI since Congress reduced funding for the program in FY 2011. Even communities, such as Las Vegas and Orlando, that are fortunate to remain on the right side of that margin saw considerable drops in their allocations and face annual uncertainty about whether they will receive federal funds to sustain investments made with UASI funds.

I would be happy to outline the reasons why I think Austin should be a UASI participant. Indeed, my testimony in many ways makes that argument. At the end of the day, every community can do an excellent job of outlining the ways that they are vulnerable and how they would benefit from participation in UASI. For metropolitan areas such as ours, which face real threats and have real needs, the best answer lies not in tweaking the UASI threat risk assessment but in Congress increasing funding for the program to ensure that many more Americans benefit from UASI.

For Committee members who represent large metropolitan areas that face little to no threat to their participation in the UASI program, I discourage you from pursuing or supporting ill-advised attempts to limit participation in the UASI program to the largest metropolitan areas. Such a policy would leave tens of millions of Americans more vulnerable. In addition, it would significantly reduce support for the program in Congress, especially in the Senate, where the needs of metropolitan areas already struggle for recognition.

The benefits of UASI are considerable. Communities that are fortunate to participate in the program are better able to not only meet their equipment, training, and preparation needs, but they benefit from the regional collaboration and cooperation that the UASI program encourages. The UASI program benefits urban areas by assisting communities to develop regional solutions, creating mission ready capabilities which can make our communities more resilient. An Austin UASI award would allow our region to develop strategies to establish capabilities like alternate care sites, mass care and sheltering, develop evacuation plans and reception centers and regional resource staging strategies.

CONCLUSION

I am pleased that the Committee is looking at how Congress can improve the federal-state-local emergency management partnership so that state and local emergency managers can better prepare and protect our communities. I am happy to answer questions and to provide any additional information that the Committee might find helpful as you work on this issue. Thank you for the opportunity to testify.

Mr. DEFAZIO. OK. I thank the gentleman. Dr. Boskin?

[Pause.]

Dr. Boskin, you are recognized for 5 minutes.

Mr. BOSKIN. Chairman DeFazio, Ranking Member Graves, other members of the committee, it is a pleasure to be here and speak to you about the macroeconomics of the COVID relief program and prospective new spending.

Let me start by saying I support policies to mitigate short-run economic pain caused by a crisis like the COVID–19 pandemic and help spur recovery, as long as the long-run cost is reasonable.

As the economy has recovered considerably since those horrible days of spring 2020, the potential short-run macroeconomic benefits of additional spending are much lower now than then, and other additional spending is better focused on long-run, societal benefits with spending levels, allocations among projects, and financing methods designed to pass rigorous national cost-benefit tests.

The macroeconomic literature suggests that spending "multipliers," quote/unquote, are much lower than had been traditionally assumed, and the best academic evidence of what the 2009 stimulus bill did had multipliers about one-third of what was originally thought by those who analyzed the bill, a spending multiplier of about 0.6.

But America certainly has infrastructure needs. We need to get good, productive, long-run infrastructure investments. I attached a table in my written testimony that gives some idea of the scope and breadth and depth of America's infrastructure enterprise, and it is only a modest fraction of proposed spending these days.

Done well, the program can produce considerable societal benefits, but done to excess or with poor design incentives, a plethora of poor-return projects, even boondoggles, would likely result.

As a general guide, the larger the appropriated spending, the greater the likelihood of the laws of diminishing returns and unintended consequences creating a large set of substandard projects.

Ditto the further the financing method deviates from one of already appropriated funds, and especially user fees or their gas and vehicle-miles traveled, a tax equivalence that tie the benefits received to the payments made.

It should be known that the economy is now above its pre-pandemic level and is growing solidly. While risks remain, and we should have a close eye on job growth to make sure unemployment continues its downward momentum to full employment—it seems to be perhaps around two or three percentage points of employment below where it could be—it does not appear likely to need considerable additional short-run stimulus on top of that already provided and in process.

Some argue that additional substantial spending would dramatically spur growth and employment. With Government borrowing rates low, the argument goes, deficit finance amounts to a cheap way to increase employment.

In fact, existing research suggests that is a misguided conclusion. While infrastructure spending may have made for good short-run stimulus in the 1930s with much higher excess capacity of unemployment and different technologies for public projects, that is not the case today as Harvard's Ed Glaeser has compellingly argued.

The best evidence suggests that every dollar of spending would increase GDP about 60 cents, even in a soft economy.

Of course, when the dollar is financed with taxes, those have costs too, and that hasn't been emphasized enough. When we raise a dollar in taxes today, or in the future, at present discounted value of a dollar, to cover the interest payments on any debt issued, the cost rises with the square of tax rates.

If we double the tax rates, the harm from the distortions of decisions to work, save, invest, innovate, hire, et cetera, quadruples. This has nothing to do with doctrinal issues. It has purely to do with the area under supply and demand curves that every student learns in "Economics 1."

The CBO estimates also that the return on public infrastructure projects is around 5 percent. It is below that for private investments. It should be careful to have very good projects chosen that pass rigorous national, as opposed to local, cost-benefit tests.

A good example of the mismanagement of that is California high-speed rail. Using $3 billion from the 2009 Recovery Act, 6 years later, that was used to build a tiny initial start of what was supposed to be a high-speed rail project but is now blended-speed rail because they have to use a lot of existing track, much slower, meaning massive technical difficulties, epically mismanaged, and the total cost seems to have at least tripled. So we have to be very careful about what we do.

In addition, inflation risks are rising. I think everybody understands the short-run inflation. Economists are still debating how much of that will continue and be entrenched in expectations, and continue, I think, some of it will, far from all of it.

And we should realize that debt is already not only high, but we have large, unfunded liabilities in Social Security and Medicare, which when combined, are more than three times the regular national debt.

Also important to note that when we have funding too abundant and not closely tied to national, as opposed to local, benefits, the political incentives exacerbate the tendency to fund too many low-return projects.

Finally, I would say that infrastructure spending, because it seems to be one area that is subject to bipartisan interest, and is likely to be passed at some point, I assume, we need to be careful about doing these projects in a way that adds to long-run productivity.

When I am talking about a national cost-benefit test, as opposed to something purely internal and [inaudible]——

Mr. DEFAZIO. OK. All right. Dr. Boskin, if you could summarize, that would be great.

Mr. BOSKIN. OK. Thank you. A good example would be decongesting ports which have national, international goods flowing through them, good for the whole country.

So while I believe that the stimulus of COVID relief packages helped cushion the economy and spur recovery, it has limited, modest, macroeconomic benefits but considerable humanitarian justification, and that is the main basis on which it did good. Thank you.

[Mr. Boskin's prepared statement follows:]

Prepared Statement of Michael J. Boskin, Ph.D., Tully M. Friedman Professor of Economics and Wohlford Family Senior Fellow, Hoover Institution, Stanford University, on behalf of himself

The "Covid-recession" was unprecedented in its cause and in its depth and speed as dated by my colleagues on the NBER Business Cycle Dating Committee. The $5 trillion dollar cumulative Covid response spending by the federal government thus far and related FED policies certainly both helped the economy recovery more quickly and cushioned the hardship experienced by many. Given the immense ex ante uncertainty that accompanied the rapid lockdown of much of the economy and the early massive unemployment, it should be expected that the policy response likewise was unprecedented.

I support policies to mitigate short-run economic pain caused by a crisis like the COVID–19 pandemic and help spur recovery, as long as the long-run cost is reasonable. As the economy has recovered considerably since those horrible days of March and April 2020, the potential short-run macroeconomic benefits of additional spending are much lower now than then and any additional spending is better focused on long-run societal benefits with spending levels, allocations among projects and financing methods designed to pass rigorous national cost-benefit tests.

It is early days in the detailed evaluations of the economic effects of the several responses to the Covid crisis and recession, and their many components, by independent scholars, I will address my comments to the desirability of additional spending, and its methods of finance under consideration for traditional infrastructure. I present what I believe are the best estimates based on leading academic research on the short-run impacts of government spending, especially on infrastructure (as opposed to, say, transfer payments, for which whatever the desirability may be on other grounds, the macroeconomic benefits are far less). Much of the research I cite below is based on evaluations of the 2009 ARRA, but some focus as well as other data and periods.

But first, America certainly has infrastructure needs. The American Society of Civil Engineers, serious if somewhat self-interested, rates the nation's infrastructure a C–. Some claim there is a multi-trillion dollar "infrastructure deficit" and others have long blamed inadequate public investment in infrastructure for holding back U.S. economic productivity (e.g., Aschauer, 1991). Yet others argue that a closer analysis shows U.S. infrastructure in much better shape, and advocate for improving the allocation of funding over massive new expenditures (Duranton, Nagpal, and Turner, 2020). In a similar vein, the World Economic Forum rates U.S. infrastructure 13th out of 141, behind top rated Singapore and Hong Kong, but ahead of countries like Sweden and Denmark.

At even a fraction of some of the infrastructure spending being discussed today, there is ample opportunity to do considerable *productive long-run* infrastructure investment (the attached Table is my attempt to give a sense of the scale of the nation's infrastructure). But only some of that is appropriately a governmental, and only a part of that is appropriately a federal, responsibility. And the long-run net economic effects of a new federal infrastructure program, following the expiration of the 2015 FAST ACT and the impending exhaustion of the Highway Trust Fund will depend not just on the level of spending, but also the ex-ante quality of the projects funded, their ex post execution and their financing method(s).

Done well, the program can produce substantial societal benefits; but done to excess or with poor design incentives, a plethora of poor return projects, even boondoggles, would likely result. As a general guide, the larger the appropriated spending, the greater the likelihood of the laws of diminishing returns and of unintended consequences creating a large set of sub-standard projects. Ditto the further the financing deviates from use of already appropriated funds and user fees or their gas and vehicle miles driven tax cousins. In short, the federal infrastructure program should fund projects that pass *rigorous national* cost benefit tests and the better aligned the incentives for state and local officials, federal authorities and private citizens, the more likely that result becomes.

It should be noted that the economy is now back to its pre-pandemic level and is growing solidly. While risks remain and we should keep a close eye on job growth to make sure unemployment continues its downward movement to full employment, it does not appear likely to need considerable additional short-run stimulus on top of that already provided and in process. And some argue the risk of entrenching longer-term some of the considerable recent inflationary pressures are a greater risk. Certainly the larger the program and the more front-loaded, the bigger that risk.

Some suggest that huge additional infrastructure spending will dramatically spur growth and employment. With government borrowing rates low, the argument goes, deficit finance amounts to a cheap way to increase employment. In fact, existing research suggests that is a misguided conclusion. First, while infrastructure spending may have made for good short-run stimulus in the 1930s, that is not the case today (Glaeser 2016). The best evidence (Ramey (2019, 2020) is that each dollar of infrastructure spending would increase GDP only 60 cents—even in a soft economy, there are no magically large multipliers.

And, of course, when the dollar is financed with taxes (now, or in the event debt-finance is used, later), the tax hikes exact a cost on the economy. Students learn in Economics 1 that cost rises with the square of tax rates; doubling rates, quadruples the harm from the distortion of private decisions to work, hire, save, invest, innovate, etc. Thus, the incremental cost rises with the tax rate. This is not a doctrinal issue; it has to do with the area under supply and demand curves. A rough estimate would be that each dollar of taxes (now or in discounted present value terms later to pay interest on the debt) costs the economy about $1.25–$1.30. So the projects chosen for funding really do need to be prospectively high societal return, yet the CBO estimated the return on public infrastructure investment at 5%, just half of the return on the private investment likely to be crowded out by taxes or debt. The best way to minimize these distortionary costs is to finance the spending with user fees or, where applicable, their tax cousins, the gas tax and vehicle miles driven tax, that tie the responsibility for payment closely to the benefits received.

Debt finance of the Covid relief funding was certainly justifiable in a deep recession and early in an uncertain recovery, but is unwise, even risky (Boskin, 2020) in normal times. Historically, huge debt buildups have usually been followed by serious problems: sluggish growth, an uptick in inflation, a financial crisis, or all of them. We cannot be certain which problems will occur or what debt-to-GDP ratio will signal trouble for which countries. And the US does have the advantage of issuing the world's leading reserve currency, at least for time being. But inflation risks are rising—a trend that more deficit-financed spending will only accelerate. To be sure, I support policies to mitigate the short-run economic pain caused by a crisis like the COVID–19 pandemic and help spur recovery, as long as the long-run cost is reasonable. But be careful not to run huge deficits that persist long after the economy is back to full employment (the Administration projects the unemployment rate to be down to 4.1% next year and a low of 3.8% thereafter).

It is also important to realize that only a very small fraction of those unemployed today have the skills and experience for the kind of work required by today's infrastructure challenges; we cannot instantly train the unemployed to safely and effectively operate tower cranes or giant excavators, for example. There are few public infrastructure projects that require only a shovel. Additionally, planning and approval hurdles that were absent in the 1930s are omnipresent today, slowing the speed with which funds can be disbursed and infrastructure built. As a result, research has found that large increases in infrastructure spending within a short window of time may lead not to increases in employment, but to backlogs that result in higher profits for a relatively small set of contractors (Balat, 2017).

Worse yet, when federal funding is too abundant and not closely tied to national, as opposed to local, benefits, political incentives exacerbate the tendency to fund too many low return projects. A prime example is the boondoggle of California's High-Speed Rail project, which originally used a grant from the 2009 ARRA to pay, six years later, for a tiny initial rail line. The entire project is mired in a tripling of cost estimates, technical problems and epic mismanagement for what is now prospectively blended speed rail amid widespread lack of support and outright hostility in the Central Valley where billboards clamor to "Build Dams Not Trains."

Second, large public infrastructure projects—highways, dams, etc.—are designed to last many decades, and eventually interest rates on government debt will rise and render rolling over the larger debt much more expensive. CBO (2021) estimates net interest payments as a share of (rising) GDP will increase sharply beginning in the middle of this decade and more than triple in the following two decades, with interest costs exceeding even rapidly growing spending on Social Security, and dwarfing all discretionary spending, including on defense. Thus, the view that infrastructure spending in today's low-interest rate environment is essentially a free lunch is misguided.

While large changes in interest rates are unlikely in the near term, the is fact financial markets and government and private forecasters have often failed to anticipate them—for example, during the inflation of the 1970s and the disinflation of the early 1980s. After 2008, all grossly underestimated how long the Fed would keep its target interest rate at zero.

Infrastructure spending seems to be one of a few areas of potential bipartisan agreement. As mentioned above, there is ample room for a considerable well-crafted infrastructure spending program that is economically beneficial. Some policymakers, interest groups, and constituents still view infrastructure spending as shovel-ready work that is both desperately needed and great at creating new jobs. As President Obama eventually stated "there's no such thing as shovel-ready projects." The New Deal did not end the Great Depression, nor did Japan's massive ongoing infrastructure expenditures spare it from its "lost decades." To repeat, most of the unemployed do not have the skills or experience to operate modern equipment such as giant excavators and tower cranes.

Recent academic evidence on the matter, however, does suggest that better allocation of infrastructure spending is more important for long-run productivity than increased spending (Duranton, Nagpal, and Turner, 2020), and casts doubt on whether a large allocation of federal funds for infrastructure will work as an effective stimulus (e.g., Balat, 2017; Gallen and Winston, 2019; Ramey, 2020).

Garin (2019) studies how funding allocated by the federal government for road construction projects through the 2009 American Recovery and Reinvestment Act (ARRA) affected local employment. He finds that every dollar of ARRA spending increased local construction payrolls by thirty cents, but had virtually no effect on employment. Balat (2017) analyzes the effect of ARRA spending on highway-related procurement in California, finding that the sudden infusion of cash into an industry that was already working near capacity did not grow the number of construction firms or construction employment, but resulted in higher procurement prices. This capacity constraint is directly at odds with a 1930s vision of what infrastructure spending can accomplish. The highly specialized and technologically advanced nature of the work now requires skills, experience, and certifications that make it difficult to quickly expand the number of firms and workers. In California, Balat (2017) finds that the government paid 6.2% more on stimulus projects and 4.8% more on other projects as a result of ARRA, stimulating the economy by increasing construction company revenues, but forgoing about $335 million that could have been spent on other road projects.

Additional work, such as Ramey (2020), demonstrates that infrastructure spending is usually slow to move from appropriation to implementation to actual use, making even the most productive and most shovel-ready projects poor candidates for short-run economic stimulus. In fact, as Gallen and Winston (2019) argue, disruptions that come from a slew of highway infrastructure projects can even result in negative short-run effects on total employment. Studies of the ARRA also provide cautionary tales on the ability of infrastructure spending to create jobs in the short-run and on the cost of doing so. Leduc and Wilson (2017), for example, find a cost of $500,000 per job in 2010, considerably costlier than the roughly $125,000–$200,000 per job that other papers have attributed to ARRA spending overall (Wilson, 2012; Conley and Dupor, 2013).

Long-run productivity is a different story, but the devil is in the details. As discussed above, the research literature generally stresses that quality and rigor behind fund allocation and incentive preserving funding mechanisms are key to large enough long-run returns to justify the spending, much more so than the sheer volume of spending. In particular, repairs and maintenance seem to have consistently higher returns than new construction.

In conclusion, the evaluation of government spending in response to previous recessions suggests quite limited short-run macroeconomic benefits. The ex-post estimates of spending "multipliers" for ARRA was one-third that of Administration economists is 2009.The response to the unprecedented Covid pandemic and recession likely did somewhat better, and the humanitarian case given the widespread suffering was compelling. But as the economy approaches full employment, the case for additional spending as "stimulus" is far weaker and tax and deficit financed spending likely will be quite costly in the longer-term. The most compelling case for additional federal spending is simply to find good projects and methods of financing that pass rigorous national (not local) cost-benefit tests based on sensible estimates of the factors affecting benefits and costs. That should conceptually govern the size of the spending. But given the budgetary process, the headline number will undoubtedly be determined by other factors. But then the federal, state and local agencies involved need to hew as closely as possible to the dictates of cost-benefit tests to maximize the opportunity for reasonable returns on the (current and/or future) taxpayers' investment.

References:

Aschauer, David A. 1991. "Infrastructure: America's Third Deficit," *Challenge*, 34(2), pp.39–45.

Balat, J., 2017. "Highway Procurement and the Stimulus Package: Identification and Estimation of Dynamic Auctions with Unobserved Heterogeneity." *Working Paper*.

Boskin, Michael J. 2020. "Are Large Deficits and Debt Dangerous?" NBER Working Paper No. 26727 (condensed version published in American Economic Association Papers and Proceedings, Vol. 110, May, pp145–48).

Brooks, Leah and Liscow, Zachary. 2019. "Infrastructure Costs," Hutchins Center Working Paper No. 54, *Brookings Institution*.

Brooks, Leah and Liscow, Zachary. 2020. "Can America Reduce Highway Spending? Evidence from the States" in *Economic Analysis and Infrastructure Investment*. University of Chicago Press.

Congressional Budget Office, The 2021 Long-Term Budget Outlook, March.

Conley, Timothy G. and Dupor, Bill. 2013. "The American Recovery and Reinvestment Act: Solely a Government Jobs Program?" *Journal of Monetary Economics*, Vol. 60, Iss. 5, pp. 535–549.

Duranton, Gilles, Nagpal, Geetika, and Turner, Matthew A. 2020. "Transportation Infrastructure in the US," in *Economic Analysis and Infrastructure Investment*. University of Chicago Press.

Gallen, Trevor and Clifford Winston, 2019. "Transportation and its Effects on the U.S. Economy: A General Equilibrium Approach." Technical report, Purdue University.

Garin, A. 2019. "Putting America to Work, Where? Evidence on the Effectiveness of Infrastructure Construction as a Locally Targeted Employment Policy," *Journal of Urban Economics, 111*, 108–131.

Glaeser, Edward L. 2016. "If You Build It . . . Myths and Realities About America's Infrastructure Spending," *City Journal*.

Leduc, Sylvain, and Daniel Wilson. 2017. "Are State Governments Roadblocks to Federal Stimulus? Evidence on the Flypaper Effect of Highway Grants in the 2009 Recovery Act." *American Economic Journal: Economic Policy*, 9 (2): 253–92.

Ramey, Valerie A.2019. "Ten Years After the Financial Crisis: what Have We Learned From the Renaissance in Fiscal Research?" Journal of Economic Perspectives, Vol. 33, No. 2.

Ramey, Valerie A. 2020. "The Macroeconomic Consequences of Infrastructure Investment" in *Economic Analysis and Infrastructure Investment*. University of Chicago Press. http://www.nber.org/chapters/c14366

Wilson, Daniel J. 2012. "Fiscal Spending Jobs Multipliers: Evidence from the 2009 American Recovery and Reinvestment Act," *American Economic Journal: Economic Policy*, Vol. 4, Iss. 3, pp. 251–282.

AMERICA'S VAST AND VARIED INFRASTRUCTURE ENTERPRISE

Type	How Large is it?
Highways and roads	4.5 million miles (IHS = 1%)
Airports	19,000 (Over 500 have commercial flights)
Bridges	615,000
Commercial Ports	360
Dams and Reservoirs	9,000
Water distribution pipes	1.2 million miles
Oil and gas pipelines	2.6 million miles to gather, transmit, and distribute
Railroads	140,000 miles of track, 100,000 bridges
Electricity Transmission	200,000 miles high voltage, 5.5 million miles local distribution
Phone lines	No recent data, 1950s = 22 million miles
Cell phone towers	307,000
Fiber optic cable	3 million miles (13,000 miles of co-axial cable)
Mass transit	Over 500 miles for New York, Washington D.C., and Chicago

*A more expansive definition would include private and public space satellites, airwave spectrum, internal water navigation, SPRO, and infrastructure inside homes and businesses.

Boskin and Bolotnyy | Infrastructure Policy | 3 / 20

Mr. DEFAZIO. Dr. Edelberg, you are recognized for 5 minutes.

Ms. EDELBERG. Chairman DeFazio, Ranking Member Graves, and members of the committee, my name is Wendy Edelberg, and I am director of The Hamilton Project, and a senior fellow at the Brookings Institution. Before coming to Brookings, I was Chief Economist at the Congressional Budget Office.

Thank you for this opportunity to discuss the economic outlook as the committee and the Congress consider significant infrastructure legislation. I will make three points in my remarks.

First, the enormous fiscal support enacted by Congress has been essential to getting the economic recovery on track.

Second, the pace of economic recovery, which was rapid in the first three quarters of this year, is creating both opportunities and challenges.

And third, more robust Federal investment in infrastructure in the coming years will improve our longer term economic prospects.

Real GDP has recovered to its pre-pandemic level, and growth has consistently surpassed consensus expectations. Notably, in the third quarter of 2020, actual GDP was about 5 percent above the projection that CBO published at the beginning of that quarter.

Indeed, CBO now projects that by the end of 2023, GDP will actually be higher than its pre-pandemic path.

One primary factor behind the surprising strength in economic output has been the fiscal support enacted by Congress. Despite a continued shortfall in employment, disposable personal income has, so far, been higher than its recent trend by a cumulative $1.4 trillion since March 2020.

With the ongoing efforts and fiscal support, as well as pent-up demand from consumers for face-to-face services, and a sharp increase in asset prices, economic growth is poised to grow roughly 6 percent in 2021.

Of course, the strength of the economy is entirely contingent on the pace of vaccination and our ability to control the pandemic.

It is also contingent on Congress avoiding a crisis that could be triggered by not raising the debt ceiling.

Under current law, the boost to DPI from Government benefits should fully wane by early next year. As this and other factors boosting household spending dissipate, I expect real GDP growth to slow significantly, being just above 1 percent in 2023 under current law. This brings me to my second point.

Although my baseline projection is for a soft landing with GDP merely moving sideways for a couple of quarters, there is a risk that the slowdown could be more abrupt and painful.

With growth and demand for workers outstripping growth and supply, we have seen upward pressure on some wages. Wages for those in the bottom 25 percent of the distribution are up more than 7 percent from the pre-pandemic level.

At the same time, we have seen bottlenecks and supply chain disruptions for a variety of goods that have resulted in sharp increases in some prices, most notably, new and used vehicles.

With greater inflation, workers' purchasing power is rising much slower than nominal wages. Real wages, for the bottom quartile, are up 2½ percent from the pre-pandemic level.

As production has increased, and growth and demand abates, I expect inflation to slow overall. Nonetheless, one risk created by the pace of recovery is that certain factors will continue to create inflationary pressure.

Thinking beyond the next couple of years brings me to my last point.

One channel through which fiscal policy influences long-run economic growth is Federal investment in infrastructure, education and training, and research and development.

The consensus of the economic literature strongly supports that increases in such investment lead to greater productivity and greater economic growth.

Since 1980, the decline in Federal investments, as a share of GDP, has been driven by declining investment in physical infrastructure. Indeed, in 2019, Federal investment in infrastructure, as a share of GDP, was at its lowest level since the mid-1950s. The result has been a less robust and less resilient economy.

To wrap up, the expected rapid economic recovery from the COVID–19 recession creates risks to which policymakers should be attentive. Fiscal support has been essential to accelerating the recovery, but now, it is appropriate for fiscal policy to turn toward solving more structural, long-term challenges. That includes more robust Federal investment. The expected slowness in outlays that is inherent to Federal investment is a benefit given the current economic projection.

Most importantly, an ambitious increase in Federal investment in infrastructure is key to improving our long-term economic prospects.

Thank you, and I look forward to your questions.

[Ms. Edelberg's prepared statement follows:]

Prepared Statement of Wendy Edelberg, Ph.D., Director, The Hamilton Project, The Brookings Institution, on behalf of herself

Chairman DeFazio, Ranking Member Graves, and Members of the Committee:

Thank you for the opportunity to discuss the economic outlook as this Committee and the US Congress consider enacting significant infrastructure legislation this year.

A founding principle of The Hamilton Project's economic strategy is that long-term prosperity is best achieved by promoting economic security, economic growth, and broad participation in that growth. Through our research, policy papers, and public events we examine ways to realize those goals based on sound economic theory and evidence. For more than 15 years, The Hamilton Project has focused on policies to increase investment in public infrastructure—highlighting strategies, financing mechanisms, the economic returns on infrastructure investment, and the role of such investment in creating prosperity in local and state economies.

INTRODUCTION

Despite the headwinds created by the Delta COVID–19 variant, the economy is recovering. Economic growth during the pandemic has generally surpassed consensus expectations while households and businesses have maintained a surprising amount of activity and spending while social distancing.

The strength in economic output was, in part, a result of the enormous legislative response to both the pandemic and to the human hardship it caused. This includes laws passed in 2020 and 2021 by Congress, chief among them the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Consolidated Appropriations Act, and the American Rescue Plan Act. Successive rounds of substantial fiscal support have boosted economic activity since March 2020 and are projected to continue to do so through 2023. To give a sense of the potential impact of federal action on the economy, Edelberg and Sheiner (2021a) estimated that a package of similar magnitude to the American Rescue Plan would boost economic output by 4 percent in 2021 and 2 percent in 2022.

I draw the following conclusions at this point in the economic recovery. First, the initial rapid economic recovery and expected slowing creates risks that policymakers should heed. Second, fiscal support has been essential to accelerating the recovery. Third, greater federal investment in infrastructure, both physical and human, is key to improving the country's longer-term economic prospects. It is the right time to enact an ambitious federal investment package to put in place public infrastructure that is once again a vital factor in improving productivity and economic growth.

THE ECONOMIC RECOVERY

With the ongoing effects of fiscal support, pent-up demand from consumers for face-to-face services, and the strength in labor markets and asset prices, economic growth is poised to be strong for the remainder of 2021. Indeed, the Congressional Budget Office (CBO) projects that real GDP will grow 7.4 percent from the fourth quarter of 2020 to the fourth quarter of 2021 (CBO 2021c). Moreover, CBO predicts that, by the middle of 2022, real GDP will exceed its sustainable level by 2.5 percent. The sustainable level of GDP, also known as potential output, is not a ceiling. Instead, it is the estimated level of output, given current laws and underlying structural factors, that the economy can achieve without putting upward pressure on inflation. As the factors boosting growth in the short term begin to wane, I expect real GDP growth to slow significantly, to just above 1 percent in 2023.

CBO's projection is subject to a great deal of uncertainty. In particular, the resurgence in the pandemic stemming from the Delta variant, vaccine hesitancy, and the slowness in vaccinating children ages 12 and younger appear to have dampened the growth of consumer demand and employment. Recent data suggest that the latest COVID–19 wave might be waning. However, if the Delta variant—or others that take its place—continue to affect consumer behavior and supply chains, the economic recovery will be notably slower.

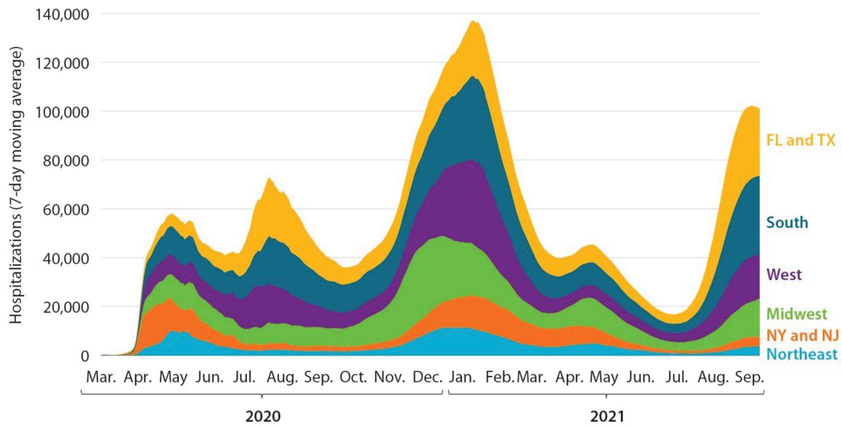
In addition, although my projection is for a soft landing,, including a couple of quarters with GDP roughly moving sideways, the slowdown could be more abrupt and painful than those projections suggest. There are actions that Congress could take to help avoid a painful slowdown in activity—both by fine-tuning the timing of spending and by focusing resources on policies that boost potential output. For example, changes in policy that repurpose fiscal support from boosting current aggregate demand to policies that would boost the economy's potential (such as federal investment in infrastructure that would increase labor supply and human capital) would increase the chances of a soft landing, in part by raising the landing area to a higher level.

THE UNEVEN NATURE OF THE COVID–19 PANDEMIC AND ECONOMIC RECOVERY

As of September 26, 2021, more than 687,000 people in the United States have died from COVID–19; and more than 4.7 million have died worldwide (Johns Hopkins 2021). At the onset of COVID–19, the virus displayed clear geographic trends, beginning in densely populated coastal cities then spreading to more rural parts of the country (Desjardins 2020). With the pandemic first hitting the Northeast, in April of 2020 New York and New Jersey accounted for more than 60 percent of deaths and more than 40 percent of hospitalizations from COVID–19. The Delta variant and vaccine hesitancy have changed the geographic patterns: as shown in figure A–1, since mid-July 2021 patients hospitalized with COVID–19 in the South have risen to account for nearly two-thirds of the US total, with half of those patients in Florida and Texas (broken out from the rest of the region in the figure).

FIGURE A-1.

Level of Inpatient Hospitalizations of Patients with COVID-19, by Region



Source: U.S. Department of Health & Human Services; authors' calculations.

Note: Figure displays the reported number of beds occupied by patients with confirmed or suspected COVID-19. Daily hospitalizations data are aggregated by Census region and smoothed using a 7-day moving average. New York and New Jersey are separated out from the Northeast region while Florida and Texas are seperated from the South region. Regions are ordered by share of hospitalizations at the most recent date.

THE HAMILTON PROJECT BROOKINGS

The economic downturn caused by the pandemic has created widely different experiences across sectors and demographic groups. In the spring of 2020, spending on consumer services sharply contracted and has yet to fully recover. Indeed, of the 22 million total jobs lost in March 2020, nearly 19 million were in service-providing businesses, including a decline of 8 million in leisure and hospitality. Leisure and hospitality has added back more than 6.5 million jobs so far; as a result, it is still 10 percent short of returning to its pre-pandemic level, and even farther below its expected level in the absence of the pandemic. Other industries, such as financial services, that experienced shallower dips in employment during the onset of the pandemic, have also been the quickest to recover as their workforces were better able to shift to remote work.

Those sector dynamics disproportionately hurt women, non-white workers, lower-wage earners, and those with less education (Stevenson 2020). Because workers among those groups were more likely to be employed in the services sector, and in particular in the leisure and hospitality sector, they experienced job losses at much higher rates. For example, the gap in the rates of unemployment between Black and white men jumped from 3 percentage points to 6 percentage points during the initial downturn. By July, that gap had partially fallen back and was 4 percentage points.

The uneven recovery is also evident when we focus on consumer spending at retail establishments. Between February and April 2020, overall retail sales sank 22 percent before quickly recovering to their pre-pandemic level just a few months later. As people began social distancing, spending shifted to at-home consumption, benefiting businesses like online retailers, grocery stores, and suppliers of building and garden materials. Indeed, spending on total retail sales has averaged 16 percent higher than its pre-pandemic level so far this year. At the same time, some categories of retail sales were severely depressed until showing signs of recovery in March of this year; those include in-person dining and spending on clothes, electronics, and appliances.

Overall, the pandemic continues to weigh on aggregate demand for goods and services. In addition, bottlenecks and supply shortages have created challenges for businesses to meet consumer demand for some products, particularly as consumer demand has shifted wildly. Also, the pace of hiring has not kept up with the pace of labor demand, as job matching has been held back by a number of factors described below.

Those developments have led to a notable increase in inflation. Because prices fell in 2020, one-year changes from August 2020 to August 2021 overstate the increase in inflation since the pandemic began. Instead, focusing on the annualized rate of inflation since February 2020 shows that inflation through August 2021 (as measured by the core consumer price index) was 3.1 percent, substantially lower than the one-year trend but still higher than any annual increase since the early 1990s.

There are two primary reasons why the rise in inflation is unlikely to persist. First, the significant shifts in demand and bottlenecks are a function of the recent, temporary pace of economic activity. For example, demand for automobiles recovered quickly during the pandemic to high levels even as production was curtailed, in part due to disruptions in the supply chain for critical semiconductors. The result has been a sharp increase in prices for new and used vehicles. Second, as production is increased (with normalization of global supply chains) and growth in demand abates, inflation should slow overall.

Nonetheless, certain factors will continue to create inflationary pressure; even with the slowdown, economic activity over the next year or so will continue to exceed the sustainable level. We might also see price spikes in certain services as demand shifts. For example, from March 2021 through July sales at restaurants were up 14 percent while sales at building materials and garden stores were down 11 percent. Such changes could lead to price surges at restaurants that more than offset softer prices at stores selling building materials and garden supplies. In addition, the rapid rise we have seen in home prices will likely translate into significantly higher rental costs across the country.

Federal Investment

One way that fiscal policy can boost potential output is through increases in federal investment. Both the Office of Management and Budget (OMB) and CBO define "federal investment" as federal outlays on physical infrastructure, research and development, and education and training. The economic literature tightly ties spending in those areas to future economic growth. To be sure, other types of spending may deliver that result as well—such as spending that improves health-care outcomes and nutrition. However, in contrast to the three categories we define as federal investment, those types of services also have significant effects at the same time as when the spending takes place—and the more narrow working definition of federal investment is a good starting point.

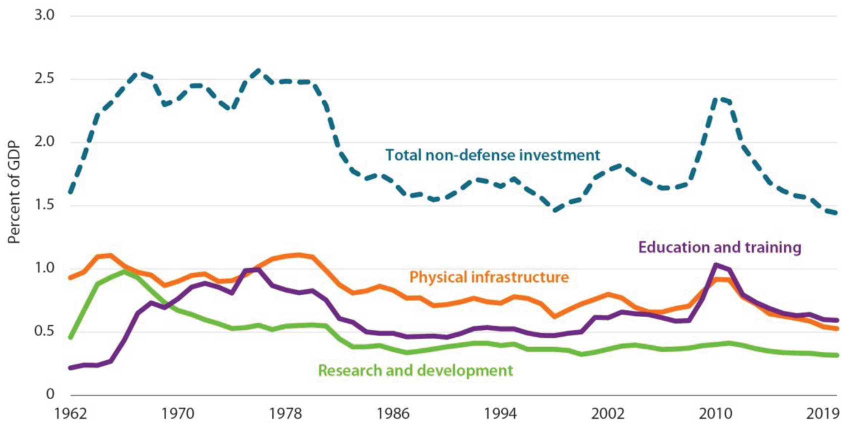
Investments in physical infrastructure, research and development, and education and training produce social benefits beyond those that could be captured by a private investor. For example, it is generally difficult for a private entity to capture the economic rewards from investment in basic research and development—which often adds to the overall body of knowledge in a field. As a result, firms may be reluctant to undertake this type of work. When the federal government supports such research, it can create enormous social benefits and improve economywide productivity for decades to come. Federal investment in high-quality childcare increases the earning potential for affected children long into the future and it lowers the cost of working for parents of young children and thus increases the potential supply of labor. Those positive economic effects are recognized in several legislative proposals currently before Congress.

As figure A–2 shows, as a share of GDP the federal government's investment (limited to such spending that is not for national defense) has been notably lower since 1980 than it was in prior years—even during years after enactment of the American Recovery and Reinvestment Act of 2009, which boosted federal investment in large part through an increase in federal grants to state and local governments. That shortfall has been driven by a reduction in federal investment in physical infrastructure as a share of GDP. In fact, in 2019 federal investment in physical infrastructure as a share of GDP was at its lowest level since the mid-1950s, when President

Eisenhower increased such spending by signing the Federal-Aid Highway Act into law.

FIGURE A-2

Non-Defense Federal Investment as a Share of GDP



Source: Congressional Budget Office 2019; ibid 2021.

Note: Total nondefense investment is composed of federal investment in physical infrastructure, research and development, and education and training. CBO describes physical infrastructure (or capital) as including "structures, such as government buildings, transportation infrastructure, and water and power projects; major equipment, such as computers, machinery, and vehicles; and software. For spending on physical capital to qualify as investment, the physical capital must have an estimated useful life of at least two years." Research and development includes "basic research, which seeks to discover scientific principles; applied research, which attempts to translate those discoveries into practical applications; and the development of new products and technology. Federal R&D spending supports a wide variety of work in government laboratories, universities, and the private sector, including health research studies, basic research in physics and chemistry, and the development of weapon systems." Education and training is made up of "early childhood, elementary, secondary, and postsecondary education, which help produce a skilled, capable workforce that contributes to the country's productivity. It also includes job training and vocational training." Spending on student loan programs are not included within the education category or total federal investment.

The reduction in federal investment as a share of GDP is important for productivity over the long term. In 2016, CBO published a brief summary of the literature describing the economic effects of federal investment. The best evidence of those effects is found in the link between physical public capital and real GDP growth. Using that evidence, "CBO estimates that an increase in public investment that increases public capital by 1 percent boosts private-sector output by about 0.06 percent in the long term, on average" (CBO 2016).[1] That 0.06 elasticity implies that a $100 increase in public capital boosts GDP in the long run by $8 every year, using the size of the public capital stock relative to output to translate the elasticity to a per-dollar effect.

Unequivocally, that evidence suggests that an increase in federal investment—all else equal—leads to higher economic output in the long term. The corollary is that the lack of investment in infrastructure in recent years has reduced the economy's potential.

However, this does not mean that a $100 increase in federal investment leads immediately to an $8 increase in output from higher productivity. First, public infrastructure takes time to put into place. CBO estimated that, for an illustrative policy that would boost federal investment by $500 billion, roughly one-third of the money would be outlaid within the first five years, roughly another half in the next five years, and the remaining amounts in future years (CBO 2016). Moreover, for large-scale physical infrastructure projects requiring extensive designing, permitting, and construction, the timing can be longer.

Second, once the federal investment is put in place, it takes time for the economy to respond fully. This is clearly true in the case of research and development and early childhood education. But even physical infrastructure—a new airport, for example—does not achieve its full benefits to society immediately.

---

[1] The relationship between the increase in output and investment implies an elasticity of 0.06. CBO puts that estimate in context of its literature, finding, "Research that estimates the effect on output of a particular kind of investment in physical capital, highway spending, similarly suggests that the elasticity ranges from 0.04 to 0.09" (CBO 2016).

Finally, public capital, just like private capital, depreciates and requires service and maintenance to continue to be productive. Without such upkeep, the increase in GDP from the initial $100 in public investment is smaller over time.

Given the current economic projection, the slowness in outlays that is inherent to federal investment is a benefit. The level of economic activity is on track to be quite strong—and to exceed its sustainable level—over the next couple of years. That activity will include a high level of demand for private sector resources—such as building supplies and construction workers. Since federal investment competes for those resources, the slower pace of federal infrastructure spending will be less likely to cause shortages, bottlenecks, and unwanted inflation.

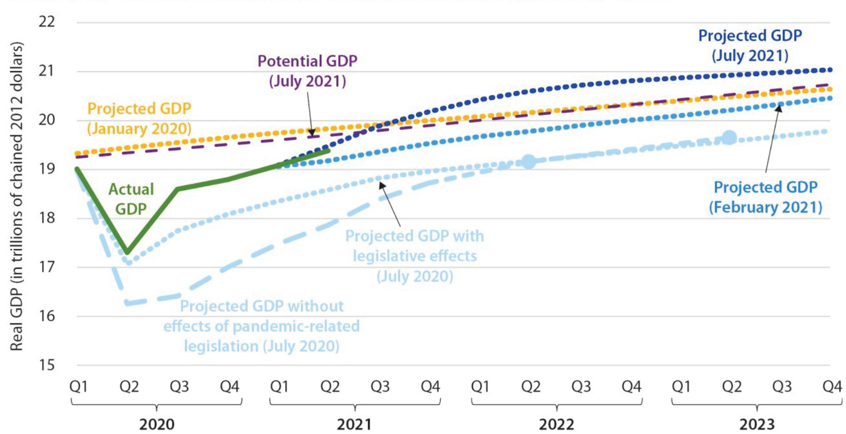
1. In the second quarter of 2021, GDP returned to its pre-pandemic level.

Since the economy hit bottom in the second quarter of 2020, economic growth has surpassed consensus expectations formed at the beginning of the pandemic. As a result, in the second quarter of 2021 real GDP exceeded its pre-pandemic level. With economic growth boosted by the ongoing effects of the fiscal support enacted by Congress in 2020 and 2021, pent-up demand from consumers for face-to-face services, and the strength in labor markets and asset prices, real GDP appears on track to grow at the rapid pace of roughly 6 percent in 2021. To be sure, the Delta variant threatens that projection. However, even in the initial stages of the pandemic, when people had far less information and fewer mitigation resources, consumer spending and overall economic activity was remarkably resilient.

The surprising strength in GDP and the improvements in expectations are evident from CBO's upward revisions to its projections (shown in figure 1). In the third quarter of 2020 the level of GDP was 4.8 percent above the projection that CBO published at the beginning of that quarter. Moreover, since July 2020 CBO has revised up projected GDP for 2023 by nearly 7 percent, where the projected level of GDP at the end of 2023 is now 2 percent above CBO's pre-pandemic forecast. Nonetheless, through 2023 the cumulative shortfall in real output relative to a pre-pandemic projection is expected to total about $400 billion in 2012 dollars (CBO 2020a, 2021c). Note that CBO's projections show a soft landing, with real GDP showing only modest growth by late 2022. The slowdown could be more abrupt and painful than those projections suggest.

FIGURE 1.

Revisions to CBO's Economic Projections since January 2020



Source: Bureau of Economic Analysis (BEA) 2021a; Congressional Budget Office (CBO) 2020a, 2020b, 2020c, 2021a, and 2021b.

Note: Actual GDP is real GDP as reported by the Bureau of Economic Analysis through the first quarter of 2021. Projected GDP (Jan. 2020) is the real GDP projection from the Congressional Budget Office, January 2020. Other projections from CBO are similarly released at the dates in parentheses with one exception. Projected GDP Without Effects of Pandemic-Related Legislation (Jul. 2020) was published by CBO in September 2020 but showed the agency's projection of real GDP as of July 2020 excluding the effects of pandemic-related legislation since March 2020. CBO released quarterly projections for 2020 and 2021 and annual averages for 2022 and 2023.

THE HAMILTON PROJECT
BROOKINGS

2. The sharp decline in employment in spring 2020, which was largely concentrated in the services sector, has only partially reversed.

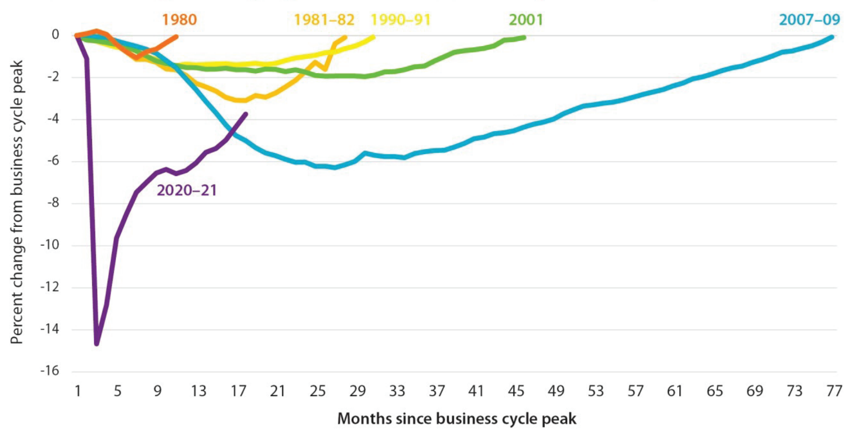
Figure 2 shows the percent difference in overall employment from the peak month prior to recent economic downturns through the month where employment recovered to its previous business cycle peak. Across the labor market, employment is still down 5.3 million from February 2020 and down about 9 million from where trends in employment were headed to prior to the pandemic.

From February to April of 2020, employment declines in the leisure and hospitality sector accounted for about 40 percent of the total 22 million jobs that were lost. Conversely, a partial recovery in that sector has fueled employment growth since then. Overall, from February through July of this year, monthly employment rose by more than 700,000 on average. In August that pace slowed significantly, however. The resurgence of the pandemic likely held back the recovery in the leisure and hospitality sector, which saw no net gain in employment in August. In that sector, employment is still down 1.7 million jobs from February 2020.

In comparison to previous recessions, the COVID–19 recession has been worse for the services sector relative to the goods sector. Consider the average outcomes across the four recessions from 1981 to 2019, 18 months from when the different recessions began: employment in the service sector was 1 percent below its pre-recession peak and employment in the goods sector was 10 percent below its peak. In contrast, as of August 2021 employment in the service sector was still 4 percent below its February 2020 level and employment in the goods sector was 3 percent below.

FIGURE 2.

Percent Change in Employment from Business Cycle Peaks, 1980–2021



Source: Bureau of Labor Statistics 2021a; National Bureau of Economic Research n.d.; authors' calculations.

Note: Figure shows the percent change in total nonfarm employment from the peak of a business cycle until employment returns to the level of the previous business cycle peak.

THE HAMILTON PROJECT BROOKINGS

3. Millions of workers are no longer eligible for Unemployment Insurance.

Over the summer of 2021 in some states, and in the first week of September 2021 in the remainder of states, enhanced UI expired. That set of policies had significantly expanded eligibility to workers not covered by regular UI (Pandemic Unemployment Assistance [PUA]), extended the number of weeks that a worker could receive UI (Pandemic Emergency Unemployment Compensation [PEUC]), and increased the generosity of benefits (Federal Pandemic Unemployment Compensation [FPUC]). Prior to the CARES Act, which created PUA, PEUC, and FPUC, only 30 percent of workers were eligible for unemployment compensation.

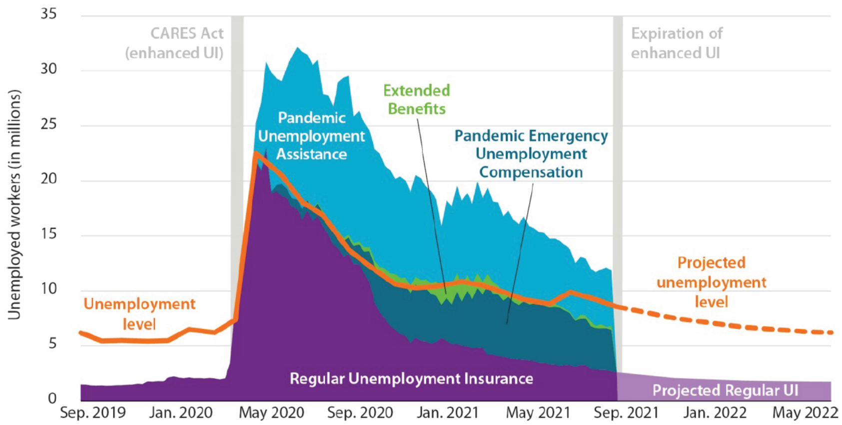
Figure 3 shows the total number of unemployed workers superimposed over weekly continued UI claims for regular UI benefits and Extended Benefits, which automatically extends weeks of eligibility based on a state's economic conditions, as well as claims for emergency programs: PUA and PEUC.

Note that the level of unemployment greatly underestimates the number of people who lost jobs during the pandemic. To be described as officially unemployed, a person must be actively looking for work; however, millions of people effectively have left the labor force since March 2020 but were eligible for the expanded UI benefits. At the time that the emergency programs expired, there was a gap of more than 5.5 million workers who were in the labor market and unemployed, but not receiving UI. We project that gap to close only modestly through the end of this year.

Fiscal support has helped people prioritize their health over labor market income, which was certainly one of the goals when the support was put in place in the spring of 2020 and when it was reauthorized several times. Preliminary analysis suggests that UI generosity had a modest effect on recipients' job-finding rates (Petrosky-Nadeau and Valletta 2021). Nonetheless, we see no compelling evidence that the cancellation of those benefits so far has led to significant increases in aggregate employment (Coombs et al. 2021; Pardue 2021). On the other hand, the abrupt elimination of access to UI benefits for millions of people creates financial hardship for those who are unable to work owing to health risks or other constraints.

FIGURE 3.

Number of Unemployed Workers Receiving Unemployment Compensation



Source: The Century Foundation Unemployment Insurance Data Dashboard 2021; Department of Labor 2021; Bureau of Labor Statistics (BLS) 2021a; Congressional Budget Office (CBO) 2021c.

Note: Gray bars highlight the beginning and expiration dates of federal pandemic UI programs. Weekly unemployment claims data by program are collected by The Century Foundation for January 2020 through August 2021, where 2019 regular UI data is backfilled from BLS' weekly continued claims. Surveyed unemployment level represented by the orange line is BLS' monthly unemployment level for those aged 16 and over. Projection of unemployment levels into 2022 are based on CBO's July 2021 economic projections, while projection of UI claims assumes reversion to the average share of claims to surveyed unemployment from 2010–2019.

THE HAMILTON PROJECT BROOKINGS

4. The number of job openings and the number of workers quitting their jobs is higher now than in the past 20 years.

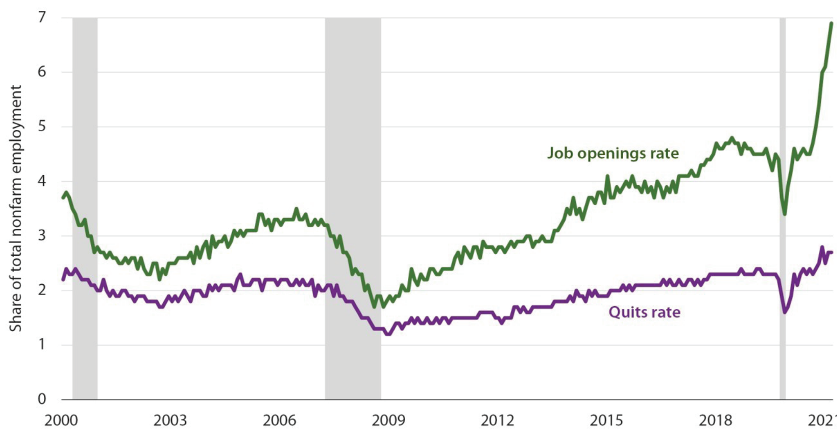
Despite job openings being their highest since the end of 2000 (the earliest available data), several factors are holding down employment gains. One factor is that the share of workers quitting jobs each month is at a series high. As figure 4 shows, the quit rate generally moves with the job opening rate, since workers are more likely to switch jobs in a strong labor market. Moreover, in the current environment the composition of labor demand is changing, and workers may be taking time to move from temporary jobs they took during the pandemic. Taken together, record job openings, the slowness of job matching, and the depressed level of labor force participation has created wage pressure, particularly for workers in the service sector, for younger workers, and for workers with less formal education.

In addition to the depressed rate of job matching, also worrying is the lack of recovery in the labor force participation rate, which is the share of the population working or actively seeking work. That rate fell from 63 percent to 60 percent between February and April of last year, when nearly 8 million workers left the labor force. The participation rate recovered about halfway by June 2020, but has remained stubbornly depressed since then.

Factors unique to the pandemic have disproportionately affected labor force participation among certain groups even if these changes do not meaningfully affect aggregate levels (Furman, Kearney, and Powell 2021). For example, among mothers of elementary school-aged children—which is the demographic likely bearing the brunt of school closures (Amuedo-Dorantes et al. 2020)—the share that is employed fell more than that of mothers who did not have children in elementary school (Bauer, Dube, et al. 2021). Consequently, addressing the child-care crisis moves in the right direction but will not on its own make up the ground that has been lost in aggregate labor force participation.

FIGURE 4.

Monthly Job Openings and Quits as a Share of Total Employment



Source: Bureau of Labor Statistics 2021b.

Note: Shaded areas indicate recessions. Rates of job openings and quits are defined as the ratio of total nonfarm job openings and quits as a share of the total nonfarm employment. All underlying series are seasonally-adjusted, monthly values.

THE HAMILTON PROJECT BROOKINGS

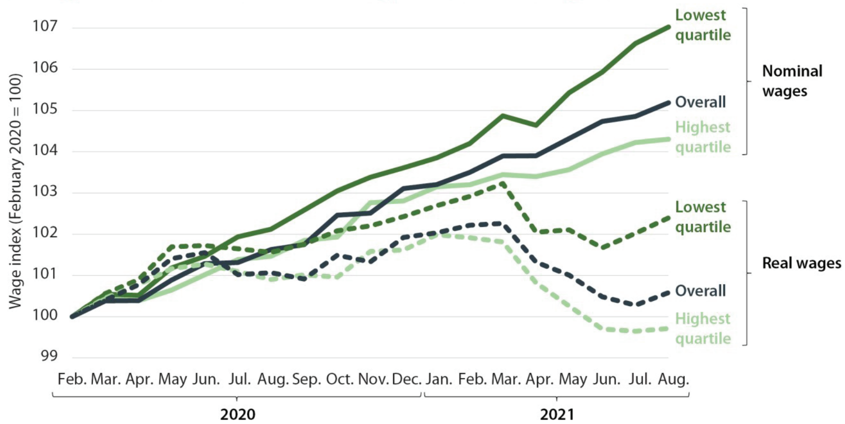
5. Even with recent jumps in inflation, lower income workers are seeing increases in real wages.

Upward pressure on wages has been good news, particularly for low-income workers and workers in certain industries. As shown in figure 5, wages for those in the bottom quartile of the wage distribution are up 7.0 percent from their pre-pandemic level, or 4.6 percent at an annual rate. That rate of growth is close to what that group experienced in 2019, when the consensus held that the labor market was relatively tight. Some sectors have seen particularly strong wage gains. For example, over the past 12 months average hourly earnings in the leisure and hospitality sector have grown nearly twice as fast as the overall private industry average. Other sectors seeing strong gains in hourly earnings include retail trade, transportation and warehousing, and financial activities.

Because of recent increases in the rate of inflation, workers' purchasing power is not rising as fast as nominal wages. Price increases in recent months led to declines in real wages from March to June 2021. Those declines partly offset increases in real wages earlier in the pandemic for wage-earners in the bottom quartile, when inflation was soft and nominal wages were rising. In July and August real wages for that group notably accelerated. Overall, from February 2020 to August 2021 real wages for the bottom quartile have risen 2.4 percent, or 1.6 percent at an annual rate. That is considerably below the rate we saw in 2019 when real wage growth was 2.4 percent at an annual rate for the bottom quartile. Moreover, real wages are roughly unchanged for those in the highest quartile, in contrast to a gain of 0.8 percent in 2019.

FIGURE 5.

Changes in Nominal and Real Wages since February 2020



Source: Federal Reserve Bank of Atlanta 2021; Bureau of Labor Statistics 2021c.

Note: Wage indexes were constructed using the Atlanta Fed's Wage Growth Tracker, which constructs wage changes following individuals over time. As a result, it is unlike other measures that are greatly influenced by the composition of who is working. The wage growth measures are 12-month moving average nominal annual growth rates and are available by wage quartiles. Nominal indexes were created as follows: For the first 12 months of wage data, which start at the end of 1997, an index was computed by using a non-annualized version of the wage growth data as a proxy for one-month growth rates. Then, for future months, the index values were computed using the annual wage growth data. Finally, the index was benchmarked to make February 2020 equal 100. Real growth rates were calculated by subtracting 12-month growth rates in the consumer price index excluding food and energy (core CPI inflation) from nominal wage growth. Then, the real wage index was computed as above.

THE HAMILTON PROJECT BROOKINGS

6. Post-pandemic, income after government taxes and transfers, as well as household saving, have been above their recent trends.

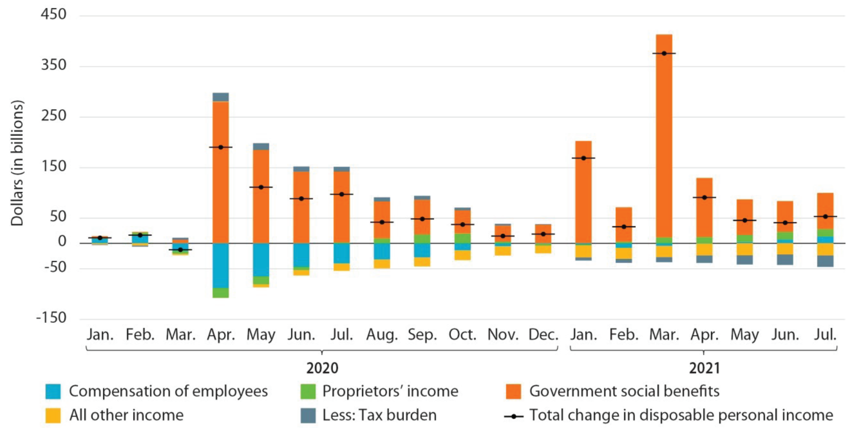
Disposable personal income (DPI, or total aftertax income) in 2020 and so far in 2021 has been higher than if DPI had simply grown at its trend rate of the previous five years. In aggregate, DPI has so far been higher than trend by a total of $1.4 trillion since the start of the pandemic.

In 2020 weak aggregate compensation of employees was more than offset by a sharp increase in government benefits, leaving total DPI a cumulative $630 billion above its trend level over the course of that year (figure 6). As a result of additional dispensation of government social benefits to households in January and March of this year, DPI has been higher, on average, by about $115 billion each month since January than if it had grown at its trend pace. Since March of this year those benefits have come down sharply but remain elevated. Under current law, the boost to DPI should fully wane by early next year. (See Alcala Kovalski et al. 2021 for related information about the waning fiscal support.)

As a result of the significant boosts to DPI and restrained services spending during the pandemic, aggregate household saving has skyrocketed. In every month from March 2020 through April of this year, the rate of saving was higher than in the past four decades; in some months it was roughly double the previous post-World War II peak. In total, households have roughly $2.5 trillion more in savings than if DPI and spending had grown in line with trend rates in the five years prior to the pandemic. Moreover, home prices and stock market prices have surged, leading to large increases in household wealth. Those resources will help to finance the pent-up demand for forgone spending. Ultimately, households will view the increase in savings and wealth as financial resources to support long-term, relatively steady consumer spending.

FIGURE 6.

Change in Household Disposable Personal Income Relative to 2014–2019 Trend



Source: Bureau of Economic Analysis 2021b.

Note: Bars denote change in disposable personal income (DPI) components while diamond-studded line denotes overall monthly change in net DPI relative to pre-pandemic trend. Compensation of employees includes wages and salaries as well as employer contributions to pensions and social insurance programs. Proprietors' income includes excess of revenue from farm and nonfarm production. Government social benefits include Social Security, Medicare, Medicaid, unemployment insurance, veterans' benefits, and other federal and state social benefits. Other forms of income include rental income, personal income receipts on assets, and personal current transfer receipts. Reductions in tax burden increase DPI.

7. Fiscal support led to a reduction in poverty in 2020.

By the Official Poverty Measure (OPM), poverty increased from 10.5 percent to 11.4 percent from 2019 to 2020. After taking into account the enormous fiscal support provided to households in 2020, the percentage of the US population in poverty, as measured by the Supplemental Poverty Measure (SPM), fell from 12 percent to 9 percent (figure 7). While poverty as measured by the SPM is typically lower than OPM for children, 2020 was the first time that SPM was lower than the OPM overall.

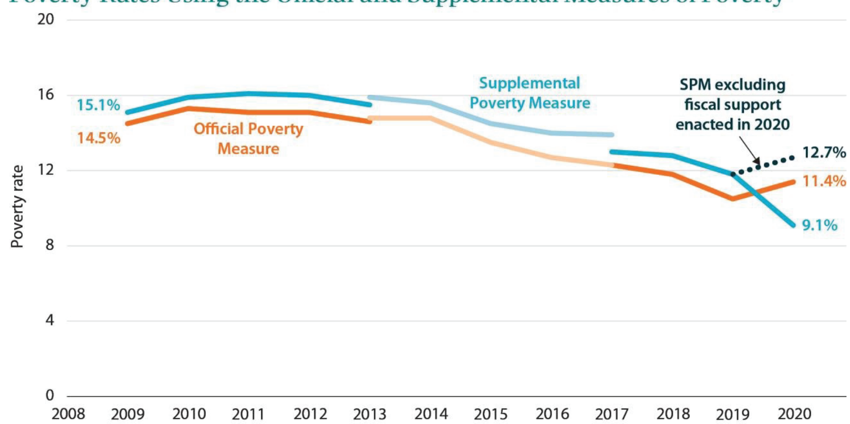
The two policies that had the most significant effects relative to earlier years, because they were the most changed from prior policy, were the expansion of unemployment compensation and checks to households. If Congress had not enacted relief for families, SPM poverty would have risen to 12.7 percent rather than falling to 9.1 percent.

Another factor behind the decrease in poverty was the relatively strong wage growth for those at the bottom of the income distribution who remained employed (see fact 5). Notably, those wage gains came on the heels of strong wage growth in 2018 and 2019, when the tight labor market benefited lower-wage workers.

In 2021 continued fiscal support—particularly the full refundability of and the increase in the child tax credit and increases to the Supplemental Nutrition Assistance Program (SNAP) maximum benefit—as well as the continued labor market recovery should help to lift households out of poverty. Sustained progress in reducing post-tax-and-transfer poverty as measured in the SPM is possible through making permanent some of the policies enacted to counter the COVID–19 recession.

FIGURE 7.

Poverty Rates Using the Official and Supplemental Measures of Poverty



Source: Census Bureau 2021a.

Note: The Supplemental Poverty Measurement (SPM) was revised in 2019 with the implementation of revised methodology, in 2017 with the implementation of an updated processing system, and in 2013 with redesigned income questions. Estimate for SPM excluding stimulus provided by Census Bureau removes the first two rounds of stimulus payments issued under CARES Act and CRRSA Act of 2020. For additional detail, refer to the Supplemental Poverty Measure: 2020 report appendix.

THE HAMILTON PROJECT BROOKINGS

8. To date, 36 states have made progress in catching up on delinquent rent and mortgage payments.

To help Americans struggling to make mortgage and rent payments in the midst of a sharp contraction in labor income in the spring of 2020, policymakers put in place several relief programs. Those programs initially took the form of foreclosure and eviction moratoria and later also included financial support.

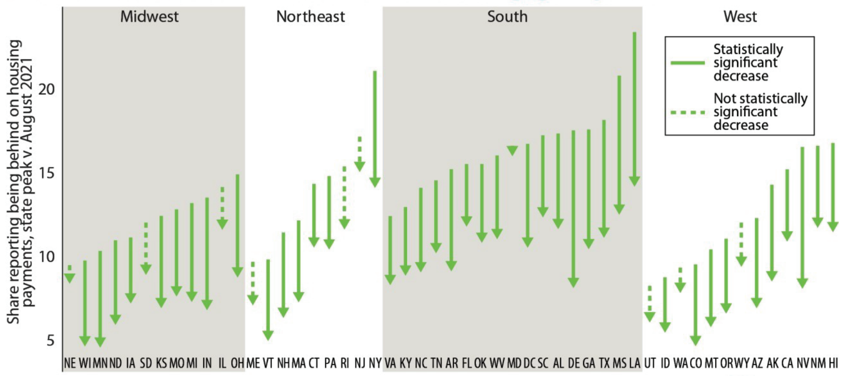
Delinquent mortgage borrowers experiencing economic hardships related to the pandemic, who had a federally backed mortgage, which includes mortgages backed by Federal Housing Administration, Veterans Administration, Fannie Mae, and Freddie Mac loans, were automatically eligible for forbearance through September 30, 2021. The government put in place help for mortgage servicers who are generally required to make payments to investors regardless of whether borrowers are delinquent. According to the Federal Reserve Bank of New York, forbearance plans disproportionately benefitted low-income borrowers, especially those holding FHA-insured loans and those living in disadvantaged neighborhoods (Haughwout, Lee, Scally, and van der Klaauw 2021). In addition, Congress's American Rescue Plan provided nearly $10 billion to help homeowners who were behind on their mortgage and utility payments.

The federal eviction moratorium expired in August 2021, although some states have extended such protections. The federal government has allocated $46.5 billion in relief to help renters make their back payments and to help landlords who are owed those payments. State and local grantees had provided only $5.1 billion of the first $25 billion allocated for emergency rental assistance through July 2021 and news reports (Siegel 2021) suggest distribution of aid continues to be slow, even with recent US Department of the Treasury (2021) guidance to expedite delivery. With regard to the money that was distributed in the first quarter of 2021, more than 60 percent of households who received aid had household incomes under 30 percent of typical incomes in their geographic area.

Nonetheless, the broader fiscal support and the partial recovery in the labor market has helped to reduce the number of people who are behind on their payments. Figure 8 shows how much progress has been made in getting caught up on rent or mortgage payments by state, from each state's peak to the most recent data spanning July and August. Three-quarters of the states reached their highest share of missed rent or mortgage between December 2020 and March 2021. Since peaking, the share of residents who reported missing rent or mortgage payments is lower in 36 states by statistically significant amounts.

FIGURE 8.

Share of Households Behind on Rent and Mortgage Payments



Source: Census Bureau 2021b; authors' calculations.

Note: Figure arrows display the percentage point change in missed payment shares between each state's peak compared to the most recently available data capturing responses from late June to mid-August 2021. Solid lines represent statistically significant declines in missed payment share, while dotted lines were not statistically significant. Missed payment shares by state are based on aggregated responses from renters and homeowners to the Household Pulse question: "Is this household currently caught up on rent [or mortgage] payments?". To minimize survey error within states, Pulse's two-week survey periods were converted to three-period moving averages from August 2020 to August 2021 (or Pulse Survey weeks 13–35). State peaks were determined using these moving average shares, where more than three-fourths of state peaks occurred between December 2020 and March 2021.

9. The strength in durable goods spending and weakness in spending on consumer services stands in sharp contrast to previous recoveries.

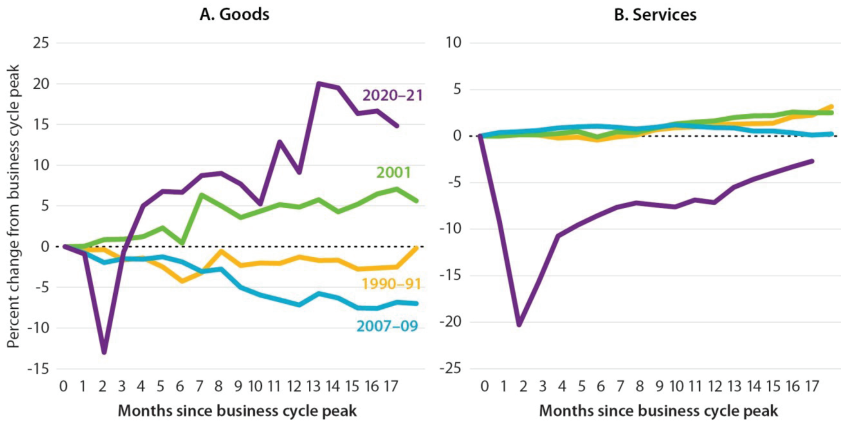
Together, social distancing and substantial support to households led to a surge in spending on durable goods even as households curtailed spending on services—a dramatic departure from behavior in more-typical recessions. As shown in figure 9a, overall real spending on goods initially sank 13 percent from February to April of 2020, but then quickly rose and had exceeded its pre-pandemic level by June. This rise included purchases such as vehicles, household furniture, and recreational equipment; after adjusting for inflation, so far in 2021 purchases of those durable goods have averaged 25 percent higher than pre-pandemic spending. In contrast, spending on services—many of those being face-to-face transactions such as live entertainment and dining at restaurants—fell steeply during the pandemic. Real services spending dropped more than 20 percent in the spring of 2020 and has yet to recover to pre-pandemic levels.

These patterns diverge from prior recessions. In most prior recessions, spending on durable goods remains subdued for an extended period, as in the case of the Great Recession where 18 months into the recovery, goods expenditures remained 7 percent below the pre-recession peak. In addition, figure 9b shows that, in each of the prior three recessions, spending on services temporarily plateaued in the first year of recovery before resuming growth. But in none of these prior recessions did services dip below their pre-recession levels for any sustained period—another sign of the uniqueness of the COVID–19 recession.

In recent months, demand has begun shifting back toward services as people begin resuming normal activities. From March to July, goods purchases declined moderately, while spending on services climbed 3 percent; notably, spending on live entertainment, hotels, and public transportation collectively increased by 35 percent over those four months.

FIGURE 9.

Percent Change in Real Personal Consumption Expenditures from Business Cycle Peaks, 1990–2021



Source: Bureau of Economic Analysis 2021c; National Bureau of Economic Research n.d.; authors' calculations.

Note: Figure shows the percent change from the peak month of each business cycle in seasonally-adjusted real personal consumption expenditures.

THE HAMILTON PROJECT BROOKINGS

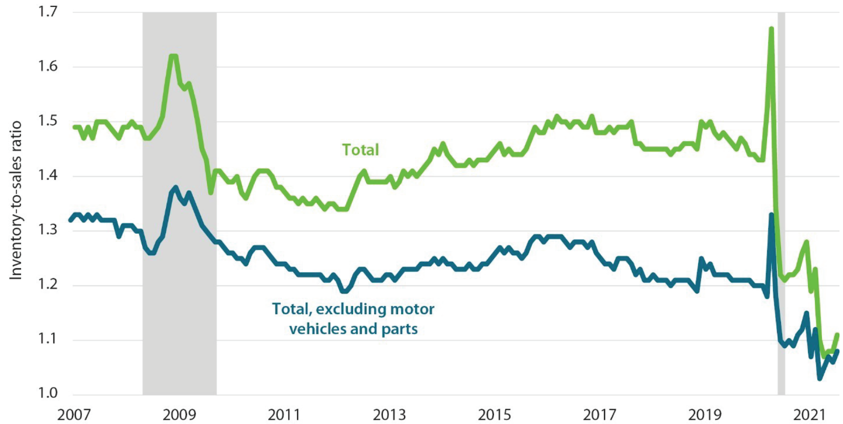
10. Retail inventories are unsustainably low.

Through August 2021, much of the consumer demand for goods has been met by drawdowns of inventory. As shown in figure 10, the retail inventory-to-sales ratio spiked at the beginning of the pandemic when spending plummeted. Since then, however, the ratio has fallen precipitously. This is particularly true for the automotive sector, where shortages of semiconductors have constrained production. Even outside of that sector, production has been insufficient to keep up with demand. Indeed, unfilled orders and delivery times are elevated across the manufacturing sector. Disruptions in global supply chains have been a continuing obstacle, in particular backlogs at ports that have increased the cost of shipping to historic highs.

On the one hand, capacity utilization in the manufacturing sector has recovered close to its pre-pandemic level. On the other hand, historical patterns and recent surveys of manufacturers suggest that they will increase utilization well beyond that level to replenish inventories as demand recovers.

In addition to investment in inventories, survey data suggest that investment to expand capacity and productivity is poised to increase. Private investment in equipment and structures has partially rebounded since the second quarter of 2020 but has not yet returned to pre-pandemic trends. As of the first quarter of 2021, investment in business equipment had rebounded as a share of potential output, but additional investment is required to make up for lost investment during the pandemic. A rebound in investment in structures is more than accounted for by investment in residential structures; in fact, investment in residential structures as a share of output is back to levels not seen since 2007. Nonresidential structure investment, however, is still down as a share of potential output.

FIGURE 10.
Retail Inventories-to-Sales



Source: Census Bureau 2021c.
Note: Shaded areas indicate recessions.

THE HAMILTON PROJECT
BROOKINGS

11. There were more new business applications and fewer bankruptcies in 2020 and 2021 than in 2018 and 2019.

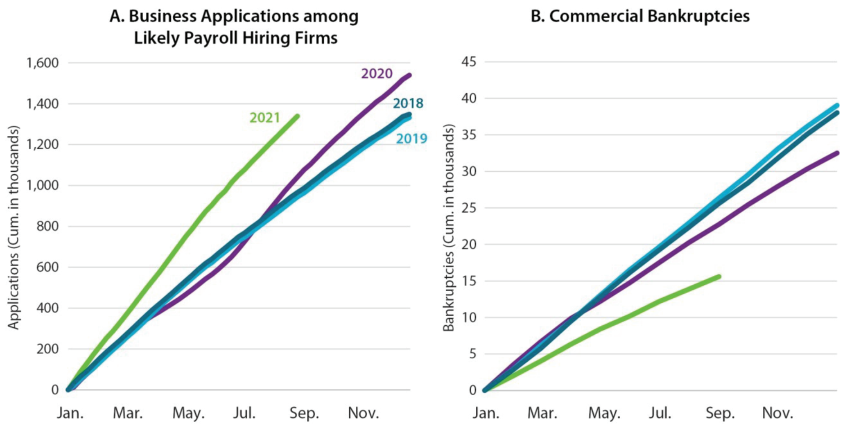
Newly created businesses appear to be a major source of production of the goods and services that households are demanding. Figure 11a shows new business applications of firms that the Census Bureau characterizes as having a high propensity to employ workers. Since the summer of 2020, we have seen the highest level of applications since the agency began to track the series in 2004. Applications have perhaps reflected new business opportunities in the wake of the pandemic. The prospective new businesses are concentrated in online retail, which makes up a third of the increase in total new applications, and in service sector industries, which suffered some of the largest employment losses early last year (Haltiwanger 2021).

In the past year and a half, fewer firms have failed than initially feared, due in part to fiscal support like the Paycheck Protection Program that offered forgivable loans to small- and medium-sized businesses. Figure 11b compares cumulative commercial bankruptcies for the past four years. The full year 2020 ended with 17 percent fewer bankruptcies than in 2019, while 2021 is currently on track to record the fewest commercial bankruptcy filings since at least 2012 (when the data became available). More specifically, Chapter 7 filings and Chapter 13 filings, which represent asset liquidation and those of sole proprietorships, were 16 percent and 45 percent lower in 2020 than 2019, respectively. In contrast, Chapter 11 filings, which historically have reflected the reorganizations of large firms, jumped 29 percent in 2020. That increase also likely reflects legislation enacted in February 2020 and then expanded under the CARES Act, which offered smaller businesses the ability to reorganize under Chapter 11 and thus remain viable.

Although the business sector appears to have done well overall, some acutely affected sectors have seen more closures. For example, early evidence shows an elevated rate of exits for heavily COVID-affected businesses, such as barber shops and hair salons (Crane et al. 2021).

FIGURE 11.

Cumulative New Business Applications and Bankruptcies, Selected Years



Source: A) Census Bureau Business Formation Statistics (BFS) 2021d; B) Epiq AACER 2021; authors' calculations.

Note: A) Likely hiring firms refers to BFS's "High-Propensity Business Applications," a subset of applications with characteristics associated with high rate of payroll business formation. Figure displays non-seasonally adjusted weekly data, aggregated as rolling year-to-date (YTD) series; B) Data is for commerical bankruptcy filings only, where totals include all bankruptcies filed under Chapters 7, 11, and 13 of the U.S. Bankruptcy Code. Monthly data was aggregated as rolling year-to-date (YTD) series for comparison across years.

THE HAMILTON PROJECT
BROOKINGS

References

Aaronson, Stephanie, Mitchell Barnes, and Wendy Edelberg. 2021. "A Hot Labor Market Won't Eliminate Racial and Ethnic Unemployment Gaps." Blog. The Hamilton Project, Brookings Institution, Washington, DC. September 2, 2021.

Aaronson, Stephanie, and Wendy Edelberg. 2020. "Tracking the Mounting Challenges among Those Who Have Lost Their Jobs." The Hamilton Project, Brookings Institution, Washington, DC.

Alcala Kovalski, Manuel, Sophia Campbell, Eric Milstein, and Louise Sheiner. 2021. "Interactive: Federal, State and Local Fiscal Policy and the Economy." Hutchins Center Fiscal Impact Measure, Hutchins Center on Fiscal and Monetary Policy, Brookings Institution, Washington, DC. Accessed June 25, 2021 at https://www.brookings.edu/interactives/hutchins-center-fiscal-impact-measure/

Amuedo-Dorantes, Catalina, Miriam Marcén, Marina Morales, and Almudena Sevilla. 2020. "COVID–19 School Closures and Parental Labor Supply in the United States." IZA DP 13827, Institute of Labor Economics (IZA), Bonn, Germany.

Arum, Richard, and Stevens, Mitchell L. 2020. "Building Tomorrow's Workforce Today: Twin Proposals for the Future of Learning, Opportunity, and Work." The Hamilton Project, Brookings Institution, Washington, DC.

Autor, David, and Elisabeth Reynolds. 2020. "The Nature of Work After the COVID Crisis: Too Few Low-Wage Jobs." The Hamilton Project, Brookings Institution, Washington, DC.

Barnes, Mitchell, Lauren Bauer, Wendy Edelberg, Sara Estep, Robert Greenstein, and Moriah Macklin. 2021. "The Social Insurance System in the U.S.: Policies to Protect Workers and Families." The Hamilton Project, Brookings Institution, Washington, DC.

Bauer, Lauren. 2020a. "The COVID–19 Crisis Has Already Left Too Many Children Hungry in America." Blog. The Hamilton Project, Brookings Institution, Washington, DC. May 6, 2020.

Bauer, Lauren. 2020b. "About 14 Million Children in the US Are Not Getting Enough to Eat." Blog. The Hamilton Project, Brookings Institution, Washington, DC. July 9, 2020.

Bauer, Lauren. 2021. "Mothers Are Being Left Behind in the Economic Recovery from COVID–19." Blog. Brookings Institution, Washington, DC. May 6, 2021.

Bauer, Lauren, Kristen Broady, Wendy Edelberg, and Jimmy O'Donnell. 2020. "Ten Facts about COVID–19 and the U.S. Economy." The Hamilton Project, Brookings Institution, Washington, DC.

Bauer, Lauren, Eliana Buckner, Sara Estep, Emily Moss, and Morgan Welch. 2021. "10 Economic Facts on How Mothers Spend Their Time." The Hamilton Project, Brookings Institution, Washington, DC.

Bauer, Lauren, Arindrajit Dube, Wendy Edelberg, and Aaron Sojourner. 2021. "Examining the Uneven and Hard-to-Predict Labor Market Recovery." Blog. The Hamilton Project, Brookings Institution, Washington, DC. June 3, 2021.

Bauer, Lauren, Wendy Edelberg, and Jana Parsons. 2020. "Unemployment Insurance Extended Benefits Will Lapse Too Soon Without Policy Changes." Blog. The Hamilton Project, Brookings Institution, Washington, DC. August 6, 2020.

Bauer, Lauren, Sara Estep, and Winnie Yee. 2021. "Time Waited for No Mom in 2020." Blog. The Hamilton Project, Brookings Institution, Washington, DC. July 22, 2021.

Bauer, Lauren, Abigail Pitts, Krista Ruffini, and Diane Whitmore Schanzenbaugh. 2020. "The Effect of Pandemic EBT on Measures of Food Hardship." The Hamilton Project, Brookings Institution, Washington, DC.

Bauer, Lauren, and Diane Whitmore Schanzenbach. 2020. "Food Security Is Economic Security Is Economic Stimulus." Blog. The Hamilton Project, Brookings Institution, Washington, DC. March 9, 2020.

Broady, Kristen E., Darlene Booth-Bell, Jason Coupet, and Moriah Macklin. 2021. "Race and Jobs at Risk of Being Automated in the Age of COVID–19." The Hamilton Project, Brookings Institution, Washington, DC.

Broady, Kristen, Wendy Edelberg, and Emily Moss. 2020. "An Eviction Moratorium without Rental Assistance Hurts Smaller Landlords, Too." Blog. The Hamilton Project, Brookings Institution, Washington, DC. September 21, 2020.

Byker, Tanya, and Elena Patel. 2021. "A Proposal for a Federal Paid Parental and Medical Leave Program." The Hamilton Project, Brookings Institution, Washington, DC.

Century Foundation, The. 2021. "Unemployment Insurance Data Dashboard." The Century Foundation, New York, NY. Accessed at https://tcf.org/content/data/unemployment-insurance-data-dashboard/?session=1

Collinson, Robert, Ingrid Gould Ellen, and Benjamin Keys. 2021. "Bolstering the Housing Safety Net: The Promise of Automatic Stabilizers." The Hamilton Project, Brookings Institution, Washington, DC.

Congressional Budget Office (CBO). 2016. "The Macroeconomic and Budgetary Effects of Federal Investment." Congressional Budget Office, Washington, DC. cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51628-Federal__Investment.pdf.

Congressional Budget Office (CBO). 2020a, January 28. "The Budget and Economic Outlook: 2020 to 2030." Congressional Budget Office, Washington, DC.

Congressional Budget Office (CBO). 2020b, July 2. "An Update to the Economic Outlook: 2020 to 2030." Congressional Budget Office, Washington, DC.

Congressional Budget Office (CBO). 2020c, September 18. "The Effects of Pandemic-Related Legislation on Output." Congressional Budget Office, Washington, DC.

Congressional Budget Office (CBO). 2021a, February 11. "The Budget and Economic Outlook: 2021 to 2031." Congressional Budget Office, Washington, DC.

Congressional Budget Office (CBO). 2021c, July 1. "An Update to the Budget and Economic Outlook: 2021 to 2031." Congressional Budget Office, Washington, DC.

Coombs, Kyle, Arindrajit Dube, Calvin Jahnke, Raymond Kluender, Suresh Naidu, and Michael Stepner. 2021. "Early Withdrawal of Pandemic Unemployment Insurance: Effects of Earnings, Employment and Consumption." Working Paper. https://files.michaelstepner.com/pandemicUIexpiration-paper.pdf

Crane, Leland D., Ryan A. Decker, Aaron Flaaen, Adrian Hamins-Puertolas, and Christopher Kurz. 2021. "Business Exit During the COVID–19 Pandemic: Non-Traditional Measures in Historical Context." Finance and Economic Discussion Series, Board of Governors of the Federal Reserve System, Washington, DC.

Davis, Elizabeth E., and Aaron Sojourner. 2021. "Increasing Federal Investment in Children's Early Care and Education to Raise Quality, Access, and Affordability." The Hamilton Project, Brookings Institution, Washington, DC.

Desjardins, Jeff. 2020. "Visualizing the Growth of COVID–19 in the U.S., Organized by State Peak Date." Visual Capitalist, Vancouver, BC, Canada.

Dube, Arindrajit. 2021. "A Plan to Reform the Unemployment Insurance System in the United States." The Hamilton Project, Brookings Institution, Washington, DC.

Edelberg, Wendy, Sara Estep, Stephanie Lu, and Emily Moss. 2021. "A Comparison of Renters and Homeowners in Recent Decades." The Hamilton Project, Brookings Institution, Washington, DC.

Edelberg, Wendy, and Shambaugh, Jay. 2020. "How the Pandemic Is Changing the Economy". Brookings Institution. Washington DC.

Edelberg, Wendy, and Louise Sheiner. 2020. "What Could Additional Fiscal Policy Do for the Economy in the Next Three Years?" Brookings Institution, Washington, DC.

Edelberg, Wendy, and Louise Sheiner. 2021a. "The Macroeconomic Implications of Biden's $1.9 trillion fiscal package" Up Front (blog), Brookings Institution, Washington, DC. January 28, 2021.

Edelberg, Wendy, and Louise Sheiner. 2021b. "A Macroeconomic Analysis of a Senate Republican COVID Relief Package." Blog. Brookings Institution, Washington, DC. February 3, 2021.

Epiq. 2021. "AACER Bankruptcy Statistics and Trends: All Commercial Chapters Bankruptcy Statistics by Month, 2011–YTD." Epiq, Kansas City, KS.

Federal Reserve Bank of Atlanta. 2021. "Wage Growth Tracker." Center for Human Capital Studies, Federal Reserve Bank of Atlanta, Atlanta, GA. Accessed September 15, 2021 at https://www.atlantafed.org/chcs/wage-growth-tracker.aspx

Furman, Jason, Melissa Kearney, and Wilson Powell III. 2021. "How Much Have Childcare Challenges Slowed the US Jobs Market Recovery?" Peterson Institute for International Economics, Washington, DC.

Gilarsky, Melanie, Ryan Nunn, and Jana Parsons. 2020. "What is Work Sharing and How Can It Help the Labor Market?" Blog. The Hamilton Project, Brookings Institution, Washington, DC. April 16, 2020.

Grooms, Jevay, Alberto Ortega, and Joaquin Alfredo-Angel Rubalcaba. 2020. "The COVID–19 Public Health and Economic Crises Leave Vulnerable Populations Exposed." Blog. The Hamilton Project, Brookings Institution, Washington, DC. August 13, 2020.

Haltiwanger, John C. 2021. "Entrepreneurship During the COVID–19 Pandemic: Evidence from the Business Formation Statistics." Working Paper 28912, National Bureau of Economic Research, Washington, DC.

Hamilton, Steven. 2020. "From Survival to Revival: How to Help Small Businesses through the COVID–19 Crisis." The Hamilton Project, Brookings Institution, Washington, DC.

Hardy, Bradley L., and Trevon Logan. 2020. "Racial Economic Inequality Amid the COVID–19 Crisis." The Hamilton Project, Brookings Institution, Washington, DC.

Haughwout, Andrew, Donghoon Lee, Joelle Scally, and Wilbert van der Klaauw. 2021. "Keeping Borrowers Current in a Pandemic." Blog. Liberty Street Economics, Federal Reserve Bank of New York, New York, NY. May 19, 2021.

Holzer, Harry J. 2021. "After COVID–19: Building a More Coherent and Effective Workforce Development System in the United States." The Hamilton Project, Brookings Institution, Washington, DC.

Johns Hopkins. 2021. "COVID–19 Data in Motion." Coronavirus Resource Center, Johns Hopkins University of Medicine. Accessed September 17, 2021, at https://coronavirus.jhu.edu/

National Bureau of Economic Research (NBER). n.d. "US Business Cycle Expansions and Contractions." National Bureau of Economic Research, Cambridge, MA.

Nunn, Ryan. 2020. "How to Bolster UI in Response to COVID–19." Blog. The Hamilton Project, Brookings Institution, Washington, DC. May 7, 2020.

Nunn, Ryan, and Jimmy O'Donnell. 2020. "Unpredictable and Uninsured: The Challenging Labor Market Experiences of Nontraditional Workers." The Hamilton Project, Brookings Institution, Washington DC.

Nunn, Ryan, Jimmy O'Donnell, and Jay Shambaugh. 2020. "Examining Options to Boost Essential Worker Wages during the Pandemic." Blog. The Hamilton Project, Brookings Institution, Washington, DC. June 4, 2020.

Nunn, Ryan, Jana Parsons, and Jay Shambaugh. 2020. "Incomes Have Crashed. How Much Has Unemployment Insurance Helped?" Blog. The Hamilton Project, Brookings Institution, Washington, DC. May 13, 2020, updated August 6, 2020.

O'Donnell, Jimmy. 2020. "Essential Workers during COVID–19: At Risk and Lacking Union Representation." Blog. The Hamilton Project, Brookings Institution, Washington, DC. September 3, 2020.

Pardue, Luke. 2021. "Hiring Trends as Enhanced Unemployment Insurance Benefits Expire: Evidence from High-Frequency Small Business Data". Gusto Company News, July 27, 2021.

Petrosky-Nadeau, Nicolas, and Robert Valletta. 2021. "UI Generosity and Job Acceptance: Effects of the 2020 CARES Act." Working Papers June 2021. Federal Reserve Bank of San Francisco, San Francisco, CA

Rose, Nancy. 2020. "Will Competition Be Another COVID–19 Casualty" Brookings Institution. Washington, DC.

Shambaugh, Jay. 2020a. "What Should a Fiscal Response to a COVID–19 Outbreak Look Like?" Blog. The Hamilton Project, Brookings Institution, Washington, DC. March 3, 2020.

Shambaugh, Jay. 2020b. "The Economic Policy Response to COVID–19: What Comes Next?" Blog. The Hamilton Project, Brookings Institution, Washington, DC. March 16, 2020.

Shambaugh, Jay. 2020c. "COVID–19 and the U.S. Economy: FAQ on the Economic Impact and Policy Response." Blog. The Hamilton Project, Brookings Institution, Washington, DC. March 23, 2020.

Shambaugh, Jay. 2020d. "We Are Already in a Recession: Can We Make It a Short One?" Blog. The Hamilton Project, Brookings Institution, Washington, DC. April 3, 2020.

Shambaugh, Jay. 2020e. "We Need to Let Economic Data Guide Further Economic Policy Responses to COVID–19." Blog. The Hamilton Project, Brookings Institution, Washington, DC. April 20, 2020.

Stevenson, Betsey. 2020. "The Initial Impact of COVID–19 on Labor Market Outcomes across Groups and the Potential for Permanent Scarring." Essay 2020–16. The Hamilton Project, Brookings Institution, Washington, DC.

Mr. DEFAZIO. Mr. Regan.

Mr. REGAN. Good morning. Thank you, Chairman, thank you, Ranking Member Graves, for having me here today. I speak on behalf of 33 unions who represent America's frontline transportation workforce.

You know these workers. You see them every day, building our roads, driving our buses, flying our planes, moving our freight, and connecting our communities.

Frontline transportation workers are and always have been essential. The COVID–19 pandemic has put renewed light on what that really means.

During the darkest days of the pandemic, these dedicated professionals never had the luxury of working from home. Often they were forced to do their jobs without adequate safety protections, like face masks, social distancing, and other PPE.

As a result, tens of thousands became ill, scores had to be hospitalized, and tragically workers across all modes lost their lives to the virus.

Despite the risks they face, transportation workers reported for duty and helped see us through this crisis. Because of their efforts, hospitals had the critical supplies they needed, healthcare and other essential workers made it to their jobs on the front lines of the pandemic, and the vaccine has been distributed to every corner of our country.

These efforts were possible because of the dedication of transportation workers, and also because of your support. Congress provided nearly $200 billion to transit agencies, airlines, Amtrak, State departments of transportation, schoolbus operators, and motorcoaches to keep these systems open and workers on the job.

The majority of this aid was included in bipartisan packages that nearly every member of this committee supported. On behalf of TTD and our affiliated unions, I thank you for delivering the Federal aid needed to respond to this crisis.

In our domestic aviation industry, for example, passenger volume dropped 96 percent, and U.S. carriers recorded massive losses in 2020. The economic damage that could have stemmed from the collapse of this industry would have been catastrophic.

However, Congress' provision of three rounds of the Payroll Support Program saved thousands of jobs, prevented carriers from entering bankruptcy, guaranteed that airlines remain capable of transporting essential workers and eventually vaccines, and ensured that this industry would be prepared to respond and recover as demand returned.

I want to thank Chairman DeFazio, in particular, for his efforts in creating and championing this program.

Similarly, in the early days of the pandemic, Amtrak lost its ridership overnight. A shocking 97-percent drop in passengers translated into an unsustainable decrease in operating revenues.

Without the Federal Government's support, Amtrak, its passengers, the communities it serves, and its workforce would have faced devastating losses.

However, three rounds of financial support with improving labor protections, resulted in the recall of all furloughed employees, the return of suspended, long-distance services, and assurances that Amtrak would keep running through the worst of the pandemic.

Public transportation was also devastated by this crisis. Many of those working on the front lines of the pandemic, including medical professionals, public safety workers, and other employees deemed vital to the continuance of our society and economy, relied on these services to get to their jobs.

Unfortunately, COVID–19 placed an incredible strain on our ability to provide this public service to those who rely on it most. Across the three COVID relief bills, Congress provided nearly $70 billion to ensure the continued operation of our public transportation system.

In order to accept this funding, transit agencies across the country had to certify that they would not furlough workers. It is not an exaggeration to state that without this Federal support, the public transportation industry would have been utterly decimated, leaving all those who counted on it throughout the pandemic, in rural and urban communities alike, without the transportation access that they need.

The keys to the success of all these investments were the strong labor protections and the focus on worker welfare. Most transportation workers and their families kept their health insurance and were never forced onto unemployment lines.

Now, as we climb out of this pandemic, they are on the job, ready to grow our economy once again.

While Congress and the Biden administration have taken historic steps to preserve jobs and save our transportation system, unmet challenges remain that still must be addressed.

Frontline workers across all modes continue to face the serious and sometimes deadly threat of assaults for simply enforcing face mask and other safety mandates. This is especially true for workers in public transit, onboard Amtrak, and in aviation.

These workers all have safety-sensitive jobs and should not be expected to perform them while under the threat of physical violence.

The need to move a tremendous amount of cargo at U.S. ports placed longshore, shipbuilding, and other on-deck workers squarely in harm's way of the virus. Language in the revised HEROES Act and the American Rescue Plan temporarily revised the Longshore and Harbor Workers' Compensation Act to ensure that employees who have contracted COVID–19 on the job can collect workers' compensation benefits.

Unfortunately, this was left out of the final bill, but it must be enacted while this virus still persists.

As we move through the pandemic toward recovery, there is no doubt that our transportation system and the frontline workers who build, operate, and maintain it, will continue to play a vital role in ensuring our economy and our country come out of this crisis stronger and better than ever.

Unfortunately, we are still not out from under the shadow of this virus, and until we are, we must continue our efforts to ensure the cooperation between working people, transportation entities, and lawmakers.

Thank you again, and I look forward to your questions.

[Mr. Regan's prepared statement follows:]

Prepared Statement of Gregory R. Regan, President, Transportation Trades Department, AFL–CIO

Good morning. Thank you, Chairman DeFazio and Ranking Member Graves for inviting me to testify before the Committee today.

I speak today on behalf of 33 unions who collectively represent millions of frontline workers across every mode of transportation. You know these workers—you see them every day building our roads, driving our buses, flying our planes, moving our freight, and connecting our communities.

Working people represented by TTD unions are pilots, flight attendants, air traffic controllers, mechanics, and transportation security officers. They are bus and subway operators, station agents and ticket handlers, freight rail conductors, food and beverage workers, ship captains, and port workers. They are building and repairing our roads and bridges. They are found in every corner of our country in cities both large and small, and together they power the most complex transportation system on earth.

These workers are and always have been essential, but the COVID–19 pandemic put a renewed light on what that actually means.

During the darkest days of the pandemic, frontline transportation workers did not have the luxury of working from home. These skilled professionals reported for duty even when our government instructed other Americans to stay home. Often, these workers were forced to do their jobs without adequate safety protections like social distancing, face masks, and other critical PPE. As a result, they risked bringing the virus home to their families or contracting it themselves. Sadly, that's exactly what happened. Tens of thousands of transportation workers became ill from COVID–19.

Scores had to be hospitalized, or stay home. Tragically, workers across all modes of transportation lost their lives because of this virus.

STRONG FEDERAL INVESTMENTS SAVED JOBS, LIVES, AND OUR NATIONAL ECONOMY

The pandemic greatly tested our transportation systems and our country. Federal aid and intervention have been the saving grace for transit, airlines, Amtrak, highway and bridge construction, and other modes of transportation over the past 19 months as Congress provided tens of billions of dollars in aid to transportation workers at transit agencies, airlines and airline contractors, Amtrak, school bus operators, state departments of transportation, motorcoaches, private transit providers and others.[1] The vast majority of this aid was included in bipartisan packages that nearly every member of this committee supported. On behalf of TTD and our affiliate unions, I want to thank the members of this committee for all your work and support delivering federal aid to the transportation workforce in response to this crisis.

Importantly, Congress's bold investments in our transportation network came with an extraordinary focus on the welfare of its workforce. Many of you here today worked hard to ensure that all of the emergency federal investment in transportation came paired with some of the strongest worker protections ever included in a response and relief bill. Airlines and airline contractors were not allowed to involuntarily furlough their workers or diminish wages under the payroll support program.[2] Transit agencies had to certify that they hadn't furloughed any workers.[3] And Amtrak was directed to prevent furloughs, ultimately return furloughed workers to the front lines, and restore suspended services.[4] The benefits of this approach have been apparent from the beginning. Many workers and their families kept their health insurance—which is essential during a public health crisis—and were never forced onto unemployment insurance. And now, as we are climbing out of the pandemic, they are already on the job ready to grow our economy again. That would not have been possible without your support.

Aviation

The domestic aviation industry was deeply affected by the pandemic, with passenger volumes initially dropping by 96%. As a result, U.S. carriers would go on to record massive losses in 2020, as revenue dropped by 62% compared to the year prior.[5] The economic damage that could have stemmed from the collapse of the industry in light of these conditions would have been catastrophic.

However, Congress's provision of three rounds of the Payroll Support Program (PSP) prevented the loss of hundreds of thousands of jobs, including pilots, flight attendants, mechanics, ground crew, baggage handlers, customer service agents, and others. It prevented carriers from entering bankruptcy, guaranteeing that airlines remained capable of fulfilling immediate needs like transporting essential workers and eventually vaccines, and ensured that the aviation industry would be prepared to respond and recover as demand returned. We owe our strongest thanks to Chairman DeFazio for the creation of the program and for his steadfast support through each iteration.

Critically, the PSP was engineered as an employee-first program, whose funding exclusively covered employee payroll and benefits and prevented involuntary furloughs, all without inviting federal interference in collective bargaining relationships at U.S. airlines. This stands in stark contrast to previous airline assistance programs that provided no such assurances to workers, and resulted in massive losses in wages and benefits, to the benefit of carriers. The deployment of the program, and its two extensions, is responsible for avoiding both large-scale furloughs and loss of benefits during a global pandemic. As a result, the vast majority of airline employees pre-pandemic remain in the industry, with collectively bargained

[1] Including but not limited to $69.4b for public transit, $63b for airline and airline contractor workers through the payroll support program, $3b for aviation manufacturing payroll support, $29b in additional aid to airlines through loans and loan guarantees, $4.7b for Amtrak, $2b through the Coronavirus Economic Relief for Transportation Services (CERTS) program directed to motorcoach, school bus, and other companies, and $10b for activities eligible under the Surface Transportation Block Grant Program. This funding came through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (March 27, 2020), the Coronavirus Response and Relief Supplemental Appropriations Act (December 21, 2020), and the American Rescue Plan Act (March 11, 2021).

[2] P.L. 116–136 Section 4114; P.L. 116–260 Section 404; P.L. 117–2 Section 7301

[3] P.L. 116–260 Division M Title IV—Federal Transit Administration; P.L. 117–2 Section 3401

[4] PL. 116–260 Division M Section 401

[5] https://www.bts.gov/newsroom/preliminary-air-traffic-data-april-2020-96-reduction-us-airline-passengers-2019

benefits intact. In fact, total airline employment, per the most recently reported data, has surpassed pandemic lows as several carriers have announced hiring for certain positions.[6] While the pandemic and its effects are certainly not over, this is a welcome sign. However, if the PSP had not been extended at any stage, this would assuredly not be the case, and we would be faced with a decimated airline industry and untold thousands of displaced aviation workers.

In addition to the airline PSP program, the American Rescue Plan also included a PSP-like Aviation Manufacturing Jobs Protection program, designed to support aviation industry manufacturers in response to reduced demand for new aircraft and fewer aircraft in operation. TTD was strongly supportive of the program and appreciated Congress' acknowledgment of this critical role of the airline manufacturing sector and its employees.

Maritime

The U.S. Maritime Industry has continued to be an invaluable part of our national economic security and sealift capability. The pandemic has greatly impacted the various functions in the industry and just like other transportation modes, expenses have increased due to COVID–19 protocols put in place to ensure the health and safety of crews and to keep supply chains open. In addition, there has been a high demand for container shipping and maritime labor and U.S. Flag shipping companies have been working together to ensure that our nation's shelves remain well-stocked. However, there has not been any dedicated federal assistance provided for the maritime transportation system in any of the COVID relief packages passed by Congress.

We thank Chairman DeFazio and the committee for their work on the Maritime Transportation System Emergency Relief Authority (MTSERA) program, which aims to provide comprehensive maritime emergency relief to the U.S. Maritime Administration and stabilizes the reliable function of the Marine Transportation System in any national emergency disaster or public health emergency. MTSERA was authorized in the FY 2021 National Defense Authorization Act for the first time last year, and we call for full support of the program in the appropriations process going forward.

Passenger Rail

In the early days of the pandemic, Amtrak lost its ridership nearly overnight. A shocking 97% drop in ridership ultimately translated into a 31.9% decrease in operating revenues for Amtrak over the course of FY '20.[7] While ridership is beginning to recover, the financial losses that Amtrak stood to incur without the support of the federal government would have had disastrous consequences for passengers, communities, and the Amtrak workforce.

As the pandemic took hold in early 2020, Congress stabilized the carrier with an infusion of approximately $1 billion via the CARES Act. However, upon the exhaustion of these funds, the impact of COVID on Amtrak became clear as it made damaging changes to its workforce and service beginning on October 1, 2020. Amtrak laid off approximately 2,500 workers and suspended daily service on almost all of its long-distance routes. Further assistance in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 prevented Amtrak from laying off additional employees or contracting the work of furloughed employees, and the final round of support in the American Rescue Plan crucially provided for the recall of all furloughed employees and the restarting of daily service on the National Network. TTD strongly supported this aid and the increasing degree of protection for workers in these bills.

Without this support, October 1st would have been only the beginning, as Amtrak would have furloughed additional thousands of employees as ridership remained well below historic levels. Amtrak likely would have further reduced or even eliminated services, causing rural communities across the nation to lose access to reliable passenger rail. Not only would this have been immensely harmful to workers and passengers at the time, but the loss of skilled Amtrak employees and the costs associated with restarting dormant service would have delayed Amtrak's recovery. While Amtrak is not clear of the impacts of the pandemic as some travel has been slow to recover, Congress's assistance was essential to its survival and continued operations over the last eighteen months.

[6] DOT Form 41, Schedule P–1(a), as of 9/29/21

[7] https://www.amtrak.com/content/dam/projects/dotcom/english/public/documents/corporate/businessplanning/Amtrak-Service-Line-Asset-Line-Plans-FY21-26.pdf

Public Transportation

Throughout the COVID pandemic, millions of Americans relied on public transportation services, including buses, subways, light- and commuter rail, and ferries, as their only source of transportation to their jobs, food, and other critical services. Many of those people were working on the front lines of the pandemic, including medical professionals, public safety workers, and other employees deemed vital to the continuance of our society and economy. Unfortunately, the direct costs and revenue losses resulting from the impacts of COVID–19 placed an incredible strain on our ability to provide this public service to those who rely on it the most.

Across the three COVID relief bills, Congress provided $69.4b to ensure the continued operations of our public transportation systems. It is not an exaggeration to state that, without this federal support, the public transportation industry would have been utterly decimated, leaving all those who have counted on it throughout the pandemic without transportation access in rural and urban communities alike.

Moreover, the flexibility provided to public transportation systems to use federal assistance for operating funds and the strong labor protections tied to that federal assistance to guarantee continuance of payroll received top priority, and ensured that workers were kept on the job and that our recovery was not further and arbitrarily hampered by the need to restart this major component of our national transportation system.

State and local funding, and support for federal employees

The cumulative impact of the pandemic's halt on commerce and transportation services hit state and local budgets hard. Without the usual vehicle ridership and the accompanying revenue from sales taxes, gas taxes, fare box collection, and tolling, communities struggled to maintain the critical transportation services that moved essential workers to their jobs and connected patients to care. According to the American Association of State Highway and Transportation Officials (AASHTO), state departments of transportation will suffer a $28 billion loss in state transportation revenues through fiscal year 2024.[8]

While not fully covering the predicted revenue losses, Congress provided $10 billion in emergency aid to state departments of transportation in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 and offered broad flexibility—covering operations and personnel costs, allowing routine maintenance to continue, and filling in the gaps for localities so that when our economy did recover, the transportation network would be ready to move people and goods safely and efficiently. The economic rebound and commercial activity we have seen this year could not have been as expansive without this support.

TTD also commends the inclusion of Emergency Leave Funds for federal employees in the American Rescue Plan, in particular the creation of a paid leave program for FAA employees and Transportation Security Officers. The ability to access paid leave when required to quarantine or care for a relative due to COVID–19 concerns has allowed these employees the necessary ability to balance health-care and employment responsibilities without fear of missing wages.

Other Transportation Sectors

In addition to the modally targeted programs discussed above, a number of other sectors, including motor coach operators and school bus providers, have seen substantial losses and layoffs as travel ground to a halt and schools went remote. Over the course of the pandemic, the motor coach industry has shed nearly 85,000 employees alone. Seeking to address these and other struggling industries, Congress provided a needed $2 billion in the Coronavirus Response and Relief Supplemental Appropriations Act of 2021. While there was a substantial delay between enactment and implementation, we are encouraged that the Treasury has begun to issue grants from the program.[9]

With our transportation system moving freight, tourists, and commuters, and providing real wages and benefits for working families, the United States saw rapid economic growth in 2021.[10] With federal assistance, transit agencies were able to maintain service and ridership has begun to stabilize, airline workers stood ready to meet rising tourism demand, and intercity passenger rail maintained service and connected rebounding economies.[11] These strong investments in both transportation systems and their workers meant that consumers had places to go and the means

[8] https://policy.transportation.org/wp-content/uploads/sites/59/2021/02/AASHTO-Covid-Revenue-Analysis-2021-02-01.pdf

[9] Coronavirus Economic Relief for Transportation Services (CERTS) program

[10] https://www.oecd.org/economy/united-states-economic-snapshot/

[11] https://transitapp.com/apta

to spend, and infrastructure projects could resume and make way for greater activity.[12] Industries that did not receive direct federal assistance, such as freight rail and our ports of entry, were able to survive due to the downstream benefits of these investments.

While these investments, paired with strong labor protections, and the lawmakers who supported them should be celebrated, there remain glaring failures of government and outstanding needs that must also be addressed.

THE TRUMP ADMINISTRATION FAILED WORKERS

At the very outset of the pandemic, workers pushed for strong, uniform protections from their federal government. Instead, the Trump administration chose to endanger workers by publishing little more than unenforceable, voluntary guidance to employers, while transportation workers were dying every day of COVID–19 infections they acquired on the job.

When it became clear that the administration would not act on its own and that the patchwork of state, local, and other guidelines was inadequate, TTD filed a petition with the Department of Transportation requesting the absolute bare minimum—that passengers on our nation's transportation systems, including on airlines, bus, rail, and ferries, be required to wear masks.[13] Gallingly, the Trump DOT rejected the petition.[14] While we are grateful that the Department rightfully changed course under the Biden administration, we are unequivocal that the lack of meaningful federal action and standards directly resulted in unnecessary infections and deaths among transportation workers and their families, passengers, and members of the communities where those individuals lived and worked.

GREAT NEEDS REMAIN ACROSS ALL TRANSPORTATION SECTORS

While Congress and the Biden administration have taken historic steps to preserve jobs and save our transportation system, unmet challenges remain that must still be addressed.

Unconscionable assaults on transportation workers remain a serious safety threat

Frontline workers across all modes of transportation continue to face the serious, and sometimes deadly, threat of assaults simply for enforcing mask and other safety mandates.

Transit workers have faced the threat of assault on the job for years. Throughout 2020, as ridership fell to historic lows, the number of assaults in these systems remained at roughly the same level as 2019. Now that ridership is returning, assaults are on the rise. In New York City, for example, hundreds of transit workers have been harassed or assaulted for asking passengers to wear masks—and those are just the cases that have been reported. Similar savage attacks have been reported across the country, from Durham to Lubbock to San Francisco.[15]

We have also seen a significant increase in assaults in our airlines and on Amtrak. The FAA has received more than 4,385 reports of unruly passenger behavior and has launched formal investigations into 789 of these cases—nearly quadruple the previous record number of such cases in a year and we are only in September.[16] In a membership survey conducted by the Association of Flight Attendants–CWA, 85% of flight attendants reported dealing with an unruly passenger in the first half of 2021, and 17% reported a physical incident.[17] Violent attacks on gate and customer service agents, flight attendants, and transportation security officers have become pervasive, threatening both the wellbeing of the employees and air safety.

At Amtrak, disorderly conduct incidents increased 29% in FY '21, and onboard service workers and conductors are reporting threats and unsafe behavior on trains regularly.[18]

Transportation workers all have safety-sensitive jobs that they cannot, and should not, be expected to perform while under the threat of physical violence. The in-

[12] https://www.nytimes.com/2021/07/29/business/economy/consumer-spending-gdp.html

[13] https://ttd.org/policy/federal-comments/ttd-petitions-dot-for-passenger-face-mask-mandate/

[14] https://ttd.org/news-and-media/ttd-in-the-news/trump-administration-rejected-a-mask-mandate-on-the-day-trump-was-hospitalized-for-covid-19/

[15] https://www.thecity.nyc/2020/9/7/21426632/new-york-city-bus-drivers-mask-rules-mta; https://www.wral.com/coronavirus/godurham-bus-drivers-attacked-after-telling-riders-to-mask-up/19887910/; https://www.star-telegram.com/news/coronavirus/article244316857.html; https://abcnews.go.com/Health/wireStory/san-francisco-bus-driver-assaulted-bat-mask-order-71980686

[16] https://www.faa.gov/data__research/passengers__cargo/unruly__passengers/

[17] Testimony of Sara Nelson, International President of the Association of Flight Attendants–CWA, House Transportation and Infrastructure Committee, September 23, 2021.

[18] Data provided by the Amtrak Police Department

creased threat of assault demands a federal response across all modes of transportation to protect the workforce, as well as passengers and other road, rail, and air users.

Maritime and Longshore

The need to move the tremendous amount of cargo that arrives at U.S. ports and harbors necessitated that longshore workers, shipbuilders, and other on-dock workers across the nation continue to work in conditions where exposure to COVID–19 was possible if not likely. Recognizing the essential nature of these employees, the House of Representatives included language in both the revised HEROES Act and the American Rescue Plan that temporarily revised the Longshore and Harbor Workers' Compensation Act to ensure that covered employees who contracted COVID–19 on the job were able to collect worker's compensation benefits. Disappointingly, the provision was disallowed by the Senate Parliamentarian. In response, Education and Labor Chairman Bobby Scott and Representative Frank Mrvan introduced the stand-alone Longshore and Harbor Workers' COVID–19 Compensation Act of 2021. We thank Chairman Scott and Rep. Mrvan for their leadership and encourage support of the legislation.

Congress should also be aware that the pandemic has exacerbated the processing of credentials and course approvals from the U.S. Coast Guard's merchant mariner credentialing program. These credentials are needed for Merchant Mariners to report to work but are often extremely delayed due to a number of ongoing health safety, technical, and staffing restraints. Unfortunately, the backlog is adversely affecting the ability of our unions to find crew members for ships and also limits the ability of workers to find work and advance their careers. Mariners will receive word they passed their exams, but they experience severe delays before they receive the credentials that allow them to get a job. This backlog must be resolved in order to maintain the employment levels needed to sustain the supply chain and provide essential goods, food, and equipment to folks across the country.

Rail

Unlike most of the nation's employees, rail workers receive benefits such as unemployment payments through the Railroad Retirement Board, as opposed to state-run programs. As Congress created badly needed extended and enhanced UI benefits, it was forced to consider that, unlike regular UI, railroad unemployment benefits are unfairly subject to the effects of the sequester. As a result, rail workers were subject to an approximately 7% cut to their benefits at a time they could least afford it. The Coronavirus Response and Relief Supplemental Appropriations Act suspended the application of the sequester until 30 days after a Presidential declaration to end the national emergency concerning the COVID–19 pandemic. While this common-sense fix was welcome, Congress must pursue avenues to permanently remove sequestration restrictions on the RRB.

Workers and our economic recovery will be damaged by government shutdowns

Finally, we must point out that all of the good work this and the previous Congress have done to help workers and shore up our economy in the wake of this global pandemic will be needlessly harmed if elected leaders fail to perform their most basic Constitutional responsibility of funding government operations. The shutdown imposed upon the American people by Congress in 2019 wreaked havoc on our transportation system, forced federal workers and contractors to stay at home or work without pay, and cost our economy billions of dollars that we will never get back. Know that we will not sit by idly while Congress uses our workers as a political pawn in a partisan squabble.

Moreover, later today you will be asked to vote on a long-term reauthorization of our nation's surface transportation programs—the largest ever single investment in our infrastructure and one that is desperately needed and supported by your voters. While the Infrastructure Investment and Jobs Act may not tick every box on each of your wish lists, it is your duty to ensure we do not enter another period of short-term reauthorizations that do little more than create uncertainty, slow down construction, and harm our economic recovery.

CONCLUSION

As we move through the pandemic toward recovery, there is no doubt our transportation system and the frontline workers who build, operate, and maintain it will continue to play a vital role in ensuring our country and economy come out of this crisis stronger and better than ever. Achieving those goals, however, will require additional cooperation between working people, transportation entities, and lawmakers. For starters, it must be understood that the programs I have outlined today will remain essential for months and years to come. We also cannot let our guard down: strong mandatory health and safety guidance will be central to keeping transportation workers safe and encouraging the return of passengers. Congress correctly intended for these programs to extend until the end of the pandemic. Working people and the traveling public are counting on that commitment for their safety and security.

Thank you again for the opportunity to testify today and I look forward to your questions.

Mr. DEFAZIO. Thank you, Mr. Regan, for your exactly 5-minute testimony.

I will begin with a question to direct to both Mr. Skoutelas and Mr. Regan because you both lead organizations that represent one heck of a lot of people—in terms of APTA, 1,500 public- and private-sector member organizations, all modes of public transportation, and then Mr. Regan, TTD, an organization representing 33 unions who work across the transportation sector.

And I guess I would just like you both to say, and if you can be brief, what was the most important part of the COVID Federal relief efforts and the impact they had, and where do you think your industries that you represent, or workers, would be today if we hadn't had that assistance?

Mr. SKOUTELAS. Mr. Chairman, this is Paul Skoutelas. Let me address that if I may. First of all, the nearly immediate infusion of Federal aid that Congress approved for public transit was absolutely essential. It meant that services could continue, bus and rail services to communities, to essential workers, uninterrupted, and that was essential in terms of maintaining continuity and maintaining the vibrancy of not only getting people to their jobs, but continuing some level of economic activity.

If those dollars were not forthcoming in the quick fashion that they were, we would have seen enormous dislocation, shutdown of entire systems, and that has been evidenced through the surveys that we have done.

Going forward, this gives an opportunity for these agencies to stabilize their operations, continue to operate, and begin to plan for the future, and that is what is going on today.

It also provided for a continuation of many of the capital investment programs that these agencies were undertaking. So it meant that the private sector would continue to employ people, to construct projects, which were in jeopardy if those funds were not available to them.

So in all, it provided for stability, it provided for a future that they could plan for with some reasonable degree of certainty.

Mr. REGAN. I agree with what Paul said, and what he said remains true for aviation and Amtrak in addition to public transit.

But to me, I think one of the most important parts of the relief was how it was directed toward workers. It made sure that we were not furloughing people, we weren't ever getting collective bargaining agreements. We were making sure that people retained their credentials, to make sure they were trained and up to speed and able to return to work when they were there.

The fact that we did not have massive layoffs, we did not have restructuring of collective bargaining agreements, we did not have reduction in service, all of this was vital to making sure that we were going to come out of the end of this better, or as good as we were beforehand.

Mr. DEFAZIO. Dr. Boskin, I am just a bit bemused by your saying, best evidence, every dollar of infrastructure spending would increase GDP by 60 cents. S&P last year did a major report, and they said, if we expended $2.1 trillion over 10 years, that the return would be about $2.70 for every dollar invested. The IHS has a study that has an even higher number than that.

That is the lowest ball number I have ever seen, and you are talking about we are at capacity, and you know, skilled workers and all that. When we invest, like the Recovery Act, under Obama, which I opposed, all we did was go out and put down a layer of pavement.

It didn't have secondary economic impacts. Contractors didn't go out and buy sophisticated expensive machinery because, again, they only had these little crappy contracts.

And it was only about 4 percent of the recovery package. So if we are working off that, it is not a good measure. Where do you get the 0.60—60 cents? It is the lowest I have seen.

Mr. BOSKIN. Well, it is actually a consensus of the best macroeconomic evidence, for example, the review essay by a highly regarded macroeconomist, Valerie Ramey, in the Journal of Economic Perspectives. She reviews all the studies, makes them consistent.

Mr. DEFAZIO. So Standard & Poor's just made theirs up? Or IHS just made up their numbers?

Mr. BOSKIN. No, I am not accusing anybody of trying to make up numbers. I think people tend to have their own way to analyze this. I am trying to report the scholarly research.

It is also, as I said in my testimony, likely that the effect of the CARES Act spending and the COVID relief was somewhat higher than this because of the great uncertainty that was created, the size of the short-run collapse, et cetera.

As to the long-run benefits, there can be certainly substantial long-run benefits as I emphasized in my testimony. CBO's estimate of the rate of return on public investment is about 5 percent, not as in one study you suggested, a doubling of the value per dollar.

Undoubtedly, there are some projects that is true of. There are others like California high-speed rail, which if anything had a negative——

Mr. DEFAZIO. Yeah. Well, that is—I will grant you that example, but my time is expired. With that, Mr. Crawford?

Mr. CRAWFORD. Thank you, Mr. Chairman.

I want to stick with you, Dr. Boskin. As we have discussed, Government spending in response to COVID–19 has reached the trillions. We are continuing to debate even more spending today.

However, back home and across the transportation industry, I keep hearing from employers that they have an abundance of jobs and nobody to fill those jobs. Has any of this spending incentivized Americans to get back to work, or do you anticipate more of the same, employers struggling while people continue to stay home?

Mr. BOSKIN. Well, it is an important question. There are over 10 million job openings listed by American employers, and there are millions of workers still on the sidelines who have not come back into the labor force to find productive employment. Many reasons for that.

Some of it should abate with school reopenings, and so on and so forth, and greater vaccinations, less fear, but probably some people retired and won't come back.

So we have, in some sectors in particular, a substantial worker shortage. There are also bottlenecks globally that are causing problems.

So, I think that many of these things were payments unrelated to work incentives, made it, in my view, ex ante, a very sensible thing. Given the crisis, the uncertainty, the massive suffering, I think it was quite reasonable to try to flood the system and, you know, to try to cushion things.

And even at 0.6, you know, $6 trillion of spending does something for GDP and output of the demand for labor. So I don't mean to suggest that—it is not zero and it is not negative. It is a modest amount.

But I do believe that as we look at these new things that are being proposed, it is a substantial concern that they are not better targeted, less costly, and some of these things have work requirements or training requirements or education requirements, so people are getting the assistance, are doing something to encourage their future productivity and work.

Mr. CRAWFORD. You addressed this in your comments, but I want to drill down on it a little bit more. What are the risks from higher debt, and when would you expect that to really start to manifest? When would we expect to see that start to occur?

Mr. BOSKIN. Well, I think the only honest answer to that is nobody can be sure. Large build-ups and sustained build-ups in debt have often in history, and in many different countries and time periods, been followed by sluggish growth, inflation, even financial crises.

We already faced a very daunting task with the unfunded liabilities of Social Security and Medicare hitting us as we are population aging and other factors. And so, there is going to be a lot of pressure on the budget and everything else and on private incomes to try to deal with that.

And so adding additional debt on top of that, I view as considerably risky.

We do have the advantage that the U.S. dollar is the global reserve currency, so we probably have a bit of a cushion relative to other places and times. They are not perfectly comparable.

But I think the best way to think about it is, it is a considerable risk, and under the current macroeconomic environment, it is particularly a risk for entrenching inflation that hopefully will at least considerably be transitory. Although there is some probably already built into the cake for the medium term, we shouldn't be trying to add to that.

Perhaps among the bad outcomes that could come from all of this is to get back to an inflation stop-go episode where we wind up having to slam on the brakes to deal with inflation and risk another recession.

Mr. CRAWFORD. Let me ask you this, and you just addressed this. Our status as the reserve currency, the U.S. dollar being the reserve world currency, is that in jeopardy?

Mr. BOSKIN. I think there is some risk, medium and long term. I don't think in the short-term. To be a reserve currency, which means that when the Malays trade with Australia, things are mostly invoiced in dollars, not their domestic currencies. So the dollar plays that reserve role.

The problem is that that is not immutable, but what you really need for that is to have very large, liquid markets with very thin bid-ask spreads and futures and options and things like that, so people can readily hedge their bets.

No other currency is yet able to substantially replace that. Although there is a risk with various ways that renminbi is being used, with the euro, et cetera. There is some risk that we will migrate over time to something that is not as the dollar, is not so preeminent.

If done very gradually over a very long period of time, that wouldn't be a big problem. If it was done more abruptly, that could be a big, big issue for us.

Mr. CRAWFORD. Thank you, Dr. Boskin, and I yield back.

Mr. DEFAZIO. The chair of the subcommittee, Eleanor Holmes Norton?

Ms. NORTON. Thank you, Mr. Chairman, and thank you for this important hearing. My question is for Mr. Samuelsen of the Transport Workers Union. Mr. Samuelsen, according to your organization, more than 95 percent of your members, almost all of them considered essential workers, never lost a paycheck during the pandemic as a result of COVID–19 emergency relief funds from the Government.

Can you highlight which Federal programs helped your members the most in dealing with the pandemic, and do you believe the transportation sector would have suffered greater consequences without the Federal assistance, and if so, in what way?

Mr. REGAN. As the labor leader substituting for Mr. Samuelsen, I will answer that. In totality, the aid, the three tranches of aid to public transit agencies with the requirement they do not furlough workers was critical to that industry, and the same was true for PSP on the airlines side and the aid to Amtrak as well.

Those three programs combined made sure that our entire supply chain was in place and that people who needed to use those services and the people that needed to ship goods and services were able to do it, especially our critical workforce in the healthcare industry and with food and medical supplies.

Ms. NORTON. That is certainly important to understand.

Mr. Skoutelas, as you know, the House-passed surface transportation bill, the INVEST in America Act, provided more than $100 billion through the Federal Transit Administration to enhance and support transit services in communities across the Nation.

How could this funding have helped transit operators recover from the challenges posed by decreased ridership and revenues, and the increased costs brought about by the COVID–19 pandemic?

Mr. SKOUTELAS. Well, thank you, Congresswoman. Let me just say that we, as APTA, and our transit industry have been staunch supporters of the INVEST in America Act for some of the reasons that you touched on, the level of investment for public transit to upgrade and modernize our transit systems and put them on a stable foundation.

The American Society of Civil Engineers, in its report card of infrastructure of all modes and of all types, which comes out every few years, gives the public transit industry a D-minus. That is a reflection of the condition of our public transit infrastructure.

So the INVEST in America Act, and now what is before you, the Infrastructure Investment and Jobs Act, would go a long way to helping the industry modernize, and that is what is needed here. It is long overdue.

The investment levels certainly are at a level that we think begin to make progress, and quite frankly, even at the levels that they are proposed are not totally adequate in terms of the need that has been documented, both by the Federal Government in terms of the U.S. Department of Transportation studies but also by——

[Video conferencing malfunction.]

Ms. NORTON. What happened to the—what happened? Could you pause the time? What happened?

Mr. DEFAZIO. We cannot hear you responding to the question. We saw Mr. Katko for—what is that?

VOICE. Paul may be on mute.

Mr. SKOUTELAS. I am here. I started to hear one of the Representatives speaking, so I stopped. So I don't know if you heard my——

Mr. DEFAZIO. OK. Well, continue. Finish what you were saying.

Mr. SKOUTELAS. Well, I did conclude simply by saying that——

Mr. DEFAZIO. OK. All right. OK.

Mr. SKOUTELAS [continuing]. We support the Infrastructure Investment and Jobs Act that is before you.

Ms. NORTON. Well, can you discuss steps your members plan to take to ensure that they use this funding in the most efficient way possible to get the maximum benefit of these taxpayer dollars?

Mr. SKOUTELAS. Absolutely. I think our agencies are committed to that. They understand the public nature of what they do, the importance to our communities and cities, and the requirements that they have to deliver those dollars in an efficient way.

And there is no change from that. That has been a longstanding principle and a way of doing business for the agencies. I am very confident that you will see that with any additional resources that come for public transit investment.

Ms. NORTON. Thank you very much. I think my time is expired by now.

Mr. DEFAZIO. Well, you still have 37 seconds. But if the gentlelady would yield to me?

Ms. NORTON. Yes, I am glad to yield to the chairman.

Mr. DEFAZIO. OK. Yeah. Great.

Dr. Boskin, I would like to ask you a real brief question. We were talking about the dollar as the reserve currency. What would happen if the United States defaulted on its past debts, which is now being threatened on the other side of the aisle? What would that do to our status in the world and the reserve currency status and inflation?

Mr. BOSKIN. Well, I think it would cause at least a very severe temporary disruption in financial markets, and that could be—the ripple through the real economy, if we weren't careful, I think would be very damaging.

I am not going to get into the politics of how to get the ceiling raised, but at this stage, it would be wise to do so.

Mr. DEFAZIO. Thank you.

Now I would recognize Garret Graves.

Mr. GRAVES OF LOUISIANA. Thank you, Mr. Chairman.

Mr. Boskin, I appreciate you joining us today. I was looking through some of the Government Accountability Office reports that showed that we had, I think, over $1 trillion—$1 trillion with a "T"—dollars left in COVID relief from the previous year. In fact, we did legislation as recently as December of last year that provided funds for COVID.

Yet this year, as early as January and February, folks were trying to pass a $1.9 trillion additional package under the auspices of COVID. I understand your comments about the debt limit, but is it advisable for us to be dumping more money on top of dollars that have been unspent to even—you know, to where we really don't even know where things are needed and where the true impacts or unaddressed areas are?

Mr. BOSKIN. The least harmful to the economy would certainly be to make sure that the unspent funds come first and are spent wisely.

Mr. GRAVES OF LOUISIANA. Right now, if I go and add things up, if I remember right, let's see, we have a $1.9 trillion package that was done earlier this year. We now have a $1.2 trillion infrastructure package, a $4.3 trillion reconciliation package, and the annual appropriations process will be somewhere around $4 trillion.

Add all that up, it is $11.4 trillion, and we are not even through the year. I understand your comments about honoring our debts, and I certainly understand that, but at the same time, is it advisable for us to be spending that kind of money and further incurring greater debts?

Mr. BOSKIN. The macroeconomics are not advisable. They could be somewhat mitigated by a smaller amount spread out, as much of this is spread out over a number of years.

There are obviously a variety of things that have been called budget gimmicks about things starting late or ending early and things of that sort.

But the basic idea of having the general scale of the size of our Government [inaudible] to my view is probably not wise. We see—there are many studies documenting that one of the several but an important part of the reason our standard of living is considerably higher than most Europeans, is, we have a more modest-size Government spending and taxes [inaudible]. We are at about one-third. They are at about one-half. [inaudible] all of the large difference in taxes, I think that is an exaggeration, but a considerable [inaudible], to put it in just [inaudible] talk about very much, America's real GDP per capita are just [inaudible] after tax is 50 percent higher than [inaudible] Denmark.

You don't want to go down the road of a lot of headwind to future prosperity, especially [inaudible] coming in the labor force by slowing growth on [inaudible]. That means we are going to face funding Social Security and Medicare, having to deal with their unfunded liabilities in the coming decade, those programs [inaudible] Social Security retirement [inaudible] in a decade or slightly more [inaudible]——

Mr. GRAVES OF LOUISIANA. Mr. Boskin, we are having trouble with your audio. I am going to go ahead and reclaim my time here and hopefully perhaps get answers for the record.

I want to turn to the transit issue. You know, we talked about all the spending of funds. I believe when you add up the COVID funding from last year, and you add all the COVID packages, we had $69 billion in transit funding. We have, I think, $90 billion in the reconciliation package, another $10 billion in regular appropriations, comes out to $170 billion.

Transit programs have had ridership down 75, 95 percent. Why are we putting so much money into transit when there are not folks riding it? Yet even in the infrastructure package that is being debated, you only have $110 billion in new money for roads and bridges?

Mr. REGAN. If I may, sir, I would argue that all the money we spent on the relief money was to maintain services so it was there for the people that need it, and that will be there when we come out of the pandemic.

I would argue that we have been dramatically underinvesting in transit for decades now. All you have to look at is, you know, the report cards across all of our transportation networks are averaging, what, a D-plus these days?

So we really need to do the big investments to make sure that we are able to be competitive as a country, make sure that we have transportation options for everybody. Whether it be in transit and rail or roads and bridges—we support that as well—these are necessary investments that are decades overdue.

Mr. GRAVES OF LOUISIANA. But why should we put money towards transit and not towards roads and bridges?

Mr. REGAN. We are putting money towards both, and that has been the way the Highway Transit Fund has been set up, has a split to make sure that both are being supplied based on——

Mr. GRAVES OF LOUISIANA. My time is expired, but I will follow up in writing, and I have a few more questions on this topic.

Thank you, Mr. Chairman, I yield back.

Ms. WILLIAMS OF GEORGIA [presiding]. Ms. Johnson of Texas is now recognized for 5 minutes.

Ms. JOHNSON OF TEXAS. Thank you very much.

Let me thank of our witnesses for being present, and let me engage Mr. Ortiz.

I understand that you had some concerns about supply chain issues in terms of gathering equipment. Can you elaborate on that?

Mr. ORTIZ. Yes. There has been—had there been a prioritization on the supply chain and had we been able to seek out one specific source for our necessary supplies to provide PPE to the frontline workers would have been more effective and efficient. I think also very quickly we realized there was a need for a national strategy for supply chain management in order to ensure that we were not competing with other States and other cities to seek out the limited supply of personal protective equipment, because if not, then we can experience both limited supplies to increase the price, and unequal distribution patterns.

And if I am permitted, there is a natural example that I can give you. After Austin was told by multiple of the Nation's largest suppliers that our order for PPE was not large enough, we partnered with the city of Houston and the Texas Medical Center in Houston, and we identified supplies that were located in a port in Florida, and as we were in the process of the procurement, we were notified by the source that the Texas Division of Emergency Management took possession of supplies before we could close the deal. In this situation, we find ourselves competing not only against other cities attempting to mitigate a disaster, but even our own State.

So supply chain is something that I think becomes very crucial when you have a nationwide pandemic like we have experienced so far.

Ms. JOHNSON OF TEXAS. Thank you very much.

Are there other entities across the United States with similar noncongregate sheltering programs who have had their project applications approved?

Mr. ORTIZ. Yes. It is our understanding that State and local governments in FEMA region 4, which is around Florida, and FEMA region 2 in New York and FEMA region 3 in Washington, DC, have had similar noncongregate shelter projects obligated with a few having funding already disbursed.

Ms. JOHNSON OF TEXAS. And one last question on that. Can you expand a little on the local emergency management perspective on why FEMA selected so few Texas applications?

Mr. ORTIZ. Yes. Within Texas, $468 million in total project funding applications were submitted, but no competitive projects were selected. We believe the issue, in large part, to be that Texas does not facilitate the adoption of the enforcement of 2015 and 2018 International Building Code and the International Residential Code.

However, the city of Austin does follow these codes, and Texas building codes adoptions take place at the local level. Given that the BRIC program assesses the IRC and the IBC at the State level and allocates technical points on an all-or-nothing basis, valid and much-needed mitigation projects go unfunded. For Austin, that meant that mitigation projects for an area that had been impacted by flooding multiple times was not able to compete and was not funded under the BRIC program.

To bring this to a larger perspective, all of the nine States, the District of Columbia that received competitive funding had an IBC and IRC in 2015 and 2018. There were no States or districts funded without these codes.

Ms. JOHNSON OF TEXAS. Thank you very much.

My time has expired. I yield back.

Ms. WILLIAMS OF GEORGIA. Mr. Weber is now recognized for 5 minutes.

Mr. WEBER. Thank you. I appreciate that.

And actually, I am going to discuss some of the points—where is my bio on Mr. Boskin over here, Doug? Did you give it back?

Mr. Boskin makes a lot of great points in his discussion, and I want to just run through them real quickly and see if there is time for questions.

He said "I support policies to mitigate short-run economic pain caused by a crisis like the COVID–19 pandemic and help spur recovery, as long as the long-run cost is reasonable."

Good point.

He says it is early days in the detailed evaluations of the economic effects of the several responses to COVID, and their many components, by independent scholars, and that he is going to address his comments to the desirability of additional spending, which is what we are discussing here today, and its methods of finance, its methods of finance under consideration—I want to highlight—for traditional infrastructure.

When I read that sentence that he wrote, I thought traditional infrastructure financing. So does that include terms like "social justice"? Does that include terms like "climate justice"? Also, does that include terms like "you can get more money or a subsidy for a Tesla if the car is built in a union shop"? Is that traditional finance for infrastructure projects? I kind of doubt it.

He says he cites much of the research below as evaluations based on the 2009 ARRA, the American Recovery and Reinvestment Act, but some focus on other data periods as well.

He says that some claim that there is a multitrillion-dollar infrastructure deficit, and others have long blamed inadequate public investment for holding back the U.S. economy. Others argue that a closer analysis shows the infrastructure is in much better shape and advocate for improving the allocation of funding—don't miss that; the allocation of funding—over massive new expenditures.

And if these expenditures aren't massive, I don't know what is, especially when you have got union jobs in there that are getting paid for, you have got social justice and climate justice. We don't even know what that means. How does that money get allocated? How do we figure out whether it is appropriate or not?

He says U.S. infrastructure forums rate our infrastructure as 13th out of 141, behind Singapore and Hong Kong, but ahead of countries like Sweden and Denmark. And that, in my opinion, we are not that bad. But he says only some of that is appropriately a governmental, and only a part of that is appropriately a Federal responsibility.

So I repeat—pardon me—the way it is being spent and the amount that is being spent is unconscionable and incredibly shortsighted.

He talks about the Highway Trust Fund following the expiration on the 2015 FAST Act in his writing. He says the Highway Trust Fund will depend not just on the level of spending, but also the ex-ante quality of the projects funded and their post-execution and their financing methods.

Well, I looked up ex-ante, and it says it is based on forecasts rather than actual results. Well, who could have forecasted that we would be spending this much money inappropriately, and irreverently, I would state?

He goes on to say that, If done well, the program can produce substantial societal benefits, but done to excess or with poor design incentives, a plethora of poor-return projects, even boondoggles, would likely result.

You know, it makes me think about here we have, what is it, 500,000 electric vehicle charging stations in the bill, and it makes me think about going back when the gasoline engine was invented in the 1900s. And I wasn't alive then. I know I just look that old, but I read the history books, and the term for the automobile was "horseless carriage." Some of you all remember that.

Well, I remember, reading also in those history books that when the gasoline engine was invented in cars, the Government went out and they put gasoline stations everywhere. Oh, wait. They didn't. And now, we are going to put in electric vehicle charging stations. How about entrepreneurs get out there and do that like they did with gas stations.

He goes on to say that it should be noted that the economy is now back to its pre-pandemic levels and is growing solidly. While risks remain, we should keep a close eye on job growth to make sure unemployment continues its downward movement to full employment. It does not appear likely to need more considerable input, short-run stimulus on top of that is already provided in this process. No more is needed, especially not at these spending levels.

He makes great arguments. He said, in fact, existing research suggests that it is a misguided conclusion, page 4. Colleagues, read his testimony. He makes perfect sense what he is laying out.

With that, I yield back.

Ms. WILLIAMS OF GEORGIA. Mr. Larsen is now recognized for 5 minutes.

Mr. LARSEN. Thank you, Chair.

I would also note that economists have predicted nine of the last five recessions, so it really depends on which economist you read, and there are others who are saying different things. But I certainly agree that the economy continues to emerge but has not yet emerged. Our unemployment rate continues to surpass the rate before the pandemic, and we are defeating the pandemic, but it is not yet defeated.

In my State, we have a very high vaccination rate, but we are also seeing local hospitals being crammed by COVID cases in their ICUs, Delta cases, 93 percent of which are unvaccinated folks. So the pandemic being defeated but not yet defeated, the economy is emerging but not yet emerged, and I believe, therefore, we still need to stand up and stand in and help.

So my first question is for Mr. Skoutelas. And if you could comment on the impact that COVID–19 has had on paratransit and paratransit riders and what transit has done to alleviate the impact on paratransit specifically.

Mr. SKOUTELAS. Well, as we know, paratransit is essential, an essential service that is offered by most of our transit agencies across the country, and that is door-to-door service for those who are either elderly or in need of specific medical assistance. And this is critical services. What the COVID relief has allowed agencies to do is to maintain that service for this very fragile, very vulnerable segment of our population.

Without those resources, those services would have been in jeopardy. And by the surveys that we have done, we would have seen the complete closure and stoppage of those operations. But what the relief was able to do was to continue, provide the resource, agencies maintain that service level. And as a result, those needy populations were attended to. And that is the biggest result, I think, that—again, we have to think about this in the context of serving people, and this is what the emergency relief did for public transit, allowed the agencies to serve people and the brave workers that delivered those services on a daily basis.

Mr. LARSEN. Thank you. That is fine.

Mr. Regan, can you discuss your thoughts why the unemployment rate in March of this year for transportation workers was still nearly 3 percent above the overall U.S. unemployment rate? Is it specific to certain jobs or professions? And what additional measures can be taken to support those jobs or professions?

Mr. REGAN. Sure. In transportation, you have to look at individual sectors. I think broadly, there are different causes, depending on the sector you are in. I think in some cases, it is whether the demand has returned to get full service back in Amtrak or in aviation. I know that in March this year, Amtrak had begun to bring back all of its furloughed employees but had not brought everybody back. So I would be interested to see what they look like in a month or two once we have sort of the full impact of all of the relief effort is there.

Mr. LARSEN. Any other thoughts, though, on additional measures that can be taken?

Mr. REGAN. Certainly, I think investing more in our infrastructure system right now. I think the infrastructure bill that has been placed before the House here is a really good one. It would put into place a lot of the big investments that we have been calling for for decades. We have been underinvesting, and if we are able to do this now and put historic levels of investment into Amtrak, into transit, into roads and bridges, all of those things will help bring more people back to work.

Mr. LARSEN. All right. And, Chair, I just want to make a final point, a bipartisan point, that as part of the American Rescue Plan, although there was a partisan vote on it, there was bipartisan legislation incorporated into it. The Aviation Manufacturing Jobs Protection Act, cosponsored by me and by Mr. Estes from Kansas, that program utilized $750 million that went to 488 aviation companies, mainly smaller companies, to bring back workers, to protect those workers' jobs, to ensure continuation of the aviation supply chain in an industry that was especially hit hard by the pandemic. And I just want to note that, because there was a bipartisan effort to get that bill incorporated into the American Rescue Plan. It is being implemented right now. It is working. And I do want to end my comments on that bipartisan note, because it does happen around here, despite what we read.

With that, I yield back.

Ms. WILLIAMS OF GEORGIA. Mr. LaMalfa is now recognized for 5 minutes.

Mr. LAMALFA. Thank you, Madam Chair. I appreciate the opportunity in this hearing here.

Dr. Boskin, I am interested in some of your earlier comments and answers to questions here on the whole broad picture we are looking at with Federal Government spending. Of course, we had three previous big COVID packages, part defensible, part maybe not so defensible, more recently a smaller package passed by Democrats without really any significant Republican input, pushed through the process, but it had a lot of additional spending in it, hundreds of billions in additional spending that were really above what was needed. So we look at this in context with inflation, and I am glad we are having that conversation as well.

We—this stimulus bill—let's step back in time, too. You talked about in your comments the 2009 ARRA bill that was supposed to be a stimulus at the time, I think somewhere around $800 billion. That was back when we weren't quite as comfortable with throwing the word "trillion" in spending around as we seem to be these days. Shovel-ready projects, can you comment on the efficacy, the performance when Federal Government stimulus dollars just fill up the trough like that, going back to ARRA or more recently?

Would you comment on how well that performs and, basically, bang for the buck for the taxpayer and what kind of inflation is involved just when there is that much money in the trough and everybody is trying to get their piece.

Mr. BOSKIN. Of course, the 2009, February 2009 ARRA passed at a time when there was substantial unemployment. Unemployment was rising rapidly. There was great uncertainty about how the economy would recover from that.

So when these sorts of things happen, as you indicated in your opening comments, sometimes you need to get something started. It may not be perfect, but I think we can learn from that a variety of things. Number one, that the ex-post estimates by independent scholars suggests that it costs several hundred thousand dollars per job saved or created. Eventually President Obama came out and said, I guess to say, their words, there is no such thing as a shovel-ready project.

So there may be a few here and there, but in general it takes time to get infrastructure done. It takes—there is only about 5 percent of infrastructure, a lot of those [inaudible].

Mr. LAMALFA. So, Doctor, you might say an immediate jolt on jobs isn't really there because shovel-ready really doesn't exist to any great extent.

Mr. BOSKIN. I think it cushioned the fall some. I think it is fair to say that, but I think it had much less impact than was being projected at the time the economic advisors were predicting a so-called multiplier of 1.7 ex-post estimate [inaudible] and seems to have been about one-third of that. That is not——

Mr. LAMALFA. In California, sir—I am sorry. In California, right in your backyard, the high-speed rail project was going to blow right through Palo Alto there, and at the time in California they were touting it as being 1 million jobs, and soon finally we got out of it, it was 1 million job-years. A comment on, is that kind of a poster child for the big promises made by this type of—what do you want to call it—infrastructure or in general, stimulus spending?

Mr. BOSKIN. Well, I think, as a general matter, spending the money 6 years after the recession isn't going to cushion job loss very much, so that was poor. I think the funds wound up being spent hurriedly to do something that was unnecessary and unwise given subsequent information, but they were spent because otherwise the money would have had to have been returned to the Federal Government under the terms.

So I think that is a particularly poor example. There are many other projects that are certainly better than that.

I think it is worth pointing out that when you take a look at this kind of thing, all the academic literature, from Ed Gramlich, a Clinton Federal Reserve appointee, the CBO's analysis of this, suggests that the highest return projects tend to be repair and maintenance, and there is certainly that that should be done. It is not a sexy—you don't have a ribbon cutting——

Mr. LAMALFA. No, they aren't. They are very needed. How about Cash for Clunkers? That was supposed to be a stimulus as well for the auto industry and new cars. Do you remember that one?

Mr. BOSKIN. Yes, I do. We evaluated that. It moved car sales forward a few months and then they collapsed, so didn't do very much, and the cost per ton of CO2 reduction was about 20 times what the European Union treaty was [inaudible].

Mr. LAMALFA. That is being discussed around here again. So thank you, Dr. Boskin.

Ms. WILLIAMS OF GEORGIA. Mrs. Napolitano is now recognized for 5 minutes.

Mrs. NAPOLITANO. Thank you, Madam Chair.

Mr. Regan, in Congress, I have introduced the Transit Worker and Pedestrian Protection Act included in the INVEST in America Act, and a version of which was included in the infrastructure bill on the floor this week, which will require the implementation of protective shields in buses and transit vehicles to ensure the safety of drivers. If this bill had been implemented prior to COVID, it could have protected public health and spread of COVID by having barriers in place.

What are your thoughts on the Transit Worker and Pedestrian Protection Act? How necessary and important is the bill for protection of you and your colleagues? And also during the outbreaks of violence against other transportation workers, how does it work? What should Federal Government be doing to protect all transportation workers?

Mr. REGAN. Thank you so much for your question and for the consistent support you have had for transportation workers on safety.

Yes. I think passing the Transit Worker and Pedestrian Protection Act would have had a significant impact on reducing some of the assaults and some of the problems we have seen since the pandemic started. One example here is that we aren't collecting data adequately on the extent of the problem. This bill would help us collect data on all the assaults, not just the most violent ones, which is the case right now, which would really allow us to better examine what the scope of the problem is and where the improvements need to be made.

The other thing that it would do is basically look to transform the workspace inside a bus to make sure that the workers were better protected, they reduce—you know, to improve the line-of-sight visibility, decrease the blind spots and generally make it a safer system for people both inside and outside the buses.

Mrs. NAPOLITANO. Very good. But what about the shields? How do they protect the workers? What has it done—like Los Angeles has done it for our metropolitan workers, and they seem to have a very good record of not having COVID transmitted.

Mr. REGAN. Yes, I think shields are an important part of that. There are various shields being used at transit agencies across the country. Some of them have less of a benefit than others. But if you have a reimagined workspace that actually protects workers, I think that would be a really important part for moving forward. And I know there has been a lot of people out there designing these, and the Federal leadership is needed here to make sure that they are implemented across the country.

Mrs. NAPOLITANO. Would it be better to go to the manufacturers and suggest that they implement them in the bus sales?

Mr. REGAN. I think a lot of it will be done it with the manufacturers, but the agencies who are procuring buses are also going to have to require certain specifications that are there to protect workers. So, ultimately, the manufacturers are going to be responding to the RFPs and responding to the asks from the agencies, from their customers on these issues.

Mrs. NAPOLITANO. Thank you very much, sir.

Mr. Ortiz, you state that FEMA all too often recaptures disaster assistance funds on the pretext of small violations of arcane procedural rules and regulations, the complexity of which are exacerbated by policy inconsistencies across regions and from year to year.

Would you explain a little more about that? And how can we help resolve some of those issues?

Mr. ORTIZ. Yes. I believe the main issue is, especially in this pandemic, we have a national disaster that is impacting everybody, and the effort is trying to allow the FEMA regions to use all resources available to respond to the emergency. The problem exists when we start having disparities from different regions, and the application of the rules and laws that makes it difficult for the whole country as a whole to be able to recover in an effective and equitable manner.

Mrs. NAPOLITANO. I see. Well, thank you very much, Madam Chair, and I yield back.

Ms. WILLIAMS OF GEORGIA. Mr. Fitzpatrick is now recognized for 5 minutes.

Mr. FITZPATRICK. Thank you, Madam Chair. And thanks to everyone on the panel for joining us here today.

My question is for Mr. Regan of TTD. Good morning, sir. Please send my regards to President Samuelsen. We will be keeping him in our thoughts today.

My question for you, sir, relates to the benefits of transit relief that Congress provided. Transit agencies received a significant amount of Federal aid. What would public transit and all those that depend on it look like today if Congress had not provided the amount of aid that we did?

Mr. REGAN. Oh, and thank you and thank you for your kind words about Mr. Samuelsen.

To be frank, transit would have been completely decimated. There wouldn't be the workforce in place to support rising demand.

We would not have been able to—the rise in demand we are seeing now, we would not have been able to sustain operations during the pandemic, especially for those who relied on it to make sure that they were getting to their jobs, whether it be in healthcare or in food service or in grocery stores. So, we would have been in a very, very difficult spot. And, frankly, if we hadn't had the support in place from the Federal Government, I think we would have been digging this out for years to try to make sure that we would—to bring our transit systems back to where they were before the pandemic.

Mr. FITZPATRICK. Second question. SEPTA, as you know in my district, and other agencies have continued to invest in electric buses and other types of new capital projects throughout the pandemic. Are there any additional actions that are needed to ensure that our transit workforce is ready for the next generation of technology? This is certainly an area that we know our society is moving to microchips and everything pretty much, certainly in the area of transportation. So as we proceed into this next generation of technology, like electric buses, are there any additional actions that are needed by us to ensure that our workforce, our transit workforce is ready for the next gen?

Mr. REGAN. Yes, there are. Frankly, we have been working—and I say "we"—TTD and our unions have been working with leadership at T&I, as well as that of the Senate Banking Committee to make sure that all of the funds that are attached to, you know, the low-emission or EV vehicles will support workforce development, the development for the next generation of transit vehicles.

Historically we have invested next to nothing in the transit workforce and in transit workforce training. So this investment will upend that trend and make a huge impact so that not only are we funding the physical infrastructure, but we are making sure that the workforce is ready to operate it safely, and make sure that our maintenance is up to speed as well.

Mr. FITZPATRICK. Thank you, Mr. Regan.

Madam Chair, I yield back.

Ms. WILLIAMS OF GEORGIA. Mr. Johnson of Georgia is now recognized for 5 minutes.

Mr. JOHNSON OF GEORGIA. Thank you, Madam Chair, for holding this hearing, and thank you to the witnesses for your time and your testimony.

Since the start of this once-in-a-century pandemic, Congress has acted decisively and passed legislative relief totaling $5.9 trillion; but our work is far from done, and we are obligated to ensure that relief aid arrived to the folks who needed it most, especially Black Americans, communities of color, and low-income groups who have, too often, been dismissed by the Federal Government.

Mr. Skoutelas, public transit plays a uniquely important role for communities of color. In 2017, APTA reported that more than 60 percent of riders are minorities, such as Black Americans and Hispanics, and during the pandemic, transit provided a lifeline for essential workers, many of whom are minorities, to get to and from their jobs, while also providing critical assistance to minority-owned small businesses.

Can you discuss specific examples of how Federal assistance enabled your member transit agencies to continue to serve minority populations during the pandemic?

Mr. SKOUTELAS. Thank you, Congressman, for that question.

You are absolutely correct, the transit services through the pandemic period were absolutely critical in two regards, not only for transporting many of the minority population to hold their essential jobs, as we talked earlier, jobs at hospitals, at medical centers, those critical jobs at grocery stores. These are the individuals that I often remark—and I think it is so true—that are out there performing their jobs as they had and continued to do through the pandemic so that the rest of us who have the great fortune of being able to, at least for a time period, work remotely, be able to conduct our lives.

So those minority populations in every city and community across the country have done just that in terms of supporting the services that are delivered, and in terms of operating those services, really bearing the risks of being on the front lines and providing the services on behalf of the greater population.

So transit services are absolutely essential, not only in terms of the minority population who comprise a large percentage of ridership, but also those who also deliver the services to these needy areas throughout the country and in many communities. So your comments are right on target, and very much what we experience and what we know day to day in talking to our member agencies across the country.

Mr. JOHNSON OF GEORGIA. Thank you, Mr. Skoutelas.

This past summer, I introduced the Stronger Communities Through Better Transit Act, which would create a new program to provide high-quality, frequent public transit. How will Federal funding help transit operators recover from the challenges posed by the COVID–19 pandemic, such as decreased ridership and revenues?

Mr. SKOUTELAS. Here again, the emergency relief that you all, that Congress passed, was so fundamental to providing continuity of services. The surveys that we have done very recently of our membership suggests that almost half, if not above half, of all agencies would have shut down their services entirely, not only lost jobs for workers, but lost opportunities to service their communities and to service the people that rely on it. So it helped us through this period, and it has been a period of survival for the agencies.

Going forward, what is being proposed in terms of the Infrastructure Investment and Jobs Act is all about modernizing our systems, investing capital dollars, not operating dollars, capital dollars, to be able to improve these systems to allow agencies to better serve communities of color, and communities all across the country that really rely on public transit.

Mr. JOHNSON OF GEORGIA. Thank you.

And, sir, what impact would parity in funding for transit and highways have on our ability to mitigate climate change and elevate historically marginalized communities?

Mr. SKOUTELAS. You know, we have had a pattern of robust investment in highways over at least a half a century, perhaps longer. On the public transit side, quite frankly, we have been underinvested, as you heard from others, including my colleague, Greg Regan, for many decades, and so we are trying to make up the difference here. It won't be made up in one bill or one act but needs to be followed over a course of a number of years, and I would even say decades, to get the public transit systems with the kind of resources that they can have to provide true alternatives and true options to serve our communities and people all across the country.

So we are in a deficit position relative to the investment that is needed, and that is not coming just from the transit association, that is coming from independent sources that have confirmed that, and we need to make stronger, larger investments in public transit in the long term to get even close to what the investments we have made in the highway system for well over a half a century.

Mr. JOHNSON OF GEORGIA. Thank you.

And I yield back.

Ms. WILLIAMS OF GEORGIA. Mr. Nehls his now recognized for 5 minutes.

Mr. NEHLS. Madam Chairwoman, thank you.

And my first question is for Dr. Boskin. In your testimony, you spoke of the diminishing benefit of additional stimulus at this point in time of the pandemic, and across our entire Government, we know that there are hundreds of billions of pandemic relief money that is yet to be spent. At the U.S. Department of Transportation, for example, the outlay rate for relief money appropriated in the CARES Act, in supplemental, the American Rescue Plan, it remains at 37 percent.

And as this body considers another $3.5 trillion in economic stimulus, should the exorbitant amount of existing unspent—unspent—stimulus raise any macroeconomic concerns?

Mr. BOSKIN. Well, I think the least risky thing would be to spend that first or simultaneously with any additional funds that are passed. I believe that they are at great risk in a large additional short-run stimulus, risk of inflation, substantial budgetary costs, risks of poor allocation of the funds.

It is also worth pointing out, to pick up a point that Wendy Edelberg mentioned in her opening statement that the disposable personal income was $1.5 trillion proposed [inaudible] vastly the amount of savings where they would have [inaudible]—and appropriated to spend as it becomes available by supply chain issues are resolved as safety is resolved, the pandemic [inaudible]——

Mr. NEHLS. Thank you. Thank you, Dr. Boskin.

The next question, Mr. Ortiz, in your written testimony it says the city of Austin Homeland Security and Emergency Management Office is one of several public agencies charged with keeping our city and metropolitan area safe. And you work with public and partner organizations to protect our whole community when it needs us the most.

And I understand the Austin police force is down 150 officers since making the decision to defund the police. In my graphic here, you will see there is a quote from an Austin City Council member, quote, "Our primary response to problems as a local government is policing. Our community has come together like never before and demanded that change and set a goalpost of $100 million [reduction in the police budget] as a signal to that change."

Well, the city of Austin did it. They made that cut. But it is actually more than $100 million. The Austin Police Department lost one-third of its budget, $142 million. They failed to fill 150 open jobs, and on top of that, they have lost another 150 sworn officers.

The result has been catastrophic. We all know it. We see it. Crime is spiking. Murders are up 71 percent over the last year, and, sadly, it is the citizens that will suffer the most because of this irresponsible policy.

So, Mr. Ortiz, has the dwindling police force in Austin changed your role, or increased emergency management duties?

Mr. ORTIZ. Thank you for this question.

We have a really good relationship working with all our public safety agencies and departments in the city of Austin, and my understanding is that a majority, if not all, of that funding has already been restored to the Austin Police Department. And we have a commitment to work with all agencies, not only within the city, but within the county and our surrounding regions, to make sure our response to future disasters is the most effective and efficient as they can be.

Thank you.

Mr. NEHLS. So as the director—let me get this right. So as the director for homeland security for the city of Austin, you would like to continue to see the size of your police force reduced? Or would you like to see it go back to where it was before this irresponsible council member and city council made such an irresponsible decision?

Mr. ORTIZ. Like I stated, my understanding is the majority of that funding, if not all, has already been restored to the police department through the budget process that they have gone through. We are committed, and we work and we have an excellent relationship with all our public safety agencies, and they know that our commitment to the community and to our region is there, and we will be there to ensure that all future emergencies and disasters are coordinated and are as effective and efficient as they can be.

Thank you.

Mr. NEHLS. Well, thank you.

And you seem to be a very reasonable man, and I am sure that you will do everything you can to make sure that you can provide that safety and security to your residents.

And thank you for your time.

Ms. WILLIAMS OF GEORGIA. Ms. Brownley is now recognized for 5 minutes.

Ms. BROWNLEY. Thank you, Madam Chair.

Dr. Edelberg, thank you for your very comprehensive written testimony. I appreciate it very, very much.

And on page 3 of that testimony, you have a graph that really demonstrated sort of the vast regional differences in COVID inpatient hospitalization rates that are going on now in the United States, particularly in States like Florida and Texas, and those States where the politicians are actively working to prevent implementation of commonsense public health measures.

So my question is, can you discuss the impact these inpatient hospitalization rates are having on the economic recovery of these areas?

Ms. EDELBERG. Sure. We have strong evidence that the surge in the pandemic from the Delta variant has depressed the recovery across the board. One really obvious example is what we recently saw in employment. After months of increases in employment in the leisure and hospitality industry, in the last employment report, we saw no net change. That sector added no jobs, so it is still in significant deficit. People are, I think, facing the surge in the pandemic, have pulled back on face-to-face services, and that is exactly where we need to see a strong recovery. So getting a robust recovery goes hand in hand with getting the pandemic under control.

Ms. BROWNLEY. Thank you for that.

And also in your testimony, you noted the rapid upswing in demand for new automobiles. Is there any evidence to suggest that the new automobile buyers are individuals who are leaving transit due to concerns about COVID, or are these buyers generally individuals wanting to replace older vehicles?

Ms. EDELBERG. That is an excellent question, and I don't know the answer, but I can say that the increase in spending on automobiles has been part of a very strong spending on durables overall. So I wouldn't want to separate it out. The households in the midst of the pandemic significantly, and quite unusually, pulled back on spending on services in a way that we have never seen in a recession before, and part of what they used—the savings that resulted, is to finance a surge in durables across the board, and the spending on automobiles was part of that.

Ms. BROWNLEY. Thank you so much.

And, Mr. Skoutelas, the first thing that I just wanted to say to you is to really thank you and your members for all the work you have done for all of us to keep our Nation moving. Your frontline transit workers put themselves and their families at risk to help other frontline workers, like nurses and grocery store workers, get to their jobs throughout the pandemic, again, to help us. And I know it has been devastating to have, you know, 500-plus of your members having died from COVID.

You mentioned in your opening remarks that transit workers are heroes, and I concur wholeheartedly and just really want to thank you and all of your members, and please pass that along, how grateful we are for their service during this pandemic. We are extremely grateful, so thank you.

The question I wanted to really ask you too is, just generally, if we were writing a bill tomorrow, what are the top things that Congress needs to do to keep our Nation's transit system functioning as the economy now is slowly recovering and ridership is slowly rebounding?

Mr. SKOUTELAS. Well, thank you, Representative Brownley. Let me say that I will pass that along for the excellent words that you have shared with me, and let me tell you that the industry really appreciates you and the House of Representatives and Congress for the great support through this emergency funding that has allowed the industry to stay afloat, to keep operating.

First, let me just say that what is necessary is really contained in the bill that is in front of you, the Infrastructure Investment and Jobs Act, as was the case with the INVEST in America Act, provides some larger funding for public transit that is long overdue. Every accounting of investment we have made as a country in public transit comes down on the side to say that, that it has been underinvested. The report that I often like to cite because it includes all modes of transportation——

Ms. WILLIAMS OF GEORGIA. The Member's time has expired.

Ms. BROWNLEY. I apologize, sir. I asked a question with little time left, so I apologize. And I yield back. And we can speak offline.

Ms. WILLIAMS OF GEORGIA. Mrs. Steel is now recognized for 5 minutes.

[Pause.]

Mr. Burchett is now recognized for 5 minutes.

Mr. BURCHETT. Thank you, Chairlady.

Mr. Skoutelas—did I say that name right?

Mr. SKOUTELAS. Yes, you did. Thank you.

Mr. BURCHETT. All right. Good. "Burchett" gets slaughtered all the time, so I just want to make sure I get it done right.

Do you believe that it is the role of the Federal Government to fund local or regional transit programs?

Mr. SKOUTELAS. I do, sir.

Mr. BURCHETT. OK. What percentage should the Federal Government be responsible for, and what percent should be paid for by the State and locality or the rider fees? Because I know when I was—younger years, I was in the State legislature, and we had a study committee that basically said that about 40 percent was the funding level—I mean, excuse me, that they ran at about 40 percent efficiency, which meant 60 percent was either paid by State, Federal, local fees or funds and the ridership. I am curious, is there a blanket—a magic number that you all would be acceptable to?

Mr. SKOUTELAS. There isn't a magic number. It varies really by size of agency and the financial structure of the agencies. I would say that, on average, across the country, we are at about a 35-percent level of rider fees, rider fares for transit and the rest, some combination of other revenues, whether it be State or local, and it really depends upon the financial structure of the organization.

Let's keep in mind that the bulk of overriding dollars at the Federal level go for capital investment for public transit, and that is really what we are seeking in terms of the Infrastructure Investment and Jobs Act is the capital investment that is necessary to modernize our systems. And I think that that is a very appropriate role for the Federal Government. It has been a part of a 50-year partnership that has allowed these systems to maintain and to grow, notwithstanding the fact that we have talked here, and it is so true, that it has been an underinvestment as well over that period of time. But we are seeking and believe the industry needs robust investment on the capital side, and that is where we believe the emphasis should be.

Mr. BURCHETT. OK. Dr. Boskin—and I hope I got that name right as well. Is that correct?

Mr. BOSKIN. Yes. Thank you.

Mr. BURCHETT. OK. Great.

The reconciliation package includes roughly $60 billion in Federal infrastructure spending, most of which is duplicative. Do you think the spending in this bill will result in even more useless or lower term projects like California's high-speed rail project?

Mr. BOSKIN. I think there is a substantial risk, getting back to your previous question, if the matching ratio, let's say, is 80:20 Federal, then local elected officials have an incentive to push any projects, say, that has 30 percent—that costs local people only 30 percent of the total cost. And so we have people in Florida and Georgia and Texas and Colorado and New York subsidizing people in California, and vice versa, when there are projects in other places.

So getting good projects is very important, getting the incentives right; 80:20 has been the historical—90:10 actually for interstate highway—has been historical, but that doesn't mean that that is carved in stone or it is sufficient in every project would make sense for the [inaudible] to be funding it in the future as opposed to [inaudible] local and State funds for a larger percentage.

I think reexamining that is probably long overdue, and I am sure there are plenty of good projects out there if this is done carefully.

Mr. BURCHETT. Dr. Boskin, you talked about the importance of national cost-benefit tests for infrastructure projects, and I was wondering, could you speak a little more on that? And, as well, what Congress should be doing—what we should be doing to make sure that the Federal dollars are spent wisely on high-return projects that provide maybe some long-term benefits to society?

Mr. BOSKIN. Yes, sir. I think the important thing to focus on are things that have prospectively, we are investing funds with the hope that they will pay off, things that prospectively have good returns, heavily repairs and maintenance, but in some case, new capital spending that have interstate or national significance, not projects, not voting a lot of projects to purely local things where the overwhelming bulk of the benefits are received by local riders without much national effect.

Now, that doesn't mean there is no local project that is not a national or a multistate. For example, we have, at the moment, massive congestion at the ports in California. You know, investments that decongest those ports will get goods [inaudible]——

Mr. BURCHETT. Thank you. And, Chairlady, I yield none of my time because it has all run out. Thank you so much.

Ms. WILLIAMS OF GEORGIA. Mr. Payne is now recognized for 5 minutes.

Mr. PAYNE. Thank you, Madam Chair.

This question is for Dr. Edelberg. You know, we are in a pandemic right now of the unvaccinated. The only way to end the pandemic is for more Americans to become fully vaccinated. Beyond the health impacts of people not being vaccinated, prolonging this pandemic continues to affect all sectors of the economy. Amtrak, United Airlines, have already announced that employees must be vaccinated or undergo regular testing. These and other employer vaccination mandates have proven largely successful. However, these requirements only apply to their employees, not to passengers. Meanwhile, Canada recently announced that all air travelers will have to show proof of a COVID vaccine to board an airline, train, or cruise ship.

If more transit operators, such as railroads or airlines, were to adopt vaccine requirements for passengers, would this result in more Americans choosing to get the COVID vaccine?

Ms. EDELBERG. Surely requirements to get vaccinated would result in more Americans indeed becoming vaccinated. One way in which we know that this is mattering is that if the people who you are serving—whether it is in a retail store or as a transit operator—if the people you are serving are not vaccinated, it means you, regardless of your own vaccination status, are at a greater risk by working around those people. And I think that this is one of the reasons why we have seen a frustrating slowness in matching workers with all of these job openings. Our vaccine hesitancy is making it unsafe for people to work in a lot of these in-person jobs.

Mr. PAYNE. Yes. Thank you.

Mr. Skoutelas, like my previous question, can you explain the practical benefits of increased vaccination rates in transportation operations across the country?

Mr. SKOUTELAS. Yes. Thank you, Congressman.

Well, first of all, I know that our transit organizations, by and large, have really stressed to the workforce the need to become vaccinated and have set up onsite vaccination sites, transported people to those sites to greatly encourage that, and it has been with mixed results. I think, overall, if you look at the industry, it is probably a vaccination rate across the board that hovers somewhere above 50 percent, but not terribly higher than that, so there is a long way still to go there.

Relative to users of the system, for transit, given that these are open systems, subway systems, buses, it is very, very difficult to be able to enforce that among riders. Certainly, to the degree that people protect themselves through a vaccination, through a mask, these are all positives in trying to keep everybody safe, not only the rider, but also the workforce.

But I would say we have got a long way yet to do in terms of educating and encouraging people that this is really an imperative for everyone's safety.

Mr. PAYNE. Thank you.

Mr. Regan, frontline workers, especially those working on trains, planes, and other transit systems, put themselves in harm's way every single day. During the pandemic, it has been ongoing. How would a higher vaccination rate among the American public better protect frontline workers?

Mr. REGAN. Thank you for your question.

Certainly, a higher vaccination rate would reduce the risk for everybody, whether you are working in the trains, planes, or on the buses, or whether you are a passenger. I think vaccination is a really important part of getting us through this, and I hope that more and more people understand that as we continue to bring back our economy, and as more people get vaccinated, more of the world is going to open back up to all of us.

Mr. PAYNE. Thank you.

And Madam Chair, I yield back 30 seconds.

Ms. WILLIAMS OF GEORGIA. Mr. Perry is now recognized for 5 minutes.

Mr. PERRY. Thank you much, Madam Chair.

Dr. Boskin, you stated that funding from the 2009 American Recovery and Reinvestment Act increased local construction payrolls by 30 cents on the dollar, but had no real effect on employment, just higher procurement prices. As a result, the Government paid 6.2 percent more on stimulus projects and left about $335 million on the table. That is real money where I come from.

How do you think we ensure that future infrastructure investments are actually spent on more projects rather than wasting taxpayer dollars on higher priced work?

Mr. BOSKIN. Well, from the studies I quoted, which are the most detailed academic studies of these things by respected nonpartisan academics, the basic story is if you throw a lot of money in a very short period of time in an area that doesn't have a substantial ability to expand production, with new firms, or with a big expansion of workers—you can't make many of the unemployed today into tower crane or giant excavator operators overnight—then that is just going to bid up prices and cost. So the thing is to space it out through this cost-benefit analysis, make sure the sequence of projects [inaudible]—of local market [inaudible] enough employees to actually get the thing done quickly and on time. And, of course, there are all the traditional issues in construction, the potential cost overruns. That doesn't just plague the public sector. It is probably worse there. And anybody who is remodeling their house knows this goes up relative [inaudible]. So I think that careful [inaudible] a serious analysis by the DOT, or whoever is overseeing this, to make sure that these are individual projects that make sense and they are not all [inaudible] at one period of time in one or a few places, that they respect the fact that [inaudible] supply of workers and firms [inaudible].

Mr. PERRY. Hey, Dr. Boskin, if you can stay closer to your mic, you kind of cut in and out and it truncates.

Mr. BOSKIN. Better?

Mr. PERRY. Yes. I want to move on because you talked about, I think with Mr. Burchett, inherently parochial projects regarding modes of transportation that are politically popular with some of my colleagues, but really have been largely rejected by the American people in the marketplace. And specifically, I am referring to the massive proposed increase in spending on transit and Amtrak, despite the minuscule amount of total passenger trips those modes represent and the uncertainty surrounding future ridership levels.

In that vein, what is the long-term economic consequence of misallocating significant amounts of Federal resources to said parochial projects based on political calculations rather than on actual demonstrated demand?

Mr. BOSKIN. Well, that could be serious misallocation of resources, funds would be wasted, costs could be driven up. You miss the opportunity to do other projects that are higher return or spend the money on other high-priority public and private needs.

Mr. PERRY. And if I might ask, what do you think the risks are for providing a one-time infusion of stimulus, as we are kind of staring down the barrel of right now in many places, funding for capital projects and system expansion, especially regarding transit to places like Amtrak or transit agencies that really can't even maintain their current systems?

Mr. BOSKIN. I think there is a balancing act between dealing with agencies and the sectors of the economy that were particularly hard hit, that were heavily disrupted, where we had to provide a safety net to keep them from total collapse and potentially wasting money or assuming that they are all going to come back to exactly where they were before and then grow happily thereafter. I think you have to do a detailed analysis. And certainly, patterns will shift. For example, in California, work from home has become a hybrid situation, so people going to the office 1 or 2 days a week have become much more common, and many of the technology firms are making that permanent, not just temporary.

So I think when you look at what the demand is going to be, you have to do that seriously and not just based on fanciful numbers.

Mr. PERRY. Hey, just one last question in the remaining time. Do you think that the bipartisan infrastructure bill that we are potentially voting on today or the proposed reconciliation package make the reforms necessary to ensure Federal infrastructure investments actually produce a return to the taxpayer? I mean, based on what you read about it or heard about it?

Mr. BOSKIN. Well, from what I have been able to tell, there aren't many reforms in them, and there are some requirements that are in there that might drive [inaudible] costs. We can argue [inaudible] that substantially more will remain to be done if this is passed as currently.

Mr. PERRY. Thank you.

Ms. WILLIAMS OF GEORGIA. Mr. Lowenthal is now recognized for 5 minutes.

Mr. LOWENTHAL. Thank you, Madam Chair.

I live in the city of Long Beach, and I represent the Port of Long Beach, which is the second largest container port in terms of volume in the United States. It is immediately adjacent to the Port of L.A., which is the largest container port in terms of volume in the United States. And these two ports, taken together, are among the largest in the world.

I would like to preface my statement by saying, the Ports of L.A. and Long Beach are highly efficient. Both the workforce, the ILWU, the terminals, and the terminal operators strive to increase their proficiency and their productivity. Not saying that there is not more to be done, there is.

Yet, as I walk down from my house down to the port, or just down to the ocean and look out, as far as I can see, I see containerships sitting out, waiting to come into the port, carrying goods for the rest of the Nation.

So Dr. Edelberg, in your testimony, your written testimony, you mentioned how destruction of the supply chain and bottlenecks—and what I am talking about is a major bottleneck—as one of the key drivers of temporary increases in the price of many consumer goods. This point is a very critical point, so I want to spend a little time focusing on it.

I am sure that many of these disruptions in the supply chain, going from the Port of Long Beach to wherever the goods will ultimately end up, are simply due to the pandemic, which you have pointed out, shifted consumption patterns.

But it seems to me that a more resilient freight infrastructure system could have responded far more effectively to these bottlenecks.

We can make infrastructure investments to strengthen these supply chains, and I think that the President, in both the reconciliation package and in the infrastructure bill, can help accomplish this goal.

I also believe that the appointment of John Porcari as the Port Envoy to the Biden administration Supply Chain Disruptions Task Force shows that the administration is taking this question seriously.

I would like you, Dr. Edelberg, to elaborate on how the Federal Government can more effectively coordinate and strengthen these supply chains.

Ms. EDELBERG. You are absolutely right that we have seen massive disruptions in supply chains, and particularly disruptions in the movement of containerships around the globe. And the underinvestment in ports in the United States has exacerbated that, but this is actually a circumstance where we can see disruptions in the movement of containerships globally having an effect on boosting inflation globally.

And this is one—if I may, this is one place where we just have very clear evidence that the inflationary pressures that we are seeing are temporary COVID-related, and it is misguided to think that the inflation effects that we are seeing now, the inflation pressures that we are seeing now, are largely the result of too much fiscal support.

We are seeing these sorts of supply disruptions around the globe, partly from these disruptions in the movement of containerships, boosting food and food inflation in particular, around the globe, suggesting that when this resolves, inflation will come down.

Mr. LOWENTHAL. Thank you. I want to add—and I agree with you in terms of that global disruption. I want to add one more point for you to address. We are also seeing a lack of actual empty containers to fill. It is not just the ports themselves, it is the containers that are not available.

We are seeing that the distribution centers, where the goods go, they cannot accept any more goods. They are piling up. We can see the lack of trains that are coming in. We can see problems with demurrage and detention and trucks. So we see this as a systemic problem. Can you comment on that?

Ms. EDELBERG. The developments that our economy and the global economy has had to absorb over the past 18 months are completely unprecedented. So you mentioned the huge spike in demand of durable goods and how that has affected supply chains all over the globe.

We did not have nearly a resilient enough supply chain to absorb the crazy movements in demand that we have seen over the last 18 months.

Mr. LOWENTHAL. Thank you. And I yield back and thank you for explaining this kind of global problem that is going on.

Ms. WILLIAMS OF GEORGIA. Mr. Westerman is now recognized for 5 minutes.

Mr. WESTERMAN. Thank you, Madam Chair, and thank you to the witnesses today. I had another meeting that I was leading that started at the same time as this one, so I missed out on the early discussion today.

But you know, I found it ironic that we are having a meeting, the title of it, "Assessing the Federal Government's COVID–19 Relief and Response Efforts and Its Impact—Part 2," very long title, impressive-sounding title, but I would have to ask the question, does it even matter what we do in this committee, as today we are considering what I believe to be—or we are supposed to consider—we were supposed to consider earlier this week, the largest infrastructure package, from what I can tell, in the history of mankind, a $1.2 trillion infrastructure package. And never in a million years would I have guessed that there would be the largest infrastructure package in history on the House floor for a vote that did not come through this committee, that this committee has not had one chance to weigh in on that infrastructure bill.

You know, even if you look at the New Deal, that was a $42 billion program, which in 2009, that inflation-adjusted amount was still less than $700 billion, which was less than the big infrastructure program back then.

But I find it rich that we are having a hearing on infrastructure when we actually apparently don't have any say in infrastructure in the House Transportation and Infrastructure Committee.

I would just like to ask the panelists if they think it is more beneficial or less beneficial if on a massive infrastructure package, if we actually go through the committee process and pass a House bill, and then go to conference.

Do you think that is a wiser use of American taxpayer dollars, or should we just allow the Senate to write every infrastructure bill, and maybe even disband this committee, since it apparently has no impact or influence in the process? I will open that up to anybody that wants to answer it.

Mr. BOSKIN. Well, I will go first. When I was chairman of the Council of Economic Advisers for President George H.W. Bush, I worked closely with this committee, its analog in the Senate, particularly Senator Moynihan, how it eventually became ISTEA. Was it perfect? No. But we made some improvements, and I think relying on the expertise that people accumulate in the committees is potentially very valuable input.

And for my own viewpoint as a citizen, I would love to see the Congress return to more regular order [inaudible] rather than these giant omnibus things being negotiated by the leadership with little input [inaudible]. I think it would be, on balance, despite all the problems and eventual delays that might occur, I think on balance that would be an improvement most of the time.

Mr. WESTERMAN. I thank you, Dr. Boskin. I would agree with that as well.

Would any of the other witnesses like to talk about the importance of the congressional process in approving massive infrastructure packages and how the American taxpayer dollars can be used most wisely and effectively?

Mr. REGAN. Sure. I don't think I am in a position to be able to speak about congressional process. I think those are decisions that are made by the elected leaders and those in the various House and the Senate.

Certainly, as someone who worked in the House of Representatives, I believe in the institution, I believe in the committee process as well.

However, what I can comment on fully is that we support this bipartisan infrastructure bill, we think it needs to be passed. You have the types of investments that we have been calling for for decades, in transit, in Amtrak, in roads and bridges, that need to be done that are long overdue, and I think this is a good product that needs to be seriously considered by everyone on both sides of the aisle.

Mr. WESTERMAN. So if it is a good product, do you think it is good enough that it would withstand the rigors of going through the committee process in the House?

Mr. REGAN. I believe the entire House has an opportunity to make that decision on their own right now.

Mr. WESTERMAN. We have no opportunity to offer amendments or to debate it. It sounds like we are going to have an opportunity to possibly vote on it, which personally, I think, is a bad move for our country. I think it is a bad process.

And what I would call on is all Members of the House to finally stand up to the Senate and say, we are not going to pass this bill just like you sent it over, to reject it when it comes to the floor, and bring it to the committee, because we are all interested in infrastructure.

And let's show that this committee actually does matter, and the House actually does matter, and that we do care about infrastructure, and that we have something to offer.

And with that, I yield back, Madam Chair.

Ms. WILLIAMS OF GEORGIA. Mr. Carbajal is now recognized for 5 minutes.

Mr. CARBAJAL. Thank you, Madam Chair.

Dr. Edelberg, recently we have been hearing a lot about our national debt, but surprisingly, to me, it seems that it wasn't much of an issue of concern during the past 4 years during the previous administration's spending. There seems to be selective concern and situational about when we are concerned about the growing national debt.

To his credit, Dr. Boskin has acknowledged that, quote, "under President Donald Trump, Federal deficits and debt remained massive by prosperous peacetime standards," unquote.

As we know, before the COVID–19 pandemic, President Trump signed tax cuts into law that grew the national debt by trillions, while largely benefiting the wealthiest in our country.

From an economic perspective, can you discuss how good a return on investment we got on those tax cuts? Would we be better off and get a better return on that investment if we repealed some of those massive tax cuts to the wealthy to pay for the needed investments in infrastructure, lift children out of poverty, and help most working middle-class families get their fair share?

Ms. EDELBERG. So there is a lot there. Let me take it in a few different points. So, first let me say, with regards to the current state of Federal debt and the trajectory of Federal debt, one of the places where we had the clearest signal of whether or not we have an urgent problem to solve is financial markets.

Financial markets appear to be entirely unperturbed by the level of Federal debt. Interest rates are at remarkable lows, and expectations for interest rates going forward look like they are going to rise to more normal levels but not to levels that should create concern.

So, we should think of our Federal debt problem as a very long-term problem that we need to address. These are long-term factors that will eventually create unsustainable upward pressure on our Federal debt, but this is not a problem that we need to urgently face today. And for that, we need to look no further than financial markets.

When it comes to the economic effects of the 2017 Tax Act, so CBO estimated at the time that it would have a modestly positive effect on the economy. That was largely because of stimulative effects because it sent money back to households that CBO estimated would, in turn, spend the money.

The actual positive effects on incentives to invest were only a portion of that positive estimated effect that CBO wrote about. And indeed, it looks like that is basically what we have seen for the last few years, a muted but positive effect on investment as a result of the 2017 Tax Act.

So undoing a portion of the changes made in the 2017 Tax Act would have just the opposite effect. It would have a muted but negative effect on the incentives to invest.

But of course, the big question is, what do we do with that money? And if, in turn, we choose to take that money and invest it in children, invest it in infrastructure, invest it in the long-term resiliency of our economy, that is a choice that we can make as a society, and I think it makes us stronger.

Mr. CARBAJAL. Thank you so much.

Mr. Ortiz, FEMA has played an important role in making COVID–19 vaccines widely available. It provided more than $4.75 billion in support of vaccination efforts in communities across the country and worked with State and local partners to establish more than 1,700 vaccination centers.

Can you discuss briefly, from your perspective, what went right, and what are some of the lessons learned to ensure we respond better and quicker and more effectively in the future?

Mr. ORTIZ. Thank you. That is a really good question. I think what we can say, that this was something that was a very large, major effort, brought our country to engagement in this past year.

Probably the biggest thing that was very helpful was how it was easier for our communities to get an expedited application process to establish vaccinations that facilitated funding upfront.

Our communities across the country are spending money in response to this pandemic, and it creates a situation that is difficult to be able to sustain these disasters.

So I think that would probably be the best thing is the expedited application process that FEMA put in place.

Mr. CARBAJAL. Thank you.

Madam Chair, I yield back. I am out of time.

Ms. WILLIAMS OF GEORGIA. Mr. Balderson is now recognized for 5 minutes.

Mr. BALDERSON. Thank you, Madam Chair.

My first question—I want to thank all of you for being here—my first question is for Professor Boskin. Professor, in your testimony you note the long-term economic effects of a new Federal infrastructure program will not just depend on the level of spending, but also on the quality of the projects funded and their financing methods.

Can you expand on this thought and provide any ideas on how we can assure that projects are fairly financed, will have positive, long-term returns, and benefit our constituents?

Mr. BOSKIN. Well, as I said in my testimony, sir, I think the most important thing is to apply rigorous—as CBO has also said the same thing—rigorous national cost-benefit tests so there is a legitimate national purpose where benefits are accruing to citizens and the population broadly, not just in the local area where you wind up getting a bunch of projects, that if the rest of the country pays for it, we are glad to do. And then we wind up with massive fiscal cross-hauling where people in California are subsidizing other States, and systems in other States are subsidizing California, and it creates the incentive to have some low national return projects because they look good locally because other people are paying a large part of the costs. So that would be point number 1.

Point number 2 is, we traditionally have funded a larger and larger share of these with user fees and gasoline taxes and more recently, the idea of a vehicle-miles traveled tax to account for the fact that we are growing the electric fleet—which obviously doesn't pay gasoline taxes—would line up the benefits received and the payments made so there would be very little distortion to the economy.

And people—the local officials and you in general, this committee, and your colleagues in the House and Senate, would have to respond to people feeling like they weren't getting their money's worth for what was going on. So I think those are some of the most important things.

I think whatever the amount spent is going to be [inaudible] probably be the single most important overarching thing to do. It is not easy. [inaudible] examples of things going wrong. But [inaudible] on balance U.S. rates about 5 percent [inaudible].

Mr. BALDERSON. OK. Unfortunately, we were having some technical difficulties there, Professor. I will do a followup. I didn't hear the last part of your answer.

But would you agree that the current Federal permitting and environmental review process, which can delay projects by over a decade, are a poor use of Federal and State resources?

Mr. BOSKIN. Absolutely. I think streamlining that process would be one of the single best things we could do to reduce costs, target efficiency, make sure we find what we actually spend money on is actually relevant at the time, rather than decades' old demand.

And we are much worse than most of the rest of the world in this regard.

Mr. BALDERSON. Thank you. Professor Boskin, in your testimony, you also mentioned your concerns that inflation risks are rising, a trend that more deficit finance spending will only accelerate.

Can you give us a general overview of what a $3.5 trillion Federal spending bill, which would likely add trillions of dollars to the debt, could mean to inflation and our economy?

Mr. BOSKIN. Well, of course it is going to depend on the particulars and especially the timeframe at which it is introduced and what else is done. But if we add this substantial amount in the short run, when we have this inflation, we risk [inaudible] more of an inflation expectation which can become a self-fulfilling prophecy as we have seen in our history.

I would add that while I generally agree with the comments that Wendy made, I do want to emphasize that financial markets have often been badly wrong. They never got to expect the inflation of the 1970s, they badly misunderstood the disinflation of the 1980s, and as recently as when the Federal Reserve lowered its target interest rate to zero in response to the Great Recession and financial crisis in December of 2008, financial markets expected it to stay there at 9 months. It stayed there for 7 years.

So while I think there is little indication in financial markets that there is a big concern now, that could change quickly, and we ought to keep that risk in mind. It is not the only thing we should keep in mind. We should keep that risk in mind as well.

Mr. BALDERSON. Thank you, Professor.

Madam Chairwoman, I yield back my remaining time.

Ms. WILLIAMS OF GEORGIA. Mr. Stanton is now recognized for 5 minutes.

Mr. STANTON. Thank you, Madam Chair.

My first question is for Mr. Ortiz. Early on in the pandemic, there were many reports of State and local emergency managers alleging that their orders for emergency supplies were getting redirected and not getting to the correct recipients. GAO found this in their audit work as well.

They reported that States sometimes had trouble confirming that the supplies provided by FEMA were shipped to the right entities, like hospitals and nursing homes, and that the supplies were the right ones and in usable condition.

I want to get your thoughts on that. Why do you think FEMA initially responded in such a poor manner overall? What was your own experience in getting supplies from FEMA? Any ideas that you have for positive changes that could be made to improve FEMA's response time to communities in need in the future?

Mr. ORTIZ. Yes, thank you. That is a really good question. Let me start with what I think is the biggest thing we can do as a country in order to improve our capabilities.

When we are dealing with the supply chain management, the issue is, we can't wait. The need is here, is present at this point in time. And we need to be able to access local resources and supplies that are available to our local region. So the support of the establishment of local stockpiles, local staging areas, connecting more quickly and faster response to the emergencies, especially in a pandemic, is critical.

That can allow us to create a bridge to allow for the supply chain management to catch up, and to allow all these other issues that we are discussing in this committee, to allow for the additional supplies that may be sourced from different locations to really catch up and be able to build that proper response.

That was the biggest challenge that we had. It created a situation where communities were having to basically compete with each other. And as the example that I presented earlier, you end up where you are not only competing with other communities, you are competing with your own State or with other States and, even to a certain point, with the Federal Government.

And that ends up resulting in a more expensive response because of price increases that at the end of the day is going to be a higher cost to the taxpayers.

Mr. STANTON. Thank you very much.

This next question is for Mr. Skoutelas. We know that public ridership fell during the height of the pandemic. Too many people were unemployed or working from home, shelter-in-place orders, et cetera. And so, I just want to get your take on this balancing act now.

How are transit operators balancing fiscal constraints with the need to ramp up service to match passenger demand, and how does it vary from transit agency to transit agency?

Mr. SKOUTELAS. Yeah, thank you very much for that question. It really is right on the mark relative to the challenge that these agencies are facing.

On the one hand, the communities, by and large, are expecting them to provide the level of service that they have been accustomed to, so that there is the pressure to really ramp up that service.

On the other hand, just matching the demand that is there is the other part of the equation. And overlaid on top of that, of course, is the national workforce shortage issue that everyone is facing and every industry, and certainly it is in the transit industry as well.

I mentioned earlier in my remarks that transit now has recovered with ridership about 63 percent of what it was pre-pandemic. So we have seen a steady, kind of gradual increase in that.

We would expect that to continue, and our agencies now really are looking to modify their services—many have already done that—providing services where they know the demand is greater, trying to be as efficient as they can be. And I would expect that is going to continue over the next 18 months or more as they get back to some degree of normality.

Our forecast is that we are going to see by the surveys that we have done, that across the board, we will have achieved as an industry, about an 80-percent recovery level in terms of ridership by the end of next year.

Mr. STANTON. That is great. My next question was going to be about changes in commuter patterns, but you addressed that in your answer. I appreciate it very much.

Madam Chair, I yield back.

Ms. WILLIAMS OF GEORGIA. Mrs. Steel is now recognized for 5 minutes.

Mrs. STEEL. Thank you, Chairman DeFazio and Ranking Member Graves, for hosting this hearing, and I want to thank the witnesses for participating.

The COVID–19 pandemic has greatly impacted all of us and our local communities. Transportation and infrastructure projects faced sharp drops in economic growth and employment. Supply chain disruptions have increased, leading to further delays on important projects.

It is important we continue to support policies that help economic recovery, while also ensuring that our national debt does not continue to soar, leaving future generations to pay high taxes and bankrupting many important Federal programs in the next few years.

Inflation fueled by excess Government spending continues to hit my constituents at the gas pump and at the grocery stores. In Europe, for example, inflation has almost gone up 1 percent in just a single month. I bring this up as Secretary Buttigieg has previously claimed that the "American dream" is now in Denmark.

Meanwhile, there is growing concerns on this committee regarding the administration's spending proposals and the effects they will have on our constituents.

Some have argued that deficits don't really matter and we should continue to build up debt. Having said that, I have questions for Dr. Boskin.

Dr. Boskin, as we try to adequately respond to the COVID–19 crisis, what will happen to the transportation and infrastructure industry should we continue to go down a continued path of accelerating deficit spending? Historically, what has this strategy shown us?

Mr. BOSKIN. Historically, it often has led to problems down the road. Sometimes these wind up in an abrupt financial crisis. More generally, I think, the bigger risk is that it will slow growth over time, particularly when you add not only the high level of the debt anticipating adding to it now, but the additional debt that is going to become—that is represented by the unfunded liabilities of Social Security and Medicare that are coming due.

So we are going to be—we are going to have a big fiscal year challenge in dealing with those in the coming decade, quite aside from adding this on. So I think it adds to the risk considerably.

Mrs. STEEL. Thank you, Dr. Boskin. I have another question. I appreciate you using the California high-speed rail boondoggle as an example of a project that lacks support and has tripled in cost estimate. I introduced the Stop the High-Speed Money Pit Act to prevent more Federal funding to this waste of taxpayer dollars.

With proposals from the administration and numerous transportation bills introduced on Capitol Hill to spend even more taxpayer dollars, do you believe there is a lack of fiscal responsibility on some of these initiatives, and if so, how will this affect the taxpayers?

Mr. BOSKIN. Well, if there are poor returns, taxpayers will be getting a very bad deal and our citizens will be getting a very bad deal. With California high-speed rail, I fully support—I don't know the details of your bill, ma'am, but I think that you are on the right track, that perhaps the single best thing with respect to this that this committee could insist on is no additional funding for California high-speed rail, and let it evaporate as it should.

That would be good for California, good for the rest of the country, and actually probably the single best thing they could do for the legacies of Governor Newsom and Governor Brown, would be to kill the project.

Mrs. STEEL. Thank you, Doctor. I have one last question. The transportation bill is important for all of us that are in infrastructure jobs and trade. In this important sector and to rebound from the pandemic, what areas of transportation do you think the committee should focus on in this Congress?

Mr. BOSKIN. Is that addressed to me?

Mrs. STEEL. Yes.

Mr. BOSKIN. I think you should start with primary focus on traditional infrastructure and doing that well. Build-outs of these other areas that sound good, but have—we don't have experience in pouring a lot of money in and getting good returns.

Whether that is early this or education that, et cetera, I think those are fairly risky, and I would suggest for those who support these things, let's do some pilot projects first and see how they pan out. If they work, [inaudible].

Mrs. STEEL. Thank you very much, Dr. Boskin, and that is what I wanted to hear, and I yield back.

Ms. WILLIAMS OF GEORGIA. Mr. García is now recognized for 5 minutes.

Mr. GARCÍA OF ILLINOIS. Thank you, Madam Chair, and thank Chair DeFazio for holding this hearing.

As a former union member and someone who represents a predominantly working-class district in Chicago, I have fought throughout the pandemic for the workers impacted by COVID–19, both from a health and economic perspective.

Millions of working Americans lost their jobs while many frontline workers, like transit workers, had to go through the pandemic, and some sadly died from COVID. The pandemic has had a disproportionate effect on working men and women, especially Black and Brown communities, and we must keep in mind as Congress continues to respond to the pandemic. I thank the witnesses for appearing today.

Mr. Regan, you highlight in your testimony the lack of action by the Trump administration to protect workers from COVID–19 unfortunately cost some workers their lives.

Thankfully, the Biden administration has implemented some commonsense policies, like a Federal mask mandate and increased access to vaccines.

While we continue to do everything to protect workers, what additional policies should Congress consider or the Biden administration should implement that can make sure that transportation workers are protected from COVID–19?

Mr. REGAN. Thank you, Congressman, for your question. One thing we have discussed a little bit already today is the Transit Worker and Pedestrian Protection Act. That one would really help especially busdrivers inside their workspaces, to help protect them from COVID–19, especially if they are designed correctly.

I think continuing to have this mask mandate in place throughout all modes of transportation would be a really welcome development. I know the President does not seem to want to lift that anytime soon, but that is proving to be well-received, and, I think, protective for people.

But what we also need frankly is to make sure that there is support of the employees so they are not being the mask police. I think at airports you have a situation that is set up in order to make sure that there is an existing law enforcement present, so that it is not going to be entirely on gate agents or flight attendants. But even there we are seeing problems.

So whether it has been the increased fines you see onboard aircraft, whether that type of situation needs to be applied in other areas of transportation, I think these are things that the administration and Congress needs to look at.

Mr. GARCÍA OF ILLINOIS. Mr. Regan, so it took a while for Congress to implement protections against Amtrak furloughing—and you underscored it in your testimony—its workers in assistance to Congress provided for Amtrak.

This follows many worker issues we have dealt with over the years on Amtrak, including call center closures and the end of dining car service.

As we look at the future, what additional protections does Congress need to consider to make sure that workers at Amtrak are protected?

Mr. REGAN. Yes, thank you for that. The way that increasing the aid that went to Amtrak—yeah, the labor protections got better and better. Whether it be a commitment that they need to bring back furloughed employees and then ultimately they required them to return furloughed employees and retain services.

Certainly, we should have limitations to the amount of outsourcing that Amtrak can do for their existing services. Right now, that seems to be the way they deal with a problem they don't know how to solve, is to outsource that work to somebody else, where it usually is nonunion labor, and the wages and benefits are dramatically slashed when they do that. So we should constantly be looking at ways to build up Amtrak and its workforce at the same time.

Mr. GARCÍA OF ILLINOIS. Thank you.

And for Ms. Edelberg, you mentioned in your testimony that you see no compelling reason for the cancellation of unemployment insurance benefits. Can you expand on why ending unemployment benefits early causes financial hardship for so many people?

Ms. EDELBERG. It always is an unforced error when Congress puts calendar date cutoffs into legislation when providing fiscal support. So whether it is—excuse me—households or businesses, and even worse, abruptly canceling benefits, so it would have been far better to tie those benefits, the expansion and extension of unemployment insurance benefits, to the state of the labor market, and in particular, the state of local labor markets.

That is a concern now as we see the Delta variant can surge through communities and put in peril the labor market recovery.

So yes, it gives me concern that now about 5½ million unemployed people who are actively looking for work no longer have any access to unemployment insurance benefits.

Mr. GARCÍA OF ILLINOIS. Thank you very much, Madam Chair. I yield back.

Ms. WILLIAMS OF GEORGIA. Miss González-Colón is now recognized for 5 minutes.

Miss GONZÁLEZ-COLÓN. Thank you, Madam Chair.

My question will be, the first one, to Mr. Skoutelas, and this is a question that actually I have related to because of the situation with FEMA on the island and the money that has been approved and the money that is unused yet.

You said in your testimony that $69.5 billion in funding was provided by Congress for transit during the COVID pandemic. However, at this time, only 56 percent has been spent, which means almost $39 billion. Do you think the rest of the funding is going to be needed or not?

Mr. SKOUTELAS. Yes, thank you, Congresswoman, for that question. Based on the economic forecast that we had conducted, that was conducted on our behalf for the industry, we had forecast that those resources would be needed to carry the industry through calendar year 2023, so taking us really to January of 2024.

So a good percentage, as you mentioned, of these resources, have already been obligated—almost all of the CARES Act, half of the CRRSAA Act, and more than one-quarter of the most recent, the American Rescue Plan.

And our agencies, the industry, is really parceling out those dollars so that they can continue to operate services while ridership comes back. And, again, our forecasts, while they are subject certainly to change because of evolving conditions, it does appear that they are going to need those resources to carry them through being able to come back in some kind of a normal fashion roughly at the end of 2023.

Miss GONZÁLEZ-COLÓN. Given that money that has already been obligated, do you think that the transit agencies may need the additional $10 billion from the Build Back Better, given that there is still a lot of funding that is unspent from the supplementals of COVID?

Mr. SKOUTELAS. Yeah, thank you for that question, because really those dollars are intended for different purposes. The three tranches of emergency funding were for operations—to sustain and stabilize operations.

The $10 billion in the Build Back Better Act really is the shortfall that we saw in the bipartisan agreement for infrastructure, originally proposing a $49 billion increase for transit, which was reduced to $39 billion. So we see that $10 billion as really making up for that shortfall, which would all go to capital dollars, as we understand it, to support transit access to affordable housing.

Miss GONZÁLEZ-COLÓN. Thank you. I would love to make a question to Mr. Ortiz, and this is something regarding the emergency management about FEMA. You said in your testimony that FEMA recaptures disaster funds based on some violations of procedural rules, or even other principles.

Do you mind providing exact examples of what you are talking about? Because we are facing some of—kind of this down in Puerto Rico as well. Although FEMA has been engaging with the stakeholders to manage it. So I would love to know, what specific situations are you referring to?

Mr. ORTIZ. Yes. And I can give you a little bit more specific situations, but as a whole, we agree that FEMA has that ability that was passed to them under the 2018 act, the ability for them to recoup those funds. But the way they are doing it in certain situations, it creates a confrontational relationship, where instead of focusing on the adequate response to ensure that the programs necessary to ensure that the need resulting from the disaster gets addressed, creates a confrontational relationship where it may hinder or slow down the response efforts by a local community, because they are afraid to engage because of fear of overextending themselves and not be able to be reimbursed because FEMA may ask for those funds in return.

I think what we want to be able to do is create an environment where it is a team effort, both at the Federal, State, and local level, in order to ensure that decisions are made early and upfront, and make sure that we are transparent in the process to prevent situations where there may be misunderstandings or abuse of funds that are being utilized in response. And also, at the same time, expedite the response as fast as we possibly can.

We are all working together. We all are working towards the same common goal. But in certain situations, FEMA, they put themselves in a situation where they are more of an enforcement side versus from a partnership side.

Miss GONZÁLEZ-COLÓN. Thank you.

I yield back, Madam Chair.

Ms. WILLIAMS OF GEORGIA. Mr. Carter is now recognized for 5 minutes.

Mr. CARTER OF LOUISIANA. Madam Chair, thank you for the opportunity. My question is for Dr. Edelberg.

The New York Times reported this summer that States were working to cut off Federal pandemic unemployment benefits for their residents, saying that the unemployment benefits are discouraging people from looking for work at a time when small businesses are having difficulty hiring workers.

In my estimation, Dr. Edelberg, that has been quite the contrary, that people—the notion that unemployment benefits are so high that people don't want to work, I think is a ridiculous thought, particularly when juxtaposed with the option that a person has to work for $7.25 an hour, a meager, meager minimum wage.

Instead of looking at questioning if unemployment is too high, perhaps we should really focus on the fact that minimum wage is way too low. Thoughts?

Ms. EDELBERG. Let me say a couple of things. So first we now have a lot of preliminary evidence that economists have gathered about what the effect on employment gains has been from abruptly cutting off these benefits across the country, and the evidence is even more compelling because we have this natural experiment of the benefits being cut off in different States in different times.

The punch line is that so far we have no compelling evidence that cutting off the benefits changed aggregate trajectories of what we are seeing in employment gains in any of these localities. And so, that is the first fact.

The other is that we obviously know that the increases in labor supply have fallen short of the increases in labor demand. Job openings are at record high rates, but at the same time, we are seeing quits with record high rates, and we are still seeing that firms are laying off workers.

This is all to say, there is a massive amount of churn in the labor market right now, and The Hamilton Project just had an event yesterday where Betsey Stevenson made an excellent point, from the University of Michigan. People are going back to work, but they are demanding that work be done on different terms than before the pandemic.

They want more flexibility. They want higher wages. They want to be compensated for the risks they are taking if their face-to-face service sector jobs are now dangerous because of the pandemic. And they want more flexibility, to be able to work from home.

So, we are seeing big changes in the labor market, but—and I know I am going on too long, but these have also been made possible by the fiscal support that the Government provided. People are no longer financially utterly desperate, and that is a good thing. That is not a bad thing. That is a good thing.

Mr. CARTER OF LOUISIANA. And it speaks to the fact that we still have people that are women with children, families with children, caring for the aged or people that need additional care. And we know that eldercare is terribly expensive. We know that childcare is terribly expensive.

Let me ask you: Is there any empirical data as an expert, as an economist, any research that has been done on this topic, that is: an impact of expanded unemployment benefits to the labor force and its participation?

Ms. EDELBERG. So we do have a fair amount of evidence that suggests that more generous unemployment insurance benefits do slow down the rate of job matching. They make workers choosier about taking which job to get, but that is not altogether a bad thing.

You want unemployment insurance benefits to allow people to find the best, most productive match, find a job that has a really good job ladder of career advancement.

So yes, we have evidence that unemployment insurance benefits modestly dampen job matching, but in a way that I think the policy, you know——

Mr. CARTER OF LOUISIANA. And that is probably—and I apologize, I am trying to get through this real quickly. But in large, would you agree that when given the option of having to face all the factors that are out there, like expanded expenses for childcare and eldercare and those other issues that families face, a $7.25 minimum wage is hardly a living wage?

Ms. EDELBERG. One thing I will say is that with all of the mismatches we are seeing and the strength and labor demand that we are seeing, that the private market is raising wages in a way that the Federal Government couldn't manage. We are starting to see really welcome growth in wages at the bottom of the distribution.

Mr. CARTER OF LOUISIANA. Can you expand—I am going to switch real quickly. I am going to stay with you, Dr. Edelberg——

Ms. WILLIAMS OF GEORGIA. The gentleman's time is expired.

Mr. CARTER OF LOUISIANA. I yield. Thank you.

Ms. WILLIAMS OF GEORGIA. Mr. Guest is now recognized for 5 minutes.

Mr. GUEST. Thank you, Madam Chairman.

Dr. Edelberg, I want to kind of expand a little bit and follow up on what Representative Carter was just referring to. In looking at your report that was issued prior to your testimony, you did talk a little bit about enhanced unemployment insurance, and I think you told Representative Carter that enhanced unemployment insurance does, to some extent, slow down job matching.

You also, on page 12 of your report, you talk about unemployment today, that we have a record number of openings. You even say that this is the highest since 2000, which was the earliest data available.

We talk again about the slowness of job matching, the depressed level of labor force participation, and the record number of individuals who have quit their job and are looking at moving or transitioning.

We know across many employment sectors and industry, we are hearing that hiring is really the number one concern and has contributed to supply chain effects that have been felt across our economy.

I want to turn to a little bit about the potential impact that vaccine mandates may have on that. And just so you will know, I have been vaccinated, my family has been vaccinated. Back home, I have done public service announcements encouraging people to be vaccinated. But I do know because I talk to people that there are still individuals that have concerns about the safety of vaccinations.

And so we know that President Biden earlier this month spoke of an Executive order that would require vaccines for Federal employees, particularly those that are employed in healthcare facilities, being Medicare and Medicaid.

He also talked about testing or vaccination for private-sector employers that employ more than 100 individuals.

And we have seen individual States, particularly the State of New York, that have recently applied either laws that would affect either specific industries or the State employment as a whole.

And I specifically want to talk about unvaccinated healthcare workers. As we look, we see that recent media reports have shown that New York hospitals have begun firing or suspending healthcare workers for defying a State order to get the COVID–19 vaccination.

Recent local media reports said that New York City healthcare officials said that upward of 5,000 employees in the city's public hospital systems were not vaccinated. We know that that 5,000 represents 12 percent of the 43,000 workers in the public healthcare network.

In the entire State, if you expand it out from New York City to New York State, 16 percent are unvaccinated.

The Washington Post reported earlier this month that an upstate New York hospital was going to stop delivering babies. We also know of reports of surgeries being delayed or cancelled.

And so my question to you is that, in light of our current economic situation that has left employers currently struggling to find workers to take many of these positions, even in cases where they have raised employment wages, where they have offered signing bonuses, where they are offering flexible hours, can you speak to the effect that a Federal vaccine mandate will have on the current trend of job openings, and the trend that we are seeing of more individuals who are quitting their job?

Ms. EDELBERG. I think there are two competing effects here. One is the effect of having it as easy to work as possible. So it is fewer requirements, the highest wage, access to childcare. All of those things make it easier to work. You know, if you don't have a vaccine mandate, if it is OK if you haven't been vaccinated against measles, if it is OK if you haven't been vaccinated against polio. The fewer requirements we put, yes, we make it easier for people to work.

On the other side of the equation, though, is that we have seen that there is a lot of hesitancy among people to go to work if they fear for their health. And where we are seeing a lot more hesitancy is in these in-person, service-sector jobs.

And so, the more we put those people's minds at ease that it is safe for them to work, we should see that dominate and actually greater labor force participation instead of less.

Mr. GUEST. Well, and my concern, Dr. Edelberg, is particularly in the field of healthcare, of education, and now we are seeing law enforcement, that we are going to have individuals who are experienced in their field, who are going to no longer feel like—and, in many cases, they are not legally going to be able to continue to work, and I think that that is very dangerous as we are seeing the trend that we are seeing in the unemployment.

And so Madam Chairman, I think I am out of time so I will yield back.

Ms. WILLIAMS OF GEORGIA. Mr. Brown is now recognized for 5 minutes.

Mr. BROWN OF MARYLAND. Thank you, Madam Chair. I want to thank the panelists for a very enlightening discussion. Thank you for your responsiveness to all the questions asked by each of the Members.

Look, it is critical that we examine ways to improve oversight of the COVID–19 pandemic relief funds while also evaluating the significant impacts that these relief efforts have had on supporting sectors across the country and the economy.

And we are focusing today, I think, mostly on the transportation sector and its workforce. Nationally, transit ridership in 2020 was down an historic 79 percent at the start of the pandemic compared to 2019 levels.

However, when the pandemic hit, public transportation systems really didn't miss a beat, certainly not in my congressional district and supporting my constituents. Systems, like the Washington Metropolitan Area Transit Authority—we all know it as Metro—continued to bring healthcare professionals to the front lines, allowing folks to go to the grocery store, pick up prescription drugs, connected other essential workers through their place of work.

Prior to the pandemic, transit agencies collectively spent less than 0.5 percent of their budgets on workforce development. I believe it is imperative that we take these lessons learned and focus on preparing our essential transit workers to ensure they have the tools to meet the challenges of tomorrow.

I have got a bill in that does that, that addresses these workforce development issues, by establishing the National Transit Frontline Training Center. So, I believe that this is needed now more than ever after witnessing the impacts that the pandemic has had on our transit workers.

So Mr. Regan, let me ask you this: As these transit systems come out of the pandemic and adopt new equipment and practices, what level of investment is needed to prepare our workers for the next generation of transit jobs, and how can a national transit workforce training center better prepare transit frontline workers for the post-COVID world?

Mr. REGAN. Thank you for the question and thank you for your leadership on this issue. Right now, there is virtually no dedicated money for transit workforce training. We fought through the appropriations process for years to try to address that, but having a dedicated funding stream will be a huge impact and make sure that we have the best prepared workforce in our transit sector.

A centralized workforce training center, one that is a joint labor and management effort, such as the one that you have championed, allows labor and management to work together cooperatively to identify new technologies, new trends in public transportation, outstanding training needs and skills gaps, tools for better retention, and good transit jobs.

As we move from our current fleet to EVs, for example, or implement driver assistance technologies, workforce training can provide evidence-based training materials and engage in activities, like train the trainer, to ensure a smooth rollout of these new technologies, and one that includes worker voice of how and when these technologies are implemented, we think is a vitally important thing. And again, I can't thank you enough for your leadership here.

Mr. BROWN OF MARYLAND. Well, thank you.

Dr. Boskin, I think that Chairman DeFazio asked you this. I kind of had something else going on in my ear so I apologize for being redundant in my question, but can you just say again, what are the risks associated with not raising or suspending the debt ceiling on October 18th, assuming for the purposes of my question that October 18th is the date that the U.S. Treasury has exhausted its extraordinary measures to meet our obligation? What are the associated risks?

Mr. BOSKIN. Well, I think there would be—in the short term, there would a considerable disruption in the financial markets. And if it wasn't more or less instantly resolved, that could spread to the real economy and injure the economy.

Mr. BROWN OF MARYLAND. I know that you are a tax and budget and policy expert and that you dedicated a lot of time to reviewing the works of other economists. In your opinion, and also that of sort of the literature you review of economists, is a debt ceiling—and the United States is one of the few countries that actually have a debt ceiling. I think Denmark is another one, and it is in the stratosphere. Is a debt ceiling limit an effective way to manage debt?

Mr. BOSKIN. Well, I think the idea of having a debt ceiling was, obviously, to put some pressure to not raise it; but, obviously, in the end we wound up raising it anyway. So I think it is hard to say what the debt would be if we never had it.

I think more generally when Congress has tried to put various constraints on itself [inaudible].

Ms. WILLIAMS OF GEORGIA. The gentleman's time has expired.

Mr. BROWN OF MARYLAND. Thank you, Dr. Boskin.

Thank you, Madam Chair.

Ms. WILLIAMS OF GEORGIA. I now recognize myself for 5 minutes.

My district is home to the Nation's busiest airport and one of our Nation's busiest rapid transit systems. It goes without saying that I have a lot of constituents working in the transportation sector. The pandemic has hit all of these constituents really hard, but what has been particularly alarming is how much it has disparately impacted groups. In July 2020, unemployment among female transportation workers reached a record of 26.2 percent. This is over 10 percent higher than the overall industry unemployment rate at that time, which was still way too high.

Transportation employment is coming back, but it has not fully recovered yet. As recovery proceeds, we have to ensure that it is equitable.

Ms. Edelberg, how could factors, like increasing the accessibility of quality affordable childcare, help combat disparities in employing transportation workers?

Ms. EDELBERG. Oh, absolutely. And we have a great deal of evidence that increasing access to affordable and high-quality childcare, access to family and medical leave, stable housing, we have so much evidence that these policies make our economy more resilient, make our labor force more resilient.

I keep hearing over the course of this hearing about how we need to hear more evidence. We have the evidence that these programs work.

Ms. WILLIAMS OF GEORGIA. Thank you.

Last week in the Aviation Subcommittee, we also heard how air rage affects workers' safety, but this kind of rage could also affect the recovery of the transportation sector at large.

Mr. Regan, if we can stop rising incidents of rage and assaults across modes of transportation, what boost could that provide to the transportation sector's labor participation and passengers' willingness to travel?

Mr. REGAN. I think it would be a massive boost. Certainly, people hear all of these stories about busdrivers and flight attendants being assaulted. They see the images onboard trains of people acting out. That is going to suppress the demand to travel for a lot of people. And it is also, more importantly, going to suppress the demand for people to enter these professions and work in these jobs, despite the fact that they are, by and large, good union jobs with decent wages and good benefits.

So, I think it is a really serious issue we need to deal with, both from a labor perspective and from an economic demand perspective.

Ms. WILLIAMS OF GEORGIA. Also, Mr. Regan, in your testimony you mentioned that Federal assistance has been vital for the transportation sector. As Congress works to make transformational investments in our Nation's infrastructure and people, what specific investments are most important to ensure the transportation sector recovers, employs more individuals, and actually builds back better?

Mr. REGAN. Thank you.

The investments in transit, Amtrak, roads and bridges, those are all vital to make sure that we have a modern infrastructure system that will be competitive throughout the world. We need to make sure also that there are strong labor protections attached to those. So it will have the added economic benefit of making sure that people have more good jobs and are able to be more active participants in the economy. So things like the Bacon protections, Buy America, 13(c) of the Federal Transit Act, all of these, and, certainly, the protections that were in the COVID relief bills, extending those further, all of these will have the effect of making sure we have the greatest economic return for our investment when it comes to infrastructure.

Ms. WILLIAMS OF GEORGIA. Thank you.

And without objection, I would like to insert the definition of social justice into the record.

Without objection, so ordered.

[The information follows:]

Definition of Social Justice,
Submitted for the Record by Hon. Nikema Williams

OVERVIEW
social justice

QUICK REFERENCE
The objective of creating a fair and equal society in which each individual matters, their rights are recognized and protected, and decisions are made in ways that are fair and honest.

Printed from OXFORD REFERENCE, © Copyright Oxford University Press, 2021. All Rights Reserved.
https://www.oxfordreference.com/view/10.1093/oi/authority.20110803100515279?print

Ms. WILLIAMS OF GEORGIA. And I yield back the balance of my time.

Mr. Moulton is now recognized for 5 minutes.

Mr. MOULTON. First of all, I want to just thank all of the witnesses for sticking it out. I know this is a long time to be staring at a computer screen, and I really appreciate your willingness to be here and to help us out.

I will try to be quick. Dr. Boskin, I just wanted to go to you, because earlier you told my friend, Mr. Burchett, that high-speed rail funding and reconciliation would be Florida, Texas, and Georgia taxpayers paying for California high-speed rail. Now, in fact, you chose States that all stand to benefit from high-speed rail funding with projects in various stages of the pipeline, and you could add to that the Pacific Northwest, the Midwest, the Northeast, and the Southwest.

I am just curious, I mean, would you have told Congress in the 1950s not to put forth Federal funding for interstate highways when only a small handful of States actually had projects that were shovel-ready and ready to go, even though, obviously, they would eventually be part of a much broader interstate system?

Mr. BOSKIN. No. A viable interstate system was important. It was first laid out actually by President Hoover, and I think under President Eisenhower, the Congress supported it, and I think it has been on balance really important.

It is also important to know that we have probably reached diminishing returns in expanding it. It already exists. So, yes, if things are primarily localized, they shouldn't be funded by taxpayers generally around the country. They should be funded by people in the local community, either by user fees or congestion charges, which I should have emphasized more in my oral testimony—it is in my written testimony—to avoid the need for additional capital expenditures where possible.

But no, of course not. And if there is a viable interstate connection that really has broader benefits, then that is legitimately partially a Federal responsibility.

The estimates, I have not seen a more recent one; but the estimates that Ed Gramlich, as I mentioned earlier, a President Clinton appointee to the Federal Reserve, made of the local traffic on the Interstate Highway System was 70 percent. So if these systems are important to legitimate benefits accruing broadly to the country, if they decongest a port, if they really do connect many States and throughput, then that is a legitimate avenue for potential Federal funding, absolutely.

Mr. MOULTON. Well, because I think that is exactly what—if you look at a high-speed rail analysis across the country, you see that a lot of these projects are conceived within States like, for example, California high-speed rail between Los Angeles and San Francisco. If you look at the Vegas project between L.A. and Las Vegas, there is a whole southwest network coming out of Phoenix, and they are kind of conceived in these 500- to 1,000-mile corridors. But what is striking about it is the corridors are all contiguous. If you put them together on a map, it does, in fact, form a national system. And I think that that is something that hasn't been emphasized enough by people like myself, frankly, or part of the debate.

One of the benefits of that is that when you get to a point where you can take high-speed rail from Los Angeles to Chicago, for example, that is a distance that most people will still fly, but it is a great distance for high-speed freight. And as we know, there is a lot of business there, everyone ordering things on Amazon and all these days, and it would be far more efficient and also a tremendous revenue source for these systems once they are built.

We transferred $158 billion in general funds, not user fees, to the Highway Trust Fund since 2008. So, clearly, we have a user fee issue there, but I think we certainly want to get to a point where people see the benefits, both locally and nationally, with high-speed rail. And I think, if anything, I take away from your testimony that we need to make that case more convincingly.

One of the facts of the California system that I actually got into at Harvard Business School doing a financial analysis of the proposal is that even with the cost overruns, which there absolutely have been, no question, it is still less expensive than meeting 2050 transportation demand by expanding airports or expanding highways in the State. But then, you also get these accessory benefits where you have additional capacity at 2050 that wouldn't exist from the alternatives.

So at the end of the day, we should be taking an economic lens to these projects and looking at their full economic returns, but not just looking at them in a vacuum, recognizing they could be part of the Federal system, and also recognizing how they compare to alternative ways to meet transportation demands.

So appreciate that very much and thank you.

I yield back.

Ms. WILLIAMS OF GEORGIA. Mr. Auchincloss is now recognized for 5 minutes.

Mr. AUCHINCLOSS. Thank you, Madam Chair.

To the witnesses, I appreciate your patience and persistence over a long day.

Mr. Skoutelas, I wanted to ask you about the use of American Rescue Plan funds by State transit agencies. The American Rescue Plan wasn't just about getting shots into arms. It wasn't just about putting money directly into the pockets of people who were impacted by the recession. It was also, in some ways, an infrastructure bill. It provided significant sums to State and local agencies with the intention being they had relatively wide discretion to spend those moneys over the next 3 years on capital improvements.

One of the frustrations I have had over the last 6 months, though, is seeing that some of the State transit agencies are expressing doubts about how much latitude they actually have to spend ARPA funds on ADA improvements to our commuter rail stations, on improving service and reliability of light rail in Greater Boston.

Can you speak to what advice you are giving to your constituencies on that issue?

Mr. SKOUTELAS. Sure. Thank you for that question.

Well, first and foremost, the major thrust of dollars and resources from the American Rescue Plan was really to continue to provide operating dollars to the agencies to keep them operating through this pandemic. While the definition also provided that if they were—they had an adequate amount to continue with those operations and——

Mr. AUCHINCLOSS. Mr. Skoutelas, I apologize. Your volume is not coming in.

Mr. SKOUTELAS. OK. I am sorry.

The other aspect of the rescue plan funds was to provide the ability to be able to use those for some capital improvements provided that they first met the operating needs, meaning keeping their workforce intact, operating service levels that were necessary for their communities.

So what we are seeing is that the great majority of agencies are using those dollars and need those dollars for operating purposes to continue to operate, and that is the guidance that I think—and feedback that we get as we talk to the agencies. It doesn't preclude an individual capital improvement if they can do it, but it has to be within the context of continuing operations.

Mr. AUCHINCLOSS. Can we work with your office as we talk to State agencies on encouraging them to—as you say, as they account for operating expenses to also be looking at capital improvements?

Mr. SKOUTELAS. I certainly would be very happy to engage with you on this and any other related topics.

Mr. AUCHINCLOSS. I appreciate that. I know that many of my constituents have been looking for improvements to the commuter rail and to the Green Line that ARPA presents a once-in-a-generation opportunity to invest in, and I would like to do that.

Mr. SKOUTELAS. May I add one point to that?

Mr. AUCHINCLOSS. Yes.

Mr. SKOUTELAS. It really underscores the need to pass the Infrastructure Investment and Jobs Act that is before you, which really would provide additional investment for public transit, as well as the highway system. That is really where the capital dollars reside and would be very much needed to continue the modernization of our transit and commuter rail systems.

Mr. AUCHINCLOSS. You also mentioned operating expenses. And one of the ways operating expenses are paid for is through fares. These fares, though, when accounted for the costs of administering and enforcing them really are a marginal part of the operating revenues for the T and the commuter station in Massachusetts, and I have been a strong proponent of the Free the T movement, where we really zero out fares for MBTA and commuter rail service.

I want to open up this to the panel, but especially Dr. Edelberg and Dr. Boskin, if you have thoughts for how zeroing out fares might induce more ridership, and actually might, at a social level, save money by reducing congestion.

Mr. BOSKIN. Well, I would think if you are zeroing out fares in off-peak times, that would perhaps make sense. So it would shift people from congested times to less congested times. Generally lowering the cost to somebody increases their demand for the service, which, if it was done in peak times would increase congestion, so I think——

Mr. AUCHINCLOSS. Dr. Boskin, I will reclaim my time. I want to give Dr. Edelberg a chance to respond as well in 40 seconds.

Ms. EDELBERG. Yes, absolutely.

So we know that—I mean, I think what Dr. Boskin has in mind is that you want to charge people during congested times so that they absorb some of the cost, they factor in some of that cost when making that decision about when to ride. And that is where I think you are effective and efficient because they align all of the incentives correctly. However, first you have to make sure, you know, it creates all of these complications with how people are doing the comparison to other forms of transportation——

Mr. AUCHINCLOSS. Right.

Ms. EDELBERG [continuing]. Which I think is what you have in mind. They are also regressive, and that makes them complicated.

Mr. AUCHINCLOSS. And many people I would note, before I yield back my time, can't choose when they have to commute.

Ms. EDELBERG. Correct.

Mr. AUCHINCLOSS. I yield my time to the chairwoman.

Ms. WILLIAMS OF GEORGIA. That concludes our hearing. The gentleman's time has expired.

I would like to thank each of the witnesses for your testimony today. Your comments have been very informative and helpful to our work on this committee.

I ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing.

I also ask unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

Without objection, so ordered.

The committee stands adjourned.

[Whereupon, at 1:16 p.m., the committee was adjourned.]

Submissions for the Record

Prepared Statement of Hon. Eddie Bernice Johnson, a Representative in Congress from the State of Texas

Thank you, Chairman DeFazio, and Ranking Member Graves, for holding today's hearing on the ongoing COVID–19 pandemic, which continues to seriously affect all of us in direct and indirect ways. I would also like to thank our esteemed panelists who are testifying today, and welcome Mr. Juan Ortiz from the great state of Texas! Certainly, the COVID–19 pandemic has had devastating financial consequences for millions of Americans, particularly for those who work in the transportation and service sectors of the economy. Throughout the nation, local transportation entities, such as Dallas Area Rapid Transit in my congressional district, have faced serious financial strain due to lost sales tax revenue and plunges in ridership levels. In response, Congress has enacted legislation that provided funding to ensure the transportation industry and its workers remain financially secure.

Statement of John Samuelsen, International President, Transport Workers Union of America, AFL–CIO, Submitted for the Record by Hon. Peter A. DeFazio

I offer this statement on behalf of more than 150,000 members of the Transport Workers Union of America (TWU). We represent subway and bus operators, airline ramp workers, flight attendants, station agents, school bus drivers, bikeshare workers, mechanics of all kinds, and many other crafts in the public transit, airline, railroad, utility, university, and service sectors.

98% of our members are essential workers who carried us all through the darkest times of the pandemic. These workers showed up, day in and day out, at a time when our government instructed other Americans to stay home for the public good. Especially at the beginning of the pandemic, TWU members were often forced to do our jobs without adequate safety protections like face masks. As a result, more than 10% of our members have tested positive for or been quarantined after exposure to covid-19 and 189 of us have been killed by the virus.

Federal aid programs saved our transportation systems by protecting workers' jobs

The pandemic greatly tested our transportation systems and our country. Federal aid and intervention have been the saving grace for transit, airlines, Amtrak, and other modes of transportation over the past 19 months. In total, Congress provided \$168.1b [1] in aid to transportation workers at transit agencies, airlines, Amtrak, school bus operators, motorcoaches, and private transit providers. As a result, 95% of TWU members never lost a paycheck during the pandemic, despite these industries losing millions of riders and passengers. The vast majority of this aid was included in bipartisan packages that nearly every member of this committee supported. On behalf of every TWU family, I want to thank the members of this committee for all your work and support delivering federal aid to the transportation workforce in response to this crisis.

[1] \$69.4b for public transit, \$63b for airline and airline contractor workers through the payroll support program, \$29b in additional aid to airlines through loans and loan guarantees, \$4.7b for Amtrak, and \$2b through the Coronavirus Economic Relief for Transportation Services (CERTS) program directed to motorcoach, school bus, and other companies. This funding came through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (March 27, 2020), the Coronavirus Response and Relief Appropriations Act (December 21, 2020), and the American Rescue Plan Act (March 11, 2021).

I want to emphasize that the federal aid in this case was truly for the transportation *workforce*. 100% of the emergency federal investment into our transportation systems came with some of the strongest worker protections ever included in a response and relief bill. Airlines and airline contractors were not allowed to involuntarily furlough their workers or diminish wages under the payroll support program.[2] Transit agencies had to certify that they hadn't furloughed any workers.[3] And Amtrak was directed to return furloughed workers to the frontlines and to stop outsourcing jobs[4]. The benefits of this approach have been apparent from the beginning. More than 147,000 TWU members were supported by this aid. These workers and their families kept their health insurance—which is essential during a public health crisis—and were never forced onto unemployment insurance. And now, as we are climbing out of the pandemic, they are already on the job ready to grow our economy again.

NEW PROGRAMS AND REQUIREMENTS PROVED EFFECTIVE AT PREVENTING THE SPREAD OF DISEASES AND HAVE DEMONSTRATED OTHER BENEFITS

Across every mode of transportation, workers, managers, and communities came together to try new ways of operating. Many of these strategies proved effective not only at preventing the spread of the coronavirus, but at creating better, more efficient transportation services that benefit riders and workers. These measures will stay with us for years to come if given the opportunity to continue.

The CARES Act required public employers to provide their workers with paid sick leave, some of which could be used to care for children and other family members who would otherwise be unattended due to the pandemic. This requirement, while it was in effect, proved very effective at quickly identifying and quarantining workers who tested positive for covid-19. Unfortunately, this requirement did not apply to large private employers. Private transit providers and many others refused to implement paid sick leave policies while simultaneously telling workers to stay home if they had any covid-like symptoms.

Without paid medical leave, workers are forced to choose between their coworkers' health and a paycheck. Workers without paid leave are much more likely to show up to work sick, to try to ignore their symptoms, and to spread communicable diseases as a result. For transportation workers, who can expose not only other workers but hundreds of passengers each day to diseases like covid-19, the negative effects of not having access to paid medical leave are a major public health risk. The success of the CARES Act's mandatory paid leave program is more proof that all workers should have access to paid medical leave to help protect our public health.

Transit agencies took unprecedented steps to keep workers and riders safe during the pandemic. To maintain social distancing, agencies required rear-door boarding, where possible, and eliminated fare collection. Paratransit providers, who were left out of the original CARES Act support programs, conducted supplementary service in some localities; these drivers followed mainline buses on fixed-route service and served as the overflow option for riders once the primary bus reached capacity. To handle additional cleaning needs, mechanics and operators at some agencies were invited to aid the cleaning crews for additional hours at their regular pay. And agencies everywhere increased mechanical and track work as service levels went down—helping to address the large backlog in our state-of-good-repair programs.

Airlines also adapted their business model to allow workers to socially distance and to limit the number of potential vectors for the virus. The TWU signed several agreements with our carriers to allow workers to serve on reserve from home or scheduled workers into teams to work together on reduced schedules so that the number of workers on shift at an airport could be minimized. This also allowed, when necessary, for teams to be quickly quarantined to stop further spread of the virus.

Amtrak, faced with much less demand and a backlog of maintenance, directed their mechanics to accelerate fleet refurbishment. As trains came off the line serving passengers, they went directly to TWU mechanics in Wilmington, Indianapolis, and elsewhere to be upgraded and updated. Coming out the pandemic, Amtrak customers can expect newer-looking and newer-acting trains across the system thanks to TWU members work during the pandemic.

---

[2] P.L. 116–136 Section 4114; P.L. 116–260 Section 404; P.L. 117–2 Section 7301
[3] P.L. 116–260 Division M Title IV—Federal Transit Administration; P.L. 117–2 Section 3401
[4] P.L. 116–260 Division M Section 401

Bikeshare use has increased significantly and continues to grow

In addition to the benefits Congress created directly through the covid-response bills, previous federal investments in bikeshare and other micromobility options delivered tangible, sustainable benefits to road users. The TWU represents more than 70% of the bikeshare workers across the country. While these workers were generally excluded from the protections extended to other transportation workers, bikeshare systems continued to see demand that required some systems to increase the number of workers to serve riders.[5] These systems, made possible by federal investment under the Congestion Mitigation and Air Quality Improvement (CMAQ) and other programs, delivered an essential service to riders across the country. The TWU hopes to see these systems continue to grow and better integrate into our transit and rail infrastructure in the future.

GOVERNMENT INACTION CAUSED THE FAILURES AND DIFFICULTIES IN OUR PANDEMIC RESPONSE

In our experience, the failures and difficulties in our federal pandemic response have been caused by government inaction, rather than any overzealousness. The worst of these instances began in October 2020 when the programs and funding authorized in the CARES Act began to expire. From October to December, we suffered a glimpse of what the world may have looked like for transportation workers without a strong federal response to the public health crisis. Tens of thousands of airline, transit, and rail workers were either furloughed or threatened with layoffs. Nearly every large transit agency in the country was projecting doomsday service cuts and furloughs. When the second round of economic aid came at the end of December, more than 20,000 planned or enacted furloughs were reversed among our members.[6] Collectively, the airlines shed 6,493 jobs that have yet to return because of this gap in the PSP[7]—a major factor in the airlines ongoing understaffing problems.

Beyond the federal aid programs, the same pattern held true in health and safety. When the CDC and the DOT were slow to establish federal guidance, managers across all our modes forbid workers from wearing masks on the job. From January to April, workers who wanted to protect themselves on the job were told that their personal protective equipment (PPE) was not part of their uniform. While these agencies eventually offered good guidance encouraging airlines, transit agencies, and railroads to take steps to protect their workforce from the virus, we know of no entity that applied the DOT guidance in its entirety. There is no question that the DOT guidance would have saved lives if it had been made mandatory.

The lack of a national plan for manufacturing and delivering PPE forced essential workers to operate for months without the items or processes we now consider the minimum health and safety conditions during a pandemic. The TWU was forced to source, purchase, and distribute more than $600,000 worth of PPE, including more than 200,000 masks, to our members. Their employers could not—or would not—make these purchases themselves.

Long overdue aid to the school bus and motorcoach industries is only just now starting to reach workers in these industries, a year and a half after it was most needed. While Congress considered aid for these workers in earlier packages, the industry's refusal to consider labor protections similar to those on every other federal aid program needlessly delayed authorizing these funds until late December 2020.[8]

LINGERING, UNEXPECTED AND UNADDRESSED ISSUES HAVE UNDERMINED OUR RECOVERY

The effects of the pandemic will be with us for many years to come. The aid programs have blunted many of the worst possible outcomes, however, there are several areas that have been left unaddressed that are undermining our recovery.

---

[5] Ridership at the eight largest bikeshare systems in the U.S. fell 44% during the first months of the pandemic versus up to 96% on public transit systems according to the Bureau of Transportation Statistics.

[6] 9,400 at New York Metropolitan Transportation Authority (threatened), 4,000 at Southwest Airlines (WARN notices), 3,200 at American Airlines (furloughs), 1,000 at San Francisco Metropolitan Transit Authority (threatened), 800 airline dispatchers and ground contractors (furloughs and WARN notices), and several hundred at Amtrak (furloughs and threatened).

[7] Bureau of Transportation Statistics airline employment data

[8] P.L. 116–260 Division N Title IV Subtitle B

Assaults on the transportation workforce have risen over the past two years

First and foremost of these is the rise of assaults on the transportation workforce. Transit workers have faced the threat of assault on the job for years. Throughout 2020, as ridership fell to historic lows, the number of assaults in these systems remained at roughly the same level as 2019. Now that ridership is returning, assaults are on the rise.

We have also seen a significant increase in assaults in our airlines and on Amtrak. The FAA has received more than 4,385 reports of unruly passenger behavior and has launched formal investigations into 789 of these cases [9]—nearly quadruple the previous record number of such cases in a year and we are only in September. Amtrak onboard service workers are reporting threats and unsafe behavior on trains regularly.

Transportation workers all have safety sensitive jobs that they cannot perform while under the threat of physical violence. Furthermore, the looming threat of assaults discourages new workers from joining these professions as it simultaneously forces many workers out in pursuit of safer jobs. The increased threat of assault demands a federal response across all modes of transportation to protect the workforce, as well as passengers and other road, rail, and air users. This committee has considered and passed, as part of the INVEST in America Act, essential legislation to protect transit workers from assault. Similar language passed the Senate as part of the Infrastructure Investment and Jobs Act. I want to thank Representatives Grace Napolitano, Anthony Brown, John Katko, and Brian Fitzpatrick for their dedicated work on this issue. Congress must swiftly pass these provisions into law and take up other initiatives to similarly protect the airline and Amtrak workforces.

Inconsistent and bad faith interpretations of the PSP protections have contributed to understaffing problems at airlines

The TWU and others fought hard to ensure that the PSP protected the entire airline workforce. Congress ultimately agreed with that philosophy and forbade airlines who received funds through the program from involuntarily furloughing or reducing wage rates for workers. Unfortunately, many airlines sought to undermine these protections and bank federal aid rather than pass it on to the frontlines. As a direct result of these intentional misinterpretations of the PSP, the entire airline industry is now facing massive understaffing issues that have led to tens of thousands of cancelled flights and stranded travelers.

All of the major carriers aggressively pursued voluntary leave programs, including early retirements and other permanent separation agreements, that have reduced the airline workforce below levels envisioned at the start of the pandemic. During the period that the first round of PSP was active, the airline industry shed nearly 22,000 jobs through these agreements.[10]

Additionally, Delta, JetBlue, and United cut workers' hours from full to part time [11]. While technically allowed under the PSP's wording, this action clearly ran against Congress's intent to preserve the airline workforce. This action forced many of these workers to leave the industry entirely to make up these lost earnings. Republic Airlines created a similar effect when it was waiting to receive federal aid until it had furloughed a substantial number of workers and then refused to hire these workers back using that aid.

State and local disinvestment in transit has undermined federal aid programs

During the worst of the pandemic, states and municipalities across the country cut their budgets in preparation for a major fall in revenue similar to 2008–2010. Thanks to federal aid, we avoided the worst-case scenario, however some states did not change their austerity approach.

New York, for instance, cut their state transit contributions by $165m [12] and Ohio attempted to cut their state contribution to transit by 90% [13]. In both cases, while public transit will continue undiminished for the foreseeable future thanks to federal dollars, the new baseline levels of funding for transit are now significantly lower in these states than they were prior to the pandemic. These changes, perversely, could lead to disinvestment in our transit services over the long-term. Congress can correct this concern by adding maintenance of efforts provisions, which re-

[9] https://www.faa.gov/data__research/passengers__cargo/unruly__passengers/

[10] Bureau of Transportation Statistics airline employment data from April to September 2020.

[11] United later reversed this decision.

[12] https://reinventalbany.org/2021/02/gov-cuomos-budget-proposes-raiding-145m-in-mta-dedicated-funds-on-top-of-261m-funds-withheld-by-nys-in-2020/

[13] https://www.cleveland.com/open/2021/02/gov-mike-dewines-transportation-budget-includes-millions-in-cuts-for-public-transit.html

quire localities to continue their current funding for existing programs in order to access more federal money, to future aid packages.

Failure to include hazard pay for essential workers as part of the aid packages is incentivizing workers to leave these jobs

Essential workers sacrificed for our country throughout the pandemic. Our economy could not have operated without transportation systems, grocery stores, and other critical pieces of infrastructure—none of which were prepared for a highly-contagious infectious disease spread through the air. The unions who represent workers in these industries have all testified to the exposure their members have faced as a result. There is no question that these jobs became hazardous occupations during the pandemic.

While the danger of the work increased, cash strapped transit agencies, airlines, and railroads could not afford to raise wages or increase healthcare benefits to compensate for these newly hazardous conditions. This disconnect between the costs workers face on the job and their compensation is encouraging workers in these industries to look for other employment—professions that will adequately compensate them for the dangers they face at work. To honor these workers and combat worker flight, the House included funding for a hazard pay system for essential workers as part of the Heroes Act in mid-2020. This program would have given essential workers up to $10,000 in premium pay for time worked in public during the pandemic [14]. Unfortunately, the Senate never took up this vital provision and workers continue to wait for needed hazard pay for their work.

The TWU strongly encourages Congress to take up and pass a hazard pay bill that would demonstrate that our government understands the unique dangers essential workers faced during the pandemic.

Several transportation industries were left out of aid packages until the American Rescue Plan, leaving these workers on long term unemployment or out of the industry entirely

TWU members working for school bus operators, motorcoaches, and private transit providers were among the first workers in the country to lose their jobs at the start of the pandemic. Congress waited until December 2020 to finally authorize aid for these industries and the Treasury Department did not open applications for the program until June 2021. This delay, caused in part by industry representatives refusing to include labor protections in their request for aid, has caused significant harm to workers—many of whom may never return to their old jobs.

The chaos this has caused is especially concerning for the school bus industry. TWU locals worked closely with our employers to keep drivers, mechanics, and other school bus workers on the line as schools closed last spring. These workers delivered lunches to children learning from home and took care of other projects around their districts. However, innovative strategies like this were not available or could not be sustained everywhere. When schools re-opened en masse this fall, district across the country reported difficulties getting school bus drivers to come back. These workers, after a full year away from their former employers, had found other work. It will take our country years to develop a new generation of school bus workers to replace those who have left the industry [15].

THE PANDEMIC IS NOT OVER YET AND OUR RESPONSE CANNOT END YET

While our country is in recovery, the pandemic is not over yet. Transit agencies, airlines, Amtrak, and others will continue to use these necessary programs for months yet to come. As new variants of the virus create another surge of infections, strong and mandatory health and safety guidance will save workers' lives. Congress correctly intended for these programs to extend until the end of the pandemic. Workers are counting on that commitment for their safety and security.

Thank you again for the opportunity to testify today and I look forward to your questions.

[14] 116th Congress—H.R. 6800 Section 170102
[15] https://thehustle.co/why-america-has-a-school-bus-driver-shortage/

APPENDIX

QUESTION FROM HON. FREDERICA S. WILSON TO PAUL P. SKOUTELAS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

Question 1. Mr. Skoutelas, in your testimony, you state that the COVID–19 emergency support was designed to support the operating budgets of transit agencies, but that it is critical that Congress invest in transit capital programs, such as the investments included in the Infrastructure Investment and Jobs Act.

Please explain the difference between these two investments and why investment in transit capital programs is necessary.

ANSWER. We are deeply grateful that Congress recognized public transit's essential role by passing emergency legislation to provide significant support for transit operating costs. As states and cities implemented stay-at-home orders and encouraged social distancing, ridership for many agencies fell to as low as 20 percent of pre-pandemic ridership levels. The COVID–19 funding was essential to our transit systems' survival and their ability to continue serving our communities. According to a recent APTA survey, almost one-half of transit agencies stated that the COVID–19 emergency funding helped them avoid a complete shutdown of public transit service. In addition, more than 75 percent of agencies said that COVID–19 funding helped them avoid layoffs and furloughs.

Investment in long-term capital programs is necessary to address the $105 billion state-of-good-repair backlog, modernize our systems, and meet the mobility demands of growing communities. We need to invest in public transportation infrastructure that meets the needs of our residents and provides the necessary, dedicated funding to ensure safe, reliable, and efficient public transit and high-performance passenger rail systems.

QUESTION FROM HON. JENNIFFER GONZÁLEZ-COLÓN TO PAUL P. SKOUTELAS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

Question 1. Mr. Skoutelas, today the House will take up the Infrastructure Investment and Jobs Act, which will likely fail due to Progressives unrealistic demands to also get their $3.5 trillion wish list.

What does it mean to your members, and transit organizations that serve new transit routes created in response to COVID–19, that we are unable to provide long-term certainty and funding?

ANSWER. To carry out transit services as effectively and efficiently as possible, agencies must be able to rely on long-term certainty of federal transportation programs. APTA strongly supports the Infrastructure Investment and Jobs Act (IIJA), which makes critical investments to surface transportation infrastructure, including $107 billion for public transportation and $102 billion for commuter rail, Amtrak, and other high-performance rail. It is essential that Congress act as quickly as possible to enact this legislation and provide the increased investment and long-term certainty necessary to meet the growing and evolving demands of our communities in the 21st Century economy.

QUESTION FROM HON. FREDERICA S. WILSON TO JUAN MANUEL ORTIZ, DIRECTOR, OFFICE OF EMERGENCY MANAGEMENT AND HOMELAND SECURITY, CITY OF AUSTIN, TEXAS, ON BEHALF OF THE INTERNATIONAL ASSOCIATION OF EMERGENCY MANAGERS

Question 1. Mr. Ortiz, you highlighted in your testimony the difficulties associated with accessing and qualifying for federal programs that could help better prepare and protect communities from disaster.

How can Congress help improve federal-state-local emergency management partnerships to best support communities?

ANSWER. Thank you for the opportunity to provide more information on this important issue.

As I outlined in my testimony, Congress has laid a strong foundation for improving the federal-state-local emergency management partnerships with the recent enactment of the Federal Advance Contracts Enhancement Act (FACE Act/PL 116–272) and the Disaster Recovery Reform Act of 2018 (PL 115–254). These laws made important improvements to the federal-state-local emergency management partnership. The full Transportation & Infrastructure Committee worked hard on these laws, and we deeply appreciate those efforts.

Looking ahead, Congress can build on these efforts by:

- Providing consistent policy for reimbursement across all FEMA regions and from disaster to disaster,
- Addressing supply chain management issues to better prepare for and respond to disasters, and;
- Increasing funding for grant programs that bolster state and local capacity and for hazard mitigation programs such as Building Resilient Infrastructure and Communities (BRIC) funding, UASI and EMPG funding.

Consistency in Application

Encouraging FEMA to provide state and local governments with consistent criteria for approval of disaster assistance across the regions is of utmost importance. The COVID–19 pandemic represents the first time in U.S. history that every County, State and Territory is under identical and concurrent major disaster declarations. This unprecedented dynamic has FEMA regions making eligibility determination on similar issues, which has unfortunately resulted in inconsistent and non-uniform application of policy across the different regions.

During the pandemic, the lack of consistency was most apparent on reimbursement for non-congregate shelter of high-risk populations. In some regions, FEMA approved reimbursement while in others, including ours, they have not. A consistent policy for non-congregate shelter across all FEMA regions based on CDC guidance would have provided certainty for local governments seeking to protect high-risk populations, minimize infections, and preserve health care capacity.

Public Assistance (PA) funding requests funnel through a series of reviews at the regional, Consolidated Resource Center (CRC) and headquarter levels. Given the complexity in program and policy, each region is given the latitude to apply certain discretionary interpretations of eligibility. For COVID–19, this has resulted in certain FEMA Regions applying a more flexible eligibility interpretation than others. For the City of Austin within FEMA Region VI, this has resulted in an unfavorable situation where FEMA Region VI has indicated in writing that certain significant non-congregate sheltering costs are ineligible for PA. Within FEMA Region IV and Region III similar costs have been approved and obligated.

Providing temporary protective shelter for the most vulnerable and at-risk residents of Austin proved to be one of our most difficult and most expensive challenges. In the wake of an early COVID–19 outbreak at our congregate shelter facility, the City acted, fearing that future outbreaks among people experiencing homelessness would pose a risk to those people and to the larger community, especially in terms of hospital capacity. In response, the City leased six hotels to provide protective shelter and isolation facilities to provide non-congregate shelter for people at high-risk of contracting COVID–19, including people experiencing homelessness.

The Austin-Travis County Interim Health Authority established the non-congregate shelter program to provide quarantining and isolation to individuals exposed to, carrying, or at high-risk for severe illness from COVID–19. This action reduced the strain on the healthcare system as a high rate of COVID infection among homeless populations would have overwhelmed area hospitals. The City's actions were in accordance with FEMA policy allowing reimbursement for non-congregate shelter and support services on a case-by-case basis. In addition, the City closely consulted with FEMA Region VI and the State and hewed closely to CDC guidance. Yet, our reimbursement still remains unknown due to the inconsistency in application.

To expand, we greatly appreciated President Biden's January 21 and February 2 Presidential Memoranda instructing FEMA to provide 100 percent reimbursement for state and local government emergency protective measures taken for the safe opening and operation of schools, hospitals, shelters, and transit systems. We were especially pleased that the Memoranda included 100 percent reimbursement for provision of non-congregate shelter, which has been a critical component of local prevention and response efforts, helping to contain transmission of COVID–19 among the most vulnerable and at-risk residents of our communities, helping contain community spread and preserving critical health care capacity. There was considerable excitement amongst low-income and homeless advocates about the Administration's announcement that they would provide 100% reimbursement for pandemic-related costs, however, for those of facing denial of our request for reimbursement of non-congregate shelter of high-risk population, we are looking at 0% reimbursement, which is concerning given the Administration's clear guidance that these expenses should be eligible.

Austin remains deeply concerned that FEMA has not consistently approved requests for reimbursement for non-congregate shelter, putting many local governments at risk of having to absorb significant costs. It is therefore critical that FEMA flexibly approve pandemic-related non-congregate shelter reimbursement requests uniformly across all FEMA regions.

Supply Chain Management

Supply chain management is another subject that requires improvements to benefit the partnership between federal, state and local governments. As Austin sought out supplies, such as PPE, in response to COVID–19, it became clear that adequate levels of critical supplies would be a challenge, and the distribution of those supplies would be difficult as well.

The need for a national strategy for supply chain management during a pandemic quickly became apparent as we found ourselves competing with our state and other cities for the same limited supply of PPE. Further, these limited supplies lead to price increases and unequal distribution patterns that were harmful to our recovery efforts and ultimately negative for the taxpayer.

At the outset of the COVID–19 pandemic, Austin needed to gather PPE quickly to provide the necessary supplies for our frontline workers, workforce, and general residency. After Austin was told by multiple of the nation's largest suppliers that orders of PPE for the City of Austin were not large enough, we found it necessary to partner with the City of Houston and the Texas Medical Center in Houston to purchase a massive supply of masks in Florida that would help accommodate our needs. After confirmation of the PPE purchase and as we were about to begin obligation the funds for the purchase, we were told by the supplier that the Texas Department of Emergency Management took possession of the supplies, before we could close the deal. In this situation, we found ourselves competing not only against other cities attempting to mitigate a disaster, but even our own state.

This is the consequence of inequitable distribution of necessary supplies and a lack of a national strategy for supply chain management. Had there been a prioritization on the supply chain and we had been able to seek out one specific source for our necessary supplies, our efforts to provide PPE could have been much more effective and efficient.

With that said, the City of Austin appreciates that in the wake of Hurricane Katrina, Congress enacted legislation to address supply chain issues, however, the COVID–19 pandemic has illustrated that there is much room for improvement and that empowering local partners could be an important part of the solution.

Resources

As I testified, I recognize that I am addressing an authorizing committee and that annual funding decisions are the domain of the Appropriations Committee, but I'd be remiss to not end with a discussion of funding.

If Congress and FEMA address the concerns raised above, it would significantly improve the federal-state-local partnership and our ability to meet our joint emergency management mission and serve our community. However, sometimes the best answer is also the simplest one.

If Congress really wants to bolster local emergency management, I urge you to increase funding for core programs such as Emergency Management Performance Grants (EMPG), the Urban Area Security Initiative (UASI), and the State Homeland Security Grant Program (SHSGP).

Annual appropriations for the FEMA Disaster Assistance Account and emergency supplemental appropriations bills enacted in response to disaster garner the most attention (and money), but EMPG, UASI, and SHSGP are the foundation of local emergency management efforts. Unfortunately, the sequester and budget austerity that followed the 2011 Budget Agreement did not spare these core programs. Funding for these programs has not kept pace with population growth, inflation, and, most importantly, need.

- Congress provided $350 million for EMPG in FY 2021, barely above its FY 2010 level of $340 million.
- Congress appropriated $615 million for UASI in FY 2021, well below its FY 2010 level of $887 million.

- Congress appropriated for $610 million for SHSGP, well below its FY 2010 level of $950 million.

The EMPG program is the primary source of funding available to local communities to support preparedness, response, recovery, and mitigation. Local Emergency Management Programs are understaffed, most consisting of just one person and struggling to keep up with the new demand placed upon them with the pandemic and climate change. EMPG funding flows to local communities through the state as a sub award, however, there are no requirements for state to allocate funds to local communities and as a result, access to EMPG funding varies from state to state. In Texas, which is one of the only states to have a process to support local programs, we have seen consistent reductions from 30 to 60 %. Enhancement to EMPG should also include mandate on minimum pass through to local governments or a separate process.

On UASI, I know that committee members are fully aware of what it means to serve a community at the margin of participation in the program at the current, reduced funding levels. Austin falls on the wrong side of the participation margin each year. We have not participated in UASI since Congress reduced funding for the program in FY 2011. Even communities, such as Las Vegas and Orlando, that are fortunate to remain on the right side of that margin saw considerable drops in their allocations and face annual uncertainty about whether they will receive federal funds to sustain investments made with UASI funds.

I would be happy to outline the reasons why I think Austin should be a UASI participant. Indeed, my testimony in many ways makes that argument. At the end of the day, every community can do an excellent job of outlining the ways that they are vulnerable and how they would benefit from participation in UASI. For metropolitan areas such as ours, which face real threats and have real needs, the best answer lies not in tweaking the UASI threat risk assessment but in Congress increasing funding for the program to ensure that many more Americans benefit from UASI.

For Committee members who represent large metropolitan areas that face little to no threat to their participation in the UASI program, I discourage you from pursuing or supporting ill-advised attempts to limit participation in the UASI program to the largest metropolitan areas. Such a policy would leave tens of millions of Americans more vulnerable. In addition, I believe it would significantly reduce support for the program in Congress.

The benefits of UASI are considerable. Communities that are fortunate to participate in the program are better able to not only meet their equipment, training, and preparation needs, but they benefit from the regional collaboration and cooperation that the UASI program encourages. The UASI program benefits urban areas by assisting communities to develop regional solutions, creating mission ready capabilities which can make our communities more resilient. An Austin UASI award would allow our region to develop strategies to establish capabilities like alternate care sites, mass care and sheltering, develop evacuation plans and reception centers and regional resource staging strategies.

Additional Information

Building on my written and oral testimony, I would add that all disasters are local, and all too often local officials have to make split-second decisions in the absence of FEMA guidelines, but must do so fully aware that when FEMA eventually issues guidance they could be penalized.

With all due respect to my colleagues at FEMA, in many cases we have reached the point where local officials are afraid to act, fearful that FEMA will penalize them. Fear of penalization should not be the initial reaction when local officials confronting a disaster think about how they will be working with FEMA.

For example, on vaccinations, in order to get as many people as possible and encourage them to take both shots, we chose to provide COVID and flu shots at the same time, in alignment with the recommendations of local health officials and CDC guidance. However, FEMA is saying they will only reimburse COVID vaccine shots, not flu. I believe we acted correctly, and it will have important public health benefits, but I had concerns about reimbursement when we made that decision. I am glad that my concerns did not stop us from acting, but I would understand any hesitancy from other local officials to act.

QUESTIONS FROM HON. JENNIFFER GONZÁLEZ-COLÓN TO JUAN MANUEL ORTIZ, DIRECTOR, OFFICE OF EMERGENCY MANAGEMENT AND HOMELAND SECURITY, CITY OF AUSTIN, TEXAS, ON BEHALF OF THE INTERNATIONAL ASSOCIATION OF EMERGENCY MANAGERS

Question 1. In your testimony you describe the efforts by Austin to shelter high-risk individuals while FEMA contends that housing the homeless population does not qualify for public assistance.

a. Does the city of Austin have a budget surplus, or does it run at a deficit? Will this program, if paid for by the city of Austin leasing 6 hotels at $3 million per month, negatively impact other programs?

ANSWER. The City of Austin financial policies requires a structurally balanced budget with sufficient current revenue to support current expenditures. The City Council approved a balanced budget for FY 2021–22 on August 12, 2021. The City's average monthly expenses related to the Prolodge leases are $926,576 per month and is included in the $15.3 million average monthly expenditures directly related to COVID response. All COVID-related expenses have been above our annually budgeted expenses which has impacted the City's established reserves and may impact the City's budget in future fiscal years.

b. Now that vaccines are readily available, is this a requirement of Pro-Lodging as a way to ensure high-risk populations are getting vaccinated?

ANSWER. The ProLodges were a public health intervention intended to allow for safe social distancing among individuals experiencing homelessness with high-risk chronic health conditions. During their operation, vaccines were offered when available, but not required as a condition of receiving services. In fact, the City's hands were tied by Governor Abbott's executive orders that stated vaccine mandates were not allowed in under any circumstance in Texas.

Question 2. Was the city of Austin able to source PPE from companies in the United States or were supplied foreign-sourced? I ask because Puerto Rico, islandwide, was unable to procure PPE from foreign suppliers because of Stafford Act requirements that only apply to the territories and Washington, DC. I introduced H.R. 2018—which would waive specific provisions that limit where the territories and Washington, DC can source PPE in the event of a Presidentially declared emergency declaration.

ANSWER. The City of Austin was able to source PPE from the U.S. and foreign entities. Eventually, the City was forced to pay the market rate for PPE, which could have been much lower had there been a coordinated effort between the federal government, states, and localities. Ultimately, this is concerning due to the increased cost of purchasing supplies being passed along to the taxpayer.

QUESTIONS FROM HON. JENNIFFER GONZÁLEZ-COLÓN TO MICHAEL J. BOSKIN, PH.D., TULLY M. FRIEDMAN PROFESSOR OF ECONOMICS AND WOHLFORD FAMILY SENIOR FELLOW, HOOVER INSTITUTION, STANFORD UNIVERSITY, ON BEHALF OF HIMSELF

Question 1. Mr. Boskin, as the House prepares to vote on the Bipartisan Infrastructure deal struck to inject more than $550 billion in next infrastructure spending over the next 5 years:

a. Can you give us the immediate, and long-term macro-economic projection on how this might help or hurt the nation in terms of finance and debt?

b. What will the effects of added inflation be?

ANSWER to a. and b.: The $550 billion in additional infrastructure spending, above and beyond continuing preexisting levels, will likely have several important macroeconomic effects that would depend upon the state of the economy and any additional federal spending for other purposes. It would also depend on the ex ante quality of the projects and their ex post execution. As a general projection, the economy is now back above pre-pandemic levels and the labor market is nearing, but not yet back to, full employment. Unfortunately, we are witnessing substantial inflation that unless it soon subsides back to the 2% level will require the Federal Reserve to start raising its target interest rate. That would ripple through longer-term rates, and would both reduce private investment and raise the cost of servicing the National Debt.

The best ways to reduce these risks is to phase the spending in slowly, revisit the use of user fees, and implement reforms, such as more stringent national cost benefit analyses and raising state and local matching rates as appropriate to reflect local versus national benefits, which would improve the quality of the projects undertaken. That would increase the probability of favorable future productivity improvements from the projects.

Any added, or continuing inflation risks a future contraction if the Fed cannot precisely engineer a soft landing, which historically at times has proved difficult. Higher inflation would likely be most harmful for those lower on the income distribution.

QUESTION FROM HON. FREDERICA S. WILSON TO WENDY EDELBERG, PH.D., DIRECTOR, THE HAMILTON PROJECT, THE BROOKINGS INSTITUTION, ON BEHALF OF HERSELF

Question 1. Ms. Edelberg, your testimony highlights the impact the pandemic has had on the economy and labor workforce and its disproportionate impact on low-income workers and communities. I strongly agree that infrastructure is in much need of federal investment, especially in the Miami area.

You also mentioned a 2016 CBO summary that states that an increase in public investment can increase private-sector output. Please explain why it leads to an increase in private sector output and how the federal government can best support this outcome.

ANSWER. A 2016 study from the Congressional Budget Office, The Macroeconomic and Budgetary Effects of Federal Investment [https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51628-Federal__Investment.pdf], explains why federal investment in physical infrastructure, research and development, and education increases the level of economic output. CBO published a more recent analysis, Effects of Physical Infrastructure Spending on the Economy and the Budget Under Two Illustrative Scenarios [https://www.cbo.gov/system/files/2021-08/57327-Infrastructure.pdf], that specifically focused on investment in physical infrastructure. As that study states,

> Spending on physical capital facilitates commerce in different ways depending on the kind of infrastructure. Better transportation infrastructure reduces costs of distributing goods and services. More water and sewer systems reduce the cost of housing by making land able to support more concentrated development. More spending for the electric grid can reduce the price of electricity and increase its reliability.

That study also suggests approaches to improve the "rate of return" for such investments:

> Rates of return for individual infrastructure projects vary considerably, and policies that analyze the benefits and costs when allocating spending for infrastructure can make that spending more productive than programs that do not. For example, according to the Federal Highway Administration's analysis, capital spending would produce greater benefits relative to costs than it has recently if it was reoriented toward expanding urban interstates, making major repairs of urban highways, and repairing bridges.

QUESTION FROM HON. NIKEMA WILLIAMS TO WENDY EDELBERG, PH.D., DIRECTOR, THE HAMILTON PROJECT, THE BROOKINGS INSTITUTION, ON BEHALF OF HERSELF

Question 1. My district is home to our nation's busiest airport and one of our nation's busiest rapid transit systems. Y'all, it goes without saying I have a LOT of constituents working in the transportation sector. The pandemic has hit all these constituents really hard. But what's been particularly alarming is how much it has disparately impacted groups of them. In July 2020, unemployment among female transportation workers reached a record 26.2%. This is over 10% higher than the overall industry unemployment rate at the time—which was still alarmingly high. Transportation employment is coming back, but it has not fully recovered yet. As recovery proceeds, we have to ensure it is equitable. Ms. Edelberg, how could factors like increasing the accessibility of quality, affordable childcare help combat disparities in employing transportation workers?

ANSWER. The COVID–19 pandemic revealed clearly that childcare—including programs for the youngest children, those in pre-K, or in K–12 schools—constitutes a critical infrastructure that directly supports parents' ability to enter and fully participate in the labor market. Since the pandemic began, a lack of available childcare has been a primary reason [https://www.hamiltonproject.org/blog/mothers__are__being__left__behind__in__the__economic__recovery__from__covid__19] cited by workers for leaving jobs and for remaining out of the labor force entirely.

As families have adapted to disruptions in childcare programs and schools, the responsibility of care has fallen disproportionately on women. While at the same time, women and particularly women of color were more likely to be employed in industries most heavily affected by COVID–19—those requiring in-person work like retail stores, restaurants, and transportation. Mothers of elementary school age children experienced the largest employment declines [https://www.hamiltonproject.org/blog/examining__the__uneven__and__hard__to__predict__labor__market__recovery] of any group and their employment rates continue to lag behind the economy as a whole.

While the pandemic shed renewed light on deficiencies of the childcare system, inadequate public expenditures on childcare and early education long preceded this recent crisis. While federal, state and local governments spend [https://www.hamiltonproject.org/papers/increasing__federal__investment__in__childrens__early__care__and__education__to__raise__quality__access__and__affordability] roughly $12,800 on care and education per student from ages 5–18, the public spends only $1,500 annually on such investments for the youngest children. This disparity of public funding going towards the youngest children means that effectively all resources for kids aged 0–4 are paid for by families. A family's ability to pay contributes directly to differences in a child's preparation for kindergarten, which in turn leads to greater disparities in future outcomes.

While the impact of early-education resources on child development is well studied, the pandemic highlighted that inadequate access to high-quality childcare also constrains parents from fully participating in the labor force.

Expanding access to high-quality, affordable childcare would alleviate the pressures holding back parents from the workforce, support their ability to choose what's best for their children and careers, and ensure all American children are provided a foundation to thrive in their schooling and beyond.

QUESTIONS FROM HON. JENNIFFER GONZÁLEZ-COLÓN TO WENDY EDELBERG, PH.D., DIRECTOR, THE HAMILTON PROJECT, THE BROOKINGS INSTITUTION, ON BEHALF OF HERSELF

Question 1. Dr. Edelberg, is the economy on pace to grow at the CBO's projected 7.4%?

ANSWER. Consensus projections suggest that the economy will grow between 5 percent and 6 percent from the fourth quarter of 2020 to the fourth quarter of 2021. Since CBO made its projection of 7° percent, the Delta variant has clearly dampened economic activity and likely pushed some of the recovery from the second half of 2021 into the first half of 2022.

Question 2. Dr. Edelberg or Mr. Boskin, what are the impacts to the economy if the GDP slows to just 1% due to factors such as government COVID–19 supplementals ending?

ANSWER. The decline in economic activity in 2020 was incredibly sharp and the recovery has been swift compared to previous recessions. Most likely, GDP growth cannot maintain the rapid pace that began in the third quarter of 2020 and will likely continue to some degree through the middle of next year. A number of factors are leading to the temporary surge in economy activity including pent-up demand among consumers and the timing of fiscal support provided by the federal government. Although the slowdown in GDP growth brings risks with it, the level of GDP is expected to remain high—suggesting that it is appropriate for fiscal and monetary policy to provide less fiscal support going forward.

Question 3. Has the economy's recovery been equally dispersed across the country?

ANSWER. As highlighted in a recent piece [https://www.brookings.edu/research/11-facts-on-the-economic-recovery-from-the-covid-19-pandemic/] published by the Hamilton Project, neither the impacts of the pandemic nor the gains in the recovery have been equally dispersed. In large part this variation between states has been driven by differences in each state's industry makeup and pandemic response. While economic trends across states have broadly moved in similar directions throughout the pandemic, the magnitudes of initial employment loss and recent recovery have generally tracked COVID–19 containment, as measured by new cases, vaccination rates, and stay-at-home orders.

Real GDP for the U.S. returned to its pre-pandemic level in the second quarter of 2021. The same is true for all but five states—Alaska, Louisiana, Nevada, Oklahoma, and Wyoming—whose real output has yet to recover. Conversely, the sharp decline in employment in spring 2020, which was largely concentrated in the services sector, has only partially reversed [https://www.brookings.edu/research/11-facts-on-the-economic-recovery-from-the-covid-19-pandemic/] for the U.S. Through September only six states had returned to prepandemic levels of employment: Tennessee, Utah, Idaho, South Carolina, South Dakota, and Texas.

To the extent that states vary in their dependence on different industries, it can be expected that job openings, quit rates, and labor force participation will vary by state as well. In the U.S. overall [https://www.brookings.edu/research/11-facts-on-the-economic-recovery-from-the-covid-19-pandemic/], record job openings, the slowness of job matching, and the depressed level of labor force participation have created wage pressure, particularly for those in the service sector.

QUESTIONS FROM HON. FREDERICA S. WILSON TO GREGORY R. REGAN, PRESIDENT, TRANSPORTATION TRADES DEPARTMENT, AFL–CIO

Question 1. Mr. Regan, in your testimony, you highlighted the fact on-dock workers—like longshore workers—were not provided COVID–19 workers compensation. I enthusiastically supported this provision in both the HEROES Act and the American Rescue Plan, even though it was disallowed by the Senate parliamentarian. As a strong supporter of the Local 1416 chapter of the International Longshoremen's Association in Miami, the protection of port workers and essential employees is vitally important to me.

How has the longshore workforce fared during the pandemic and how has the lack of adequate protections impacted the industry? And, what should Congress do to resolve this glaring issue?

ANSWER. Like many essential workers, longshore employees have had to contend with coming to work every day during a global pandemic to keep the flow of goods and the American economy running. This included working in close quarters well before vaccines were made available. As the New York Times reported [https://www.nytimes.com/2020/12/12/us/politics/coronavirus-longshoremen-ports.html], in some cases employers initially refused to provide adequate PPE, resulting in the International Longshoremen's Association incurring significant costs to do so out of their pocket. We are aware of several terminals, including terminals that serve U.S. military cargoes, that suffered outbreaks and even considered temporary shutdowns, which would have been catastrophic. Tragically, numerous longshore workers passed away due to contracting COVID–19.

We thank you for your support of the previous support of the provision on longshore and harbor worker's compensation, as well as your co-sponsorship of H.R.3114—Longshore and Harbor Workers' COVID–19 Compensation Act of 2021. Passage of that legislation would be extraordinarily helpful for longshore workers who will become infected going forward, as well as workers who were unable to previously collect worker's compensation benefits due to the decision of the Senate parliamentarian. Ensuring that this program is able to provide benefits for employees who missed work due to COVID–19, like both many state-run and federal employee compensation programs, is both essential and common sense.

QUESTIONS FROM HON. NIKEMA WILLIAMS TO GREGORY R. REGAN, PRESIDENT, TRANSPORTATION TRADES DEPARTMENT, AFL–CIO

Question 1. Last week in the Aviation Subcommittee, we heard about how air rage affects worker safety, but this kind of rage could also affect the recovery of the transportation sector at large. Mr. Regan, if we can stop rising incidents of rage and assault across modes of transportation, what boost could that provide to the transportation sector's labor participation and passengers' willingness to travel?

ANSWER. As documented by TTD member unions, assault and unruly behavior by passengers has pushed transportation workers to the limit. In already challenging conditions, flight attendants, passenger service agents, conductors, Amtrak service workers, transit operators and others now face unprecedented violence in the workplace. These conditions are not sustainable, and frontline transportation workers are suffering. Assaults must be dealt with head on if we are to have a continued expectation that these employees will be able to continue to serve the travelling public.

Question 2. Mr. Regan, in your testimony, you mentioned that federal assistance has been vital for the transportation sector. As Congress works to make transformational investments in our nation's infrastructure and people, what specific investments are most important to ensure the transportation sector recovers, employs more individuals, and builds back better?

ANSWER. Since the time of this hearing, President Biden has signed the IIJA, which will provide many of the transformational investments mentioned here. While it is challenging to select the "most important" investment that Congress made through the bill, the strong reauthorizations of our nation's highway, bridge, public transit, and passenger rail programs alongside historic investments in large scale infrastructure projects will bring our transportation networks into the 21st century, improving service, increasing safety, and creating thousands of jobs across every cog of the transportation network.

QUESTIONS FROM HON. JENNIFFER GONZÁLEZ-COLÓN TO GREGORY R. REGAN, PRESIDENT, TRANSPORTATION TRADES DEPARTMENT, AFL–CIO

Question 1. Mr. Regan, in your testimony you detail the 31.9% drop in revenue and 97% drop in ridership on Amtrak due to COVID–19 which prompted the company to lay off 2,500 workers and adjust their service routes accordingly.

a. Is Amtrak a business: Yes or no?

ANSWER. This is not a yes or no question, as "business" has no meaningful statutory definition or function. Amtrak is a government-chartered corporation that shares similarities and legal status with both federal entities and private enterprise. The revision of Amtrak's mission statement and goals contained in the IIJA clarifies Amtrak's purpose, emphasizing its foremost role as a national rail network providing essential service to communities in 46 states, and we look forward to its continued function and growth as such.

b. Does it have the flexibilities to make business decisions to be good stewards of the taxpayers funding that has supported its service even though it has not since it was created, generated a revenue able to cover all of its expenses?

ANSWER. Yes.

○