DEPARTMENT OF TRANSPORTATION AND HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2008

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE.—The following testimonies were received by the Subcommittee on Transportation and Housing and Urban Development, and Related Agencies for inclusion in the record. The submitted materials relate to the fiscal year 2008 budget request.

The subcommittee requested that public witnesses provide written testimony because, given the Senate schedule and the number of subcommittee hearings with Department witnesses, there was not enough time to schedule hearings for nondepartmental witnesses.]

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF MORTGAGE BROKERS

Chairwoman Murray, Senator Bond and members of the subcommittee, thank you for permitting the National Association of Mortgage Brokers ("NAMB") to submit this written testimony on Solvency and Reform Proposals for the Federal Housing Administration ("FHA"). In particular, we appreciate the opportunity to address: (1) the need to reform the FHA program to eliminate arbitrary and unnecessary barriers that restrict mortgage broker participation; (2) the positive effects on FHA's market share and profitability that will result from increased mortgage broker participation; (3) the need to develop risk-based pricing for mortgage insurance on FHA loans; and (4) the importance of adjusting the current FHA loan amounts for high-cost areas.

NAMB is the only national trade association exclusively devoted to representing the mortgage brokerage industry, and as the voice of the mortgage brokers, NAMB speaks on behalf of more than 25,000 members in all 50 States and the District of Columbia.

FHA MARKET SHARE & MORTGAGE BROKER PARTICIPATION

NAMB supports many of the proposed reforms to the FHA program, but believes we should first make certain that the FHA program is a real choice for prospective borrowers. Regardless of how beneficial a loan product may be, it requires an effective distribution channel to deliver it to the marketplace. The need to make the FHA loan product a viable option is even more acute today given recent developments in the subprime market, which is likely to lead to less liquidity and increased costs. Unfortunately, today many prospective borrowers are being denied access to the benefits of the FHA program because mortgage brokers—the most widely used distribution channel in the mortgage industry—are limited in their ability to offer FHA loan products to their customers.

As a prerequisite to originating FHA loans, mortgage brokers currently are required to satisfy cost prohibitive and time consuming annual audit and net worth requirements. These requirements place serious impediments in the origination process, and functionally bar mortgage brokers from delivering FHA loans into the marketplace.

As small businesses men and women, most mortgage brokers find the costs involved with producing audited financial statements an unbearable burden. FHA audits must meet government accounting standards and only a small percentage of certified public accountants ("CPAs") are qualified to conduct these audits. Moreover, because many auditors do not find it feasible to audit such small entities to government standards, many qualified CPA firms are reluctant to audit mortgage brokers. Cost however, is not the only factor. A mortgage broker can also lose valuable time—up to several weeks—preparing for and assisting in the audit process.

The net worth requirement for mortgage brokers is also limited to liquid assets because equipment and fixtures depreciate rapidly and loans to corporate officers and goodwill are not permitted to be included as assets. To compound this, a broker who greatly exceeds the net worth requirement is forced to keep cash or equivalents of 20 percent of their net worth up to $100,000. Because the net worth for brokers usually needs to be in cash, it tends to destabilize a small business by robbing it of needed operating funds. This makes the net worth requirement of little value for indemnification because a company in trouble can easily dissipate its net worth. Additionally, there is no evidence to demonstrate that loans originated by high net worth originators perform better than those with a lower net worth.

Because of the burdens imposed by the current financial audit and net worth requirements, many mortgage brokers do not engage in the FHA program. In this regard, the impediments stated herein have actually served to limit the utility and effectiveness of the FHA program and seriously restrict the range of choice available for prospective borrowers who can afford only a small down payment. At a minimum, NAMB believes annual bonding requirements offer a better way to ensure the safety and soundness of the FHA program than requiring originators to submit audited financial statements.

Moreover, annual audit and net worth requirements are unnecessary. Today, mortgage brokers participate in the FHA program typically through a large lender. Replacing net worth and audit requirements with a surety bond will not change the framework set to ensure responsibility and accountability, it will simply encourage brokers to participate thereby increasing the amount of FHA loans offered. The larger FHA-approved lenders will continue to submit to the standards deemed necessary by FHA (i.e. audits, net worth etc.) before being approved to offer FHA loans through retail or wholesale channels. This affords the U.S. Department of Housing & Urban Development's ("HUD") adequate protection against loss to the FHA program. Brokers who choose to offer FHA loan products will also continue to be governed by contract agreements with these respective FHA-approved lenders. Additionally, brokers who participate in the FHA-program will remain state-licensed entities subject to any state bond requirements, criminal background checks and education requirements in addition to any FHA-required surety bond. This, in effect, creates a dual-layer of protection for both the FHA program and the consumer. Last, the process of obtaining a surety bond itself involves stringent standards and review. Surety companies pre-qualify their customers to determine whether they are financially sound and have the baseline to conduct their business, i.e. ability to pay out upon a loss, before issuing a surety bond.

A stated objective of the FHA is to increase origination of FHA loan products and expand homeownership opportunities for first-time, minority and low to moderate-income families. NAMB supports increased access to FHA loans so that prospective borrowers who have blemished credit histories, or who can afford only minimal down payments, have increased choice of affordable loan products. These prospective borrowers should not be forced by default into the subprime market. A recent Inside Mortgage Finance publication estimated the current FHA market share at 2.7 percent.[1] NAMB believes the solution to increasing FHA loan origination and market share is increasing the number of origination sources responsible for delivering FHA loan products directly to consumers. Today, the most effective and efficient origination source is through mortgage brokers.

Mortgage brokers originate over 50 percent of all home loans, yet brokers are responsible for just 10 percent of FHA's origination volume, or .27 percent of all home loans. This is due, in large part, to the fact that mortgage brokers are discouraged from participating in the FHA program by the unnecessarily burdensome financial audit and net worth requirements. These requirements erect a formidable barrier and prevent a significant majority of mortgage brokers from participating in the program.

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[1] See Inside Mortgage Finance, Mortgage Originations by Product, p.7 (March 2, 2007).

NAMB estimates that less than 18 percent of all mortgage brokers are approved to originate FHA loans under the current requirements; however, recent NAMB surveys indicate that roughly 80 percent of "non-participating" mortgage brokers would offer FHA loans to their customers if there were no financial audit or net worth requirement. NAMB predicts that such a change would increase mortgage broker participation in the FHA program from 18 percent to roughly 85 percent. This, in turn, would increase FHA's loan origination volume and market share by nearly 40 percent.

For example, in 2006, FHA's origination volume was roughly $80 billion.[1] All things being equal, the 67 percent increase in broker participation would increase FHA's origination volume to nearly $112 billion, and FHA's total market share from 2.7 percent to 3.78 percent. This increase of $32 billion and 1.08 percent total market share will be directly tied to an increase in mortgage broker participation in the FHA program.

FHA RISK-BASED PREMIUMS

The ability to match borrower characteristics with an appropriate mortgage insurance premium has been recognized as essential by every private mortgage insurer ("PMI"). PMI companies have established levels of credit quality, loan-to-value, and protection coverage to aid in this matching process. These companies also offer various programs that allow for upfront mortgage insurance premiums, monthly premiums, or combinations of both. This flexibility has enabled lenders to make conventional loans that are either not allowable under FHA or present a risk level that is currently unacceptable to FHA.

FHA is essentially a government mortgage insurance provider. Where FHA mortgage insurance is not available, PMI companies are free to increase premiums without fear of losing market share to a more competitively priced FHA loan product. FHA should be permitted to balance risk with premiums charged in order to increase competition and ultimately drive down costs for consumers. Since FHA is not required to make a suitable profit or demonstrate market growth to shareholders, it is likely that FHA can afford to assume greater risk levels than PMI companies can currently absorb. This increased capacity to assume and manage risk will allow FHA to not only serve borrowers who presently do not have PMI available as a choice, but also those borrowers whose premiums will be reduced because of the increased competition in the market.

FHA MORTGAGE AMOUNTS IN HIGH-COST AREAS

In an environment of rising interest rates, many first-time, minority, and low to moderate-income homebuyers need the safer and less-expensive financing options that the FHA program can provide. For this reason, NAMB uniformly and unequivocally supports increasing FHA loan limits in high-cost areas. The benefits of the FHA program should be available equally to all taxpayers; especially those residing in high-cost areas, where borrowers are most often in need of affordable mortgage financing options.

Congress must act to ensure that FHA loan programs continue to serve as a permanent backstop for all first-time homebuyer programs. We believe that Congress should allow for FHA loan limits to be adjusted up to 100 percent of the median home price, thereby establishing a logical loan limit that will benefit both the housing industry and consumers. Tying the FHA loan limit to the median home price for an individual county, and letting it float with the housing market, allows the FHA loan limits to respond to changes in home prices instead of an esoteric number derived from a complicated formula. In this fashion, the FHA loan limit will reflect a true home market economy.

FUTURE OF FHA

Changes must be made to the FHA program to sustain its viability and to fulfill its stated objective of increasing origination of FHA loan products and expanding homeownership opportunities for first-time, minority, and low and moderate-income families. Without substantial reform of the FHA program, PMI will continue to dominate the low down payment market with little competition, while the sub-prime mortgage market will meet the needs of those who are unable to obtain PMI insurance. Minority families and first-time homebuyers will find themselves underserved or even shut out of the housing market entirely. For this reason, NAMB also supports the ability of the FHA to control minimum borrower contribution to correspond to the levels deemed acceptable by the government-sponsored enterprises. Furthermore, it is possible that FHA's pool of loans will grow too small to effectively manage risk, and FHA could ultimately be unable to fulfill its function of being a helping hand for those who need it the most. The ripple effects could easily extend to the homebuilding industry and even to the economy at large.

Congress has the opportunity to revitalize the FHA program by increasing its profitability and ensuring that borrowers across the country have an equal opportunity to obtain a better loan at a lower interest rate.

NAMB appreciates this opportunity to offer our perspective on "Solvency and Reform Proposals for the Federal Housing Administration."

PREPARED STATEMENT OF THE AMERICAN ASSOCIATION OF SERVICE COORDINATORS (AASC)

The American Association of Service Coordinators (AASC) urges the subcommittee to support the staffing of service coordinators in federally assisted and public housing, as part of the Transportation, HUD, and Related Agencies fiscal year 2008 Appropriations bill. AASC, a national nonprofit organization based in Columbus, Ohio, represents over 1,900 service coordinators and other housing professionals who serve low-income frail elderly, persons with disabilities, and families seeking self-sufficiency residing in public and federally assisted housing.

We understand that the committee and Congress face difficult choices with tight funding constraints. We are grateful for the leadership of this committee in the establishment and funding of service coordinators; and would urge your support for the full funding of service coordinators as a cost-effective investment. Service Coordinators not only give consumer choices, but also saves public funds by promoting economic self-sufficiency for low-income families and options for the delay or avoidance of elderly individuals moving into more costly settings, such as nursing homes.

Service coordinators have helped thousands of low-income elderly and persons with disabilities with their health and supportive service needs, allowing them to remain in their home while avoiding premature institutionalization. The concern for many persons is that the fragmentation, lack of awareness, and complexities of essential services available in the community, have hindered timely access. Without the benefit of well-trained service coordinators, many vulnerable persons have been forced to move to more costly settings. Service coordinators are increasingly recognized as a vital lynchpin in linking older persons with essential community services. They provide assistance allowing many families in public housing or using Housing Choice Vouchers to become more economically independent through employment and homeownership.

Service coordinators in federally assisted housing are funded primarily through national competitive grants through the section 202 program; through use of residual receipts; or incorporated into the project's operating budget. For public housing, service coordinators have been funded through competitive grants of the Resident Opportunities and Self-Sufficiency program (ROSS), the Housing Choice Vouchers Family Self-Sufficiency (HCV–FSS) program; or through PHA Operating Funds.

Yet, despite the critical need and cost-effectiveness of service coordinators in assisting frail elderly and others who seek to remain in their home or low-income families seeking to become more self-sufficient, funding for service coordinators remains very limited. While the administration's fiscal year 2008 budget provides a slight increase for service coordinators in section 202 and other federally assisted senior housing, but it significantly cuts funds for service coordinators assisting elderly and families residing in public housing. AASC would urge the committee's support for the following:

- —$100 million in fiscal year 2008 for service coordinators in federally assisted housing, particularly to ensure adequate funds for expiring contracts of existing service coordinators;
- —Full funding for Section 8, Project Rental Assistance Contracts (PRAC), other rent subsidies and project operating funds to permit the staffing of a service coordinator as a routine part of the project's operating budget;
- —A separate add-on of $75 million in Public Housing Operating Funds for service coordinators; and
- —$55 million for the Resident Opportunities for Self-Sufficiency (ROSS) program; and $85 million for the Housing Choice Voucher Family Self-Sufficiency program.

FEDERALLY ASSISTED HOUSING—$100 MILLION

The administration's fiscal year 2008 budget requests $71 million for service coordinators, a moderate increase over the $59.4 million requested in fiscal year 2007 and the $51.6 million provided in the fiscal year 2007 Continuing Resolution (H.J. Res. 20). Of this amount, only $10 million was provided in the HUD fiscal year 2007

SuperNOFA to expand the number of service coordinators to projects that currently do not have them. Most of the funds are necessary to extend the expiring contracts of existing service coordinators. While the initial competitive grants for service coordinators is for 3 years, extensions cover only 1 year. There is a potential of losing existing service coordinator positions if the administration's proposed budget is not increased. For the first time since Congress established the service coordinator program in 1990, there would be no additional funds available to hire new service coordinators. Currently, many federally assisted and public housing facilities do not have sufficient resources in their operating budgets to hire service coordinators; or due to limited funding, need to share service coordinators between several facilities, thus stretching their effectiveness. Additionally, some projects that need service coordinators, such as section 515 rural housing or Low-Income Housing Tax Credits, are currently ineligible to compete for service coordinator funds.

AASC would recommend funding the service coordinator program for federally assisted housing at $100 million in order to ensure renewal of existing contracts, as well as to fund service coordinators in federally assisted housing for elderly or persons with disabilities that currently do not have them. There is a need for a dual strategy for funding service coordinators that includes maintaining the service coordinator grant program, as well as routinely staffing service coordinators within the facility's operating budget. While statutory authority exists to allow HUD to fund coordinators, many senior housing facilities have not been able to secure the necessary rent adjustments to accommodate them. AASC would recommend that sufficient Section 8, PRAC, or other operating funds be increased to allow routine staffing of service coordinators, as well as to direct HUD and their field offices to provide necessary budget adjustments and regulatory relief to remove any barriers restricting the staffing of service coordinators though the project's operating budget.

PUBLIC HOUSING: OPERATING FUNDS, ROSS AND HCV/FSS

Residents of public housing and those using Housing Choice Vouchers have been denied full access to the valuable assistance that service coordinators can provide. Over one-third of residents in public housing are elderly residing in various settings such as senior housing, family housing, mixed-population housing with younger persons with physical and mental disabilities. Funding for service coordinators in public housing is very limited, complex, and has experienced a steady reduction in funds over the past few years.

A number of local housing authorities have funded service coordinators though competitive short-term grant programs, such as those under the Resident Opportunities and Self-Sufficiency (ROSS) program. Unfortunately, over the past few years, there have been funding cuts and a lack of program consistency. For example, the Elderly and Persons with Disabilities Service Coordinator program (EDSC) funded at over $15 million, was initially a part of the ROSS program. In fiscal year 2004, it was shifted to the Public Housing Operating Fund with no additional funding provided. HUD specified that only those public housing authorities that had received EDSC funds in 1995 were eligible for extension and that no new service coordinators would be funded. The existing EDSC coordinators need to compete with other critical operating budget priorities; and are subjected to the same proportional cuts with Public Housing Operating Funds. Because of funding cuts in their operating budgets and other competing needs, a number of public housing authorities have been forced to lay off or reduce their service coordinator program. This action, while necessary by local housing authorities given their funding limitations, is counterproductive for broader Federal long-term care policies that seek to allow frail elderly and persons with disabilities more independence while avoiding premature admission to more costly care.

AASC commends this committee for acknowledging in the fiscal year 2007 appropriations for public housing that operating funds covered only 76 percent of operating budget needs; and with the committee's action this year to provide additional funds in the final fiscal year 2007 Continuing Resolution for Public Housing Operating Funds. However, the projected shortfall for public housing operating funds this year is $1 billion. For fiscal year 2008, public housing service coordinators must be included in the PHA plan. Therefore, it is necessary to ensure that there are adequate funds available in the fiscal year 2008 Public Housing Operating funds to accommodate service coordinators. AASC would urge that $85 million be provided as a separate add-on to Public Housing Operating Funds to ensure they can include service coordinators within their operating budget as part of routine staffing.

RESIDENT OPPORTUNITIES AND SELF SUFFICIENCY (ROSS)—$55 MILLION

The Resident Opportunities and Self Sufficiency (ROSS) program provides grants to public housing agencies, tribal housing entities, resident associations, and non-profit organizations for the delivery and coordination of supportive services and other activities designed to help public and Indian housing residents attain economic and housing self-sufficiency. There are several separate programs within the ROSS program that were appropriated at $38 million in fiscal year 2007, assuming some fiscal year 2006 carry-over funds. These include: (1) Family and Homeownership ($30 million in fiscal year 2007 NOFA) that links residents with services such as job training, and educational opportunities to facilitate economic and housing self-sufficiency; (2) Elderly and Persons with Disabilities ($20 million in fiscal year 2007 NOFA) that funds service coordinators and supportive services to assist elderly and persons with disabilities residing in public housing; and (3) Public Housing Family Self-Sufficiency ($12 million in fiscal year 2007 NOFA) promotes participating public housing families to increase their earned income, reduce or eliminate the need for welfare assistance, and to make progress toward achieving economic independence and housing self-sufficiency.

Prior to fiscal year 2004, PH/FSS was funded out of the public housing operating fund. However, with the switch to ROSS and technical problems encountered by a number of housing authorities with the NOFA, a number of service coordinators and PH/FSS programs were cut. Despite the demonstrated need and effective results, the administration's fiscal year 2008 budget seeks no funding for these three ROSS programs, and no additional funds for Neighborhood Networks (listed within ROSS that had received approximately $15 million over the past few years). AASC would urge that ROSS be funded at $55 million, as it had been prior to fiscal year 2005.

HOUSING CHOICE VOUCHER/FAMILY SELF-SUFFICIENCY (HCV/FSS)—$85 MILLION

The HCV/FSS program enables participants in the Section 8 Housing Choice Voucher program to increase their earned income, reduce or eliminate their need for welfare assistance, and promote their economic independence. Funds are used to provide for FSS program coordinators to link participants with supportive services they need to achieve self-sufficiency; and to develop 5-year self-sufficiency plans. In fiscal year 2004, HUD made major changes in the procedure to distribute HCV/FSS funds that led to a reduction of nearly one-third (256 of the 771 HAs) and shifted funds to HAs that had not previously been funded in the HCV/FSS program. The fiscal year 2007 appropriation for HVC/FSS was for $47 million compared to $72 million in the administration's fiscal year 2004 budget request. AASC urges for fiscal year 2008 an increase in HCV/FSS funding to $85 million in order to restore those HAs cut in fiscal year 2004 and to expand the number of FSS participants. In addition, we support administrative changes for up-front funding of escrow accounts, and to streamline the staffing of service coordinators to enable 1 coordinator per 25 FSS participants.

COLLABORATION BETWEEN HUD, HHS AND OTHER AGENCIES

Given the strong relationship between suitable and affordable housing with timely access to supportive services and health care needed by older residents, low income families and others, it is vital that there be effective collaboration between HUD, HHS, and other Federal agencies serving these populations. Policies, programs and funding requirements in one agency can contribute (or be counter productive) to consumer preferences and public savings in another Federal agency, including linking services with housing and mixed-financing developments (tax credits administered by IRS and States with various HUD programs). Last year, the Senate passed S. 705 to establish an Interagency Council on Housing and Service for the Elderly that was modified by the House and enacted (Public Law 109–365, section 203 of the Older Americans Act) as an Interagency Coordinating Committee on Aging within HHS. AASC would urge that the committee give directives to HHS for the prompt establishment of this interagency committee; and direct HUD, HHS and other Federal agencies to develop means to promote collaboration with their respective programs and policies involving affordable housing and services to assist the elderly, low income families and persons with disabilities residing in public and federally assisted housing. Thank you for your consideration.

FEDERALLY ASSISTED AND PUBLIC HOUSING

	Fiscal Year 2004		Fiscal Year 2005			Fiscal Year 2006				Fiscal Year 2007 Cont			Fiscal Year 2008 Budget
	Budget	Appro	Budget	Appro	Awards	Budget	Appro [10]	NOFA	Awards	Budget	Res [11]	NOFA [13]	
Federally Assisted SC/CHSP ..	$40 mil	$30 mil	$53 mil	$50 mil	$15.5 mil	$53 mil	$51.6 mil	$51.6 mil	[1] $12.1 mil	$59.4 mil	$51.6 mil	$51.6 mil	$71 mil
PHA CAPITAL FUND	2.6 bil	2.7 bil	2.76 bil	2.6 bil	n/a	2.3 bil	2.43 bil	n/a	n/a	2.17 bil	2.43 bil	....	$2.024 bil
ROSS total [2]	40 mil	55 mil	55 mil	53 mil	[3] 49.5 mil	24 mil	38 mil	38 mil (+$34 mil)	....	23.8 mil	38 mil	....	....
Family and Homeownership	....	....	....	....	27.8 mil	....	....	18 mil (+$25 mil)	29.46 mil	....	....	30 mil	....
Homeownership Sup. Services	....	....	....	....	3.1 mil	....	....	....	(4)	....	....	....	....
Elderly/Persons with Disabilities	....	....	....	....	9.5 mil	....	....	10 mil (+$6 mil)	[5] 8.79 mil	....	....	20 mil	....
PH/FSS Coordinators	....	....	....	....	9.1 mil	....	....	10 mil (+$3 mil)	[6] 9.67 mil	....	....	12 mil	....
PH Neighborhood Networks ...	15 mil	15 mil	....	15 mil	13.8 mil	....	7.5 mil	7.5 mil (+$9.5 mil)	[7] $13.73 mil	....	....	....	....
PHA OPERATING FUND: Elderly/Disabled SC [8]	3.6 bil	3.59 bil	3.6 bil	2.4 bil	n/a	3.4 bil	3.56 bil	n/a	n/a	3.56 bil	[12] 3.86 bil	....	4.0 bil
HCV/FSS Coordinators	72 mil	48 mil	48 mil	46 mil	45.5 mil	55 mil	48 mil	47 mil	[9] 47.49 mil	48 mil	47.5 mil	47 mil	48 mil

[1] Funded through the section 202 program; most fiscal year 2006 NOFA funds used to extend existing contracts.
[2] ROSS (Resident Opportunity and Self Sufficiency) moved from CDBG to PHA Capital fund in 2004, includes 4–5 separate programs.
[3] Additional funds awarded in fiscal year 2005 based on appeals.
[4] Fiscal year 2006 ROSS NOFA merges Family and Homeownership Support Services programs and $25 mil carryover funds; HUD awards announced Feb. 23,2007.
[5] Formerly Resident Services Delivery Model changed in fiscal year 2006 NOFA to Elderly/Persons with Disabilities and includes $6 mil carryover funds; HUD awards announced Jan. 18, 2007 to 32 PHAs.
[6] 1A Public Housing Family Self Sufficiency (PH/FSS) moved from PH Operating Fund to ROSS in fiscal year 2004; fiscal year 2006 NOFA includes $3 mil carryover funds; HUD announced Dec. 20, 2006 to 173 PHAs.
[7] 1AFunded as separate line item fiscal year 2004–fiscal year 2006 in PHA Capital Fund; moved to ROSS as a separate program not included in total funding; fiscal year 2006 NOFA includes $9.5 mil carryover funds; HUD announced 12/22/06 to 53 PHAs.
[8] Elderly/Disabled SC shifted in fiscal year 2004 from ROSS to PH Operating Fund; previously funded level $15.6 mil.
[9] Housing Certificate Voucher FSS Coordinators (self-sufficiency/homeownership); HUD announced Oct. 2006 to 623 public housing authorities.
[10] Defense fiscal year 2006 Appropriations bill cut most domestic programs 1 percent across the board, Dec 21, 2005.
[11] 3rd Continuing Resolution to Feb 15, 2007; H.J. Res 20 passed House Jan. 31, 2007.
[12] H.J. Res 20 increases fiscal year 2007 funding to $3.86 billion from House passed $3.56 billion; House Appropriations Committee acknowledges that fiscal year 2007 funding is $672 million short of the need and that HUD is funding PHAs at 76 percent of their operating level.
[13] HUD published in March 13, 2007 Federal Register the fiscal year 2007 SuperNOFA.

PREPARED STATEMENT OF THE NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION (NAHMA)

Thank you, Chairman Murray and Ranking Member Bond for providing me this opportunity to share NAHMA's perspectives on the fiscal year 2008 budget request for the U.S. Department of Housing and Urban Development.

NAHMA represents individuals involved with the management of privately-owned affordable multifamily housing regulated by the U.S. Department of Housing and Urban Development (HUD), the U.S. Rural Housing Service (RHS), the U.S. Internal Revenue Service (IRS), and State housing finance agencies. Our members provide quality affordable housing to more than 2 million Americans with very low and moderate incomes. Executives of property management companies, owners of affordable rental housing, public agencies and vendors that serve the affordable housing industry constitute NAHMA's membership.

Key HUD multifamily programs of interest to our members include: Project-based section 8; section 8 Housing Choice Vouchers; section 202 housing for the elderly; section 811 housing for the disabled; the Community Development Block Grant (CDBG) and the HOME program. The majority of my statement will focus on funding and administration of the project-based section 8 program.

It is imperative to fully fund all rental subsidy contract renewals in the project-based section 8 program. NAHMA is extremely concerned that the fiscal year 2008 budget request for project-based section 8 is seriously under-funded. The administration requested only $5.5 billion for project-based section 8 contract renewals in fiscal year 2008—a figure well below the $5.8 billion Congress appropriated for this purpose in fiscal year 2007. Such a serious shortfall in this account would further exacerbate the well-documented problem of late Housing Assistance Payments (HAPs) to owners of these properties.

As the subcommittee is well aware, the Government Accountability Office (GAO) released a report in November 2005, entitled "Project-Based Rental Assistance: HUD Should Streamline Its Processes to Ensure Timely Housing Assistance Payments." GAO recommended three key actions HUD should take to improve the timeliness of HAP payments to owners:

—Streamline and automate the contract renewal process to prevent errors and delays;

—Improve HUD's monitoring of contract funding levels; and

—Notify owners about late payments.

Although HUD agreed with GAO's recommendations, the Department pinned much of its plans for implementation on its planned Business Process Reengineering—which has since been cancelled due to its costs.

Much of this report confirmed what we believed about the problem of late HAP payments, including the close association between late HAPs and contract renewals. In the experience of our members, HUD will not execute a renewed contract until the funding is in place. Nevertheless, there are some aspects of the report which we hope the subcommittee will explore further. Near the end of the Federal fiscal years, and in periods funded by continuing resolutions, NAHMA receives many pleas for assistance from members who have not received their HAP payments, or were told by the HUD field office or PBCA that there was no funding available for their contract. Often, when a member does not receive their HAP payment on time, they will notice the code given in HUD's TRACS system for the contract is "R–26" (i.e. insufficient funding). While these requests for help are not limited to the end of the fiscal year or periods of continuing resolutions, they are generally expected around these times. Based on interviews with HUD budget officials, GAO dismissed continuing resolutions as a cause of late HAP payments. HUD told GAO a process was in place to deal with such situations. NAHMA strongly believes this claim requires further examination. When GAO released this report in late 2005, HUD would execute short-term, partial-year contracts in such situations. Recently, NAHMA was informed that HUD now frowns on partial-year contracts. The effect of HUD's policy reversal is that owners will remain unpaid for indefinite periods of time rather than receive a partial payment. Although GAO did not address whether lag-time between HUD's request for its funding allotment and release of funds from the Office of Management and Budget (OMB) caused late HAPs, we believe this matter should be explored.

Last year, in H. Rept. 109–495 to accompany the fiscal year 2007 Transportation, Treasury, HUD bill (H.R. 5576) the House Appropriations Committee directed HUD to report on its progress in implementing GAO's recommendations for improving timeliness of HAP rental subsidy payments to affordable housing owners. Language found under the Project-Based section 8 section noted the Committee's concern ". . . that the Department take adequate measures to avoid late or delayed payments to providers of Project Based section 8 rental housing." The committee repeated GAO's three specific recommendations and directed the Department, ". . . to provide the committee with a report on progress achieved in reducing the incidence of late payments to project-based providers and other measures to implement GAO's recommendations to accompany the Department's fiscal year 2007 Operating Plan submission. The report is to include a preliminary allocation plan for fiscal year 2007 funding requirements for both project-based contract renewal and amendment funding needs in fiscal year 2007. In addition, the report accompanying the Operating Plan is to address how the proposed fiscal year 2007 program for project based-based renewals and amendments, as reflected in the preliminary allocation plan, is to be funded using a combination of new budget authority and recaptures in fiscal year 2007."

Nearly 18 months after GAO released its report in 2005, late HAP payments to owners remain a serious problem. The House Financial Services Committee included the late HAP issue on its Oversight Plan for the 110th Congress. NAHMA believes continued oversight by the authorizers and appropriators will be necessary to resolve this problem.

In a new report released by GAO in April, 2007, "Project-Based Rental Assistance: HUD Should Update Its Policies and Procedures to Keep Pace with the Changing Housing Market," (GAO–07–290), GAO documented serious consequences of late HAP payments:

"Owners told us that when they did not receive payments on time, they often had to use reserve funds to cover critical operating expenses, leading to cash flow problems. During these periods, some owners delayed needed maintenance to make up for the budget shortfall. For example, we found in our work for this current report that in Baltimore, a nonprofit owner of a project-based section 8 property for elderly residents delayed critical repairs to the boiler system when the payments were delayed. The owner used reserve funds that should have been used for repairs to cover operating costs. This situation contributed to a lower physical REAC score for the owner because the boiler was in need of repair."

NAHMA has also come to the unfortunate conclusion that legislation will probably be necessary to solve the problem once and for all. Not surprisingly, we are unequivocal in our position that HAPs must be paid to owners on time and in full. Ideally, we believe HUD should pay a penalty to owners when HAPs are late, just as owners must pay late fees on missed mortgage and /or utility payments which result from the late HAP. We will seek legislation which requires HUD to implement GAO's late HAP recommendation to notify owners when payments will be late, requires HUD to automatically approve releases from reserves when the HAP is 10 days late, and penalizes HUD for late HAP payments to owners. Where HAP payments are not made in a timely manner, our members feel strongly that HUD should pay interest on the late HAP payments—just as the owners must pay a penalty for late mortgage payments. Moreover, when owners must use reserve for replacement funds to sustain the property until the HAP payment is received, interest earned on the reserves is lost.

We believe a precedent for penalizing late HAP payments exists in Treasury's Prompt Payment Rule, which ensures that Federal agencies pay vendors in a timely manner. Prompt Payment assesses late interest penalties against agencies that pay vendors after a payment due date. This rate was established under the Contract Disputes Act and is referred to as the "Renegotiation Board Interest Rate," the "Contract Disputes Act Interest Rate," and the "Prompt Payment Act Interest Rate." For more information, please see http://www.fms.treas...gov/prompt/index.html. While we understand that HAP payments are subject to annual appropriations, we do not believe the legislative intent of such policy was to delay payments from days to sometimes months at a time. I would welcome the opportunity to discuss our proposed solution with the subcommittee at length.

Finally, it is in the context of HUD's questionable funding request for project-based section 8 and chronic late payments of HAP contracts that I respectfully ask the subcommittee to consider NAHMA's request for assistance in implementing HUD's Limited English Proficiency (LEP) guidance. HUD published its final LEP guidance, "Notice of Guidance to Federal Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons," in the Federal Register on January 22, 2007. It became effective on March 7, 2007. The term "limited English proficiency" refers to inability to read, write, or speak English well. Among other things, the LEP guidance obligates affordable housing owners to provide translated "vital documents" and interpretation services to persons with limited English proficiency. It also places responsibility on the owners to ensure competency of translators/interpreters and accuracy of the translations. The guidance was issued pursuant to Executive Order 13166, which directed Federal agencies to issue guidance clarifying how recipients of Federal funds are supposed to satisfy their obligation under Title VI of the Civil Rights Act of 1964 to ensure meaningful access to their programs by persons with limited English proficiency (LEP).

NAHMA supports HUD's goal of ensuring that persons with LEP have access to Federal programs. In fact, many individuals with limited English proficiency already live in properties owned or managed by NAHMA members. It is the methods HUD has proposed to advance the goal we find highly problematic. For example, no additional funding has been proposed to offset the cost of complying with this guidance. Feedback from NAHMA members suggest translating documents could cost $10,000 per language per property. Many properties are already stretching funds just to meet the ever-increasing regulatory requirements and to maintain the physical condition of properties. Furthermore, HUD has resisted suggestions to issue a specific, definitive list of "vital documents." The owner is left to guess which property-specific documents could be considered vital in legal proceedings and then translate them at the project's expense. Likewise, the guidance says the owner is responsible for ensuring the accuracy of translations and competency of the translators or interpreters. Generally speaking, the management of affordable housing bears no relationship to linguistic abilities, translation services or the ability to differentiate between high quality interpretation and inadequate interpretation. To impose this requirement on housing providers is no less burdensome than asking them to become practitioners of some other profession requiring years of extensive training and specialized personal abilities. We strongly believe HUD should provide any necessary translations and/or oral interpretation services directly to LEP persons.

We urge the subcommittee to include language in the fiscal year 2008 HUD appropriations legislation which will provide funding (either through new appropriations or reprogramming from existing accounts) for standardized translations and a toll-free interpretation hotline service to assist persons with limited English proficiency. We believe the standardized translations should include both official HUD documents, as well as any unofficial documents used by a recipient of the agency's funding to support the HUD program. NAHMA strongly believes responsibility for producing the translations and providing interpreters should be shifted from housing providers to HUD. The suggested duplication of effort by small, medium and large housing providers will result in multiple translations of the same document with inconsistent quality. A reasonable compromise would make HUD responsible for identifying vital documents and producing standard translated versions of those documents. A single translation produced by HUD will better serve individuals with limited English proficiency. There would be more consistency and better control over the accuracy, which will provide LEP persons with quality translations. Standard translations produced by HUD represent a more cost-effective approach to satisfying the goal of ensuring persons with Limited English Proficiency have meaningful access to Federal housing programs. Furthermore, professional interpreters available through a HUD-provided hotline service and trained in HUD's programs would offer a win-win alternative to the current proposal.

In conclusion, NAHMA appreciates that the subcommittee has a very difficult task ahead in balancing many competing priorities in a climate of tightened budgets. As you make these difficult determinations, please continue to reject outright cuts to Federal multifamily housing programs. NAHMA respectfully requests that the subcommittee provide full funding for all authorized section 8 vouchers. Please also fully fund contract renewals for project-based section 8, and continue legislative oversight to end the problem of late HAP payments. Likewise, we urge the subcommittee to at the very least increase appropriations for the section 202, section 811, HOME and CDBG programs at the rate of inflation. Please resist any proposed cuts to these important programs.

Thank you for your consideration.

PREPARED STATEMENT OF THE NATIONAL COUNCIL OF STATE HOUSING AGENCIES

Chairman Murray, Ranking Member Bond, and members of the subcommittee, the National Council of State Housing (NCSHA) is pleased to provide you testimony on our fiscal year 2008 HUD funding priorities. NCSHA represents the Housing Finance Agencies (HFAs) of the 50 States, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. We appreciate your continued commitment to affordable housing and consideration of our views.

State HFAs are full partners with HUD in the delivery of affordable housing programs. HFAs administer the HOME Investment Partnerships program (HOME) in

41 States. They administer the section 8 Housing Choice Voucher Program in 21 States and project-based section 8 contracts in 43 States. Many HFAs administer homeless assistance. Forty-three participate in FHA mortgage insurance programs.

In addition to administering HUD programs, HFAs allocate the Low Income Housing Tax Credit (Housing Credit) and issue tax-exempt private activity single-family Mortgage Revenue Bonds (MRBs) and multifamily housing bonds. HFAs often use HOME and other HUD programs in combination with the Housing Credit and Bonds to extend their reach to even lower income families.

NCSHA urges Congress to increase total HUD funding this year. In recent years, HUD has borne more than its share of budget cuts. Since 2001, HUD funding as a percentage of total discretionary spending has declined 20 percent.

Today's HUD budget is a fraction of what it would have been had it just kept pace with inflation since 1976. In the last 31 years, HUD's budget authority has barely grown from $29.2 billion in 1976 to $36.6 billion in 2007, despite the steady rise in the number of families needing affordable housing in this country. If HUD's budget authority had grown at the rate of inflation since 1976, today it would be $88.2 billion.

Increased funding is sorely needed. According to Harvard's Joint Center for Housing Studies, 15.8 million—nearly one in seven—American families spend more than half of their incomes on housing. Eighty percent of these families have incomes in the bottom fifth of the income distribution scale.

The country is losing more affordable rental housing than it is producing each year to deterioration, rent increases, and conversion to market-rate housing or commercial use. The threat of further losses looms as Federal subsidy contracts on hundreds of thousands of apartments expire each year, and mortgages on thousands more become eligible for prepayment.

Recognizing that budget constraints will prevent Congress from providing funding adequate to address all our housing needs, NCSHA urges Congress to prioritize increasing HOME formula grant and voucher funding.

INCREASE HOME FORMULA GRANT FUNDING

NCSHA appreciates the subcommittee's continued support of the HOME program. HOME enjoys strong bipartisan support throughout Congress.

Since Congress created the HOME program more than 15 years ago, it has financed more than 1 million affordable homes, helping nearly a half million homeowners and just as many renters. Every year, HOME funds are used to provide housing assistance to more than 100,000 additional families.

HOME continues to be a wise investment and one of the most successful HUD programs available to States and localities. According to HUD, HOME production last year exceeded 140,000 units nationwide. Still, HOME participating jurisdictions (PJ) need much more HOME funding than they receive to meet the demand for it.

The administration proposes to increase HOME funding to $1.97 billion in fiscal year 2008, a 12 percent increase over the fiscal year 2007 HOME appropriation. It recommends a 10 percent increase in the State and local HOME formula grant to $1.85 billion.

The administration's proposal does not make up for funding cuts HOME has suffered since 2004. In fiscal year 2006, Congress cut HOME funding overall by 7.5 percent and the HOME formula grant by 6 percent, even though the House and Senate provided higher funding levels. The fiscal year 2006 funding cut came on top of a 5.3 percent reduction in fiscal year 2005. fiscal year 2007 HOME funding remains frozen at the fiscal year 2006 levels, the lowest since fiscal year 2000.

NCSHA urges Congress to restore HOME funding to at least its fiscal year 2004 level of $2 billion, adjusted for inflation. Adjusted for inflation since fiscal year 2004, the fiscal year 2008 funding level for HOME would be $2.24 billion.

During tight budgetary times as these, HOME is a particularly sound investment. State HFAs are able to direct scarce HOME funds where they will have the greatest impact meeting the States' most pressing low-income housing needs. PJs may use HOME funds for rental production, tenant-based rental assistance, homeowner rehabilitation, and down payment assistance. HOME funds can also be targeted to the elderly, persons with disabilities, extremely low-income, and working families.

We also strongly urge Congress to put every available HOME dollar into the formula grant and not set-asides like the American Dream Downpayment Initiative (ADDI) or Housing Counseling. Such set-asides take away State flexibility and impose Washington dictates that may not address States' highest priority needs. Also, PJs already can and do use HOME formula grant funds for down payment assistance.

INCREASE HOUSING CHOICE VOUCHER FUNDING

NCSHA also calls on Congress to increase voucher funding to fully fund all authorized vouchers and provide for new incremental vouchers. The administration proposes to provide $16 billion for vouchers in fiscal year 2008, less than 1 percent more than the fiscal year 2007 appropriation of $15.9 billion.

This amount would not be enough to renew all vouchers already in use. At a minimum, Congress must fully fund all vouchers in use. We urge Congress also to fully fund all authorized vouchers.

Vouchers assist some of our neediest families. With the help of vouchers, other important housing programs such as HOME, the Housing Credit, and Bonds are able to reach more low-income families than they can independently. In fact, the financial viability of some HOME, Credit, and Bond developments depends on vouchers. Adequately funding all authorized vouchers will help ensure the stability and longevity of these developments.

In addition, we urge Congress to provide for new incremental vouchers so we can help some of the millions of families who qualify for voucher assistance, but do not receive it. According to the Joint Center for Housing Studies, more than 7 million low-income renters pay more than 50 percent of their income for housing. Three-quarters of all families eligible for housing assistance do not receive any. Yet, Congress has not funded any new incremental vouchers since 2002.

To make matters worse, HUD has distributed the voucher funding Congress has provided to PHAs under a formula based on limited and outdated utilization data from May, June, and July 2004. Under this so called "three-month snapshot" formula, some public housing authorities (PHAs) have received too little funding to renew all vouchers in use, and others have received more than they are authorized to use.

According to the Center on Budget and Policy Priorities, the funding shortages and misallocations have caused the number of families served since February 2004 to drop significantly. Over this period, HUD has provided vouchers to 150,000 fewer families than it would have if all authorized vouchers had been fully funded.

NCSHA thanks the subcommittee for recognizing the problems created by the outdated funding formula. The formula changes Congress made in the fiscal year 2007 joint funding resolution, with your support, were a step in the right direction. Under the resolution, HUD will calculate voucher funding allocations on the most recent 12-month utilization and cost data available, adjusted for cost increases, rather than the old 3-month snapshot.

It is essential that Congress ensure HUD allocate whatever voucher funds are available according to a fair formula. We recommend the subcommittee make permanent the 1-year funding formula changes that Congress called for in the fiscal year 2007 appropriations bill and make other important allocation improvements, including directing HUD to reallocate unused funds from low utilization PHAs to high utilization PHAs and giving PHAs access to up to 2 percent of their next year's allocation to absorb temporary overleasing costs.

SUPPORT INCREASED AFFORDABLE HOUSING PRODUCTION

To meet the country's ever-growing housing needs, we must devote more Federal resources to producing new affordable housing and preserving the current housing stock. Existing resources are simply not sufficient.

States administer a number of successful programs that produce affordable rental housing, including the Housing Credit, HOME, and multifamily tax-exempt bonds. While these programs are extremely effective, they were not designed to meet the needs of households at the bottom of the income spectrum without additional rental subsidies. At their current funding levels, they cannot adequately address our country's huge unmet affordable housing needs.

We urge you to work with your authorizing committee colleagues to authorize and fund a new resource for increasing affordable rental housing production. Such a resource could be combined cost-effectively with other existing production resources to extend their reach to even lower income families.

PREPARED STATEMENT OF THE NATIONAL LOW INCOME HOUSING COALITION

The National Low Income Housing Coalition (NLIHC) is pleased to submit testimony on the fiscal year 2008 Department of Housing and Urban Development. We would also like to thank the subcommittee for its series of hearings on the fiscal year 2008 HUD budget.

NLIHC is dedicated solely to ending the affordable housing crisis in the United States. Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and State government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. NLIHC does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

The need for more affordable housing is indisputable. The nationwide shortage of rental homes for extremely low income households, which are composed of elderly and disabled people on fixed incomes or people in the low wage workforce, is acute and getting worse. In the United States, there are 9,022,000 extremely low income renter households and only 6,746,000 homes renting at prices these households can afford, paying the standard of 30 percent of their income for housing. In Washington, there are only 31 affordable and available units to every 100 extremely low income renter households who could afford them. In Missouri, there are only 46 affordable and available units for every 100 extremely low income renter households.[1]

This lack of affordable housing forces 74 percent of extremely low income renters to pay more than half of their incomes toward their homes, compared to 26 percent of renters in any income group.[2]

NLIHC firmly believes in the potential for federal housing programs to address these types of housing affordability problems through a variety of housing programs targeted to the lowest income households.

NLIHC urges the subcommittee to provide full funding for the voucher program, including language that tenant protection vouchers must replace all units leaving the affordable housing inventory, not just for those units under lease. The Center on Budget and Policy Priorities estimates that the President has requested between $300 and $600 million less than what will actually be needed to renew existing vouchers in fiscal year 2008.[3]

We appreciate the many improvements made to the section 8 housing choice voucher program in the fiscal year 2007 funding resolution. NLIHC is encouraged by legislation in the House, H.R. 1851, which would also fix the voucher funding formula while providing other welcome reforms to the program. It is our hope that this legislation will be enacted before fiscal year 2008 begins. If not, we hope that funding formula fixes will be included in the HUD fiscal year 2008 bill.

NLIHC rejects the President's policy proposal to lift voucher agencies' authorized voucher caps. NLIHC firmly believes such action would be tantamount to creating a block grant and that no one, including Congress, HUD and advocates, would know the number of vouchers in use locally or nationally. It is also apparent that many housing authorities have not expended funds up to their authorized cap so we are very doubtful that lifting the cap would result in any significant increase, if we could even hope to measure it, of vouchers in use.

In addition to assuring the current voucher program is on solid ground to restore all vouchers lost since 2004, NLIHC urges the subcommittee to include funding for 100,000 new, incremental vouchers in fiscal year 2008. Such action would be a meaningful, much-needed step toward meeting the Nation's housing needs and would signal the subcommittee's belief that the reliability and credibility of the voucher program have been re-established.

NLIHC is concerned about the President's request for section 8 project-based contract renewals and urges the subcommittee to seek additional data from HUD to ensure that all section 8 project-based contracts are renewed in fiscal year 2008. Preliminary analysis shows 1,004,529 units with section 8 project-based contracts expiring in fiscal year 2008 at a cost of at least $5.92 billion. But, the President has only requested $5.52 billion for renewals, a shortfall of at least $400 million. This is potentially exasperated by a recent HUD general counsel decision that, counter to HUD's previous practices, HUD cannot renew project-based contracts for terms fewer than 12 months.

The Nation's 1.2 million units of public housing are in need of immediate attention and increased funding in fiscal year 2008. NLIHC urges the Subcommittee to increase both public housing operating and capital funding to levels that will restore

[1] Pelletiere, D. (2007). American Community Survey estimate shows larger national, State affordable rental housing shortages. Research Note No. 07–01. Washington, DC: NLIHC.

[2] NLIHC tabulations of 2005 American Community Survey PUMS.

[3] Sard, B. and Rice, D. (2007) Memorandum to Interested Parties on administration's proposed housing budget for fiscal year 2008. Washington, DC: CBPP.

financial and physical stability to these homes. Adequate funding is the only way these homes can be preserved for their target population. NLIHC supports at least $4.7 billion for operating funds and at least $3.5 billion for capital funds in fiscal year 2008.

NLIHC supports Resident Opportunity and Self Sufficiency funding of at least $55 million in fiscal year 2008 to help ensure that residents are prepared to participate in the public participation opportunities available to them.

NLIHC continues to have serious concerns about the HOPE VI program. NLIHC is hopeful that forthcoming legislation in the House will require that each public housing unit revitalized with HOPE VI funds will be replaced with a public housing unit and that residents will have a universal right of return to the revitalized housing. Without these and other improvements to the HOPE VI program, NLIHC believes that, if the HOPE VI program continues to be authorized in fiscal year 2008, any public housing revitalization funds would be better appropriated through the public housing capital fund.

NLIHC also urges the subcommittee to adequately fund HUD's research functions, with particular attention to fully funding its core housing market and program data collection, research, and policy evaluation functions that are necessary to inform the public debate on the most effective solutions to housing affordability and quality problems.

NLIHC urges adequate funding for HUD's other core programs, including homeless assistance grants, Community Development Block Grants, HOME, section 202 supportive housing for the elderly, section 811 housing for persons with disabilities, Housing Opportunities for Persons with AIDS, fair housing and lead-based paint hazard reduction.

NLIHC urges the subcommittee to fund all provisions of H.R. 1227, the Gulf Coast Hurricane Housing Recovery Act. H.R. 1227, which passed the House on March 21 with a large bipartisan majority, would do much towards assuring the replacement of housing for low income people in the gulf coast and providing a long-term housing solution to the over 150,000 families that remain displaced. It is a concrete, long-term plan to address the critical housing needs of those displaced households that remain in trailer camps and other temporary housing arrangements, and must be funded through the fiscal year 2008 appropriations bill. It is our hope that similar legislation will be considered in the Senate and that enactment will occur very soon.

Thank you for considering our views.

Prepared Statement of the National Alliance to End Homelessness

The National Alliance to End Homelessness (the Alliance) is a nonpartisan, non-profit organization with several thousand partner agencies and organizations across the country. The Alliance supports the over 160 State and local entities who have completed 10 year plans to end homelessness. The Alliance represents a united effort to address the root causes of homelessness and challenge society's acceptance of homelessness as an inevitable by-product of American life.

OVERVIEW

The story of homelessness over the past decade has been one of communities innovating and improving their homeless assistance systems under the increasing strain of a worsening housing crisis. Reducing homelessness will require Congress to do two things:

—Increase funding for Homeless Assistance Grants to $1.8 billion and support performance driven, cost-effective solutions to homelessness like permanent supportive housing and rapid re-housing programs.

—Increase the supply of affordable housing for extremely low income households.

HOMELESSNESS

Widespread homelessness did not always exist. Between WWII and the 1980s, the sight of people living in shelters, cars, churches, on the streets, or in the woods was exceptionally rare. However, throughout the 60s, 70s, and 80s, deinstitutionalization, powerful new illegal drugs, a shifting economy, and, most importantly, a declining supply of affordable housing, caused the homelessness we see today.

Over the course of a year, as many as 3.5 million people will experience homelessness. The most recent nationwide estimate of the size of the homeless population found that at one point in January 2005, 744,000 people were homeless. Of those, 171,000 were chronically homeless. An additional 304,000 were in families with children. Despite the fact that the count was conducted during the coldest month of the year, 331,000 homeless people, 44 percent of the total, were unsheltered. Homelessness was prevalent in every region of the country, in urban, suburban, and rural areas.[1]

Though the problem is very large, and seems intractable, we know that homelessness can be ended. Indeed, a nationwide movement to end homelessness has begun. Nearly 300 communities have completed or are working on 10 year plans to end homelessness. Many places are already showing success. Here are just a few examples:

—Portland, Oregon—the number of people sleeping on the streets declined by over 40 percent from January 2005 to January 2007.

—San Francisco, California—Between 2002 and 2005, the city reduced the number of people sleeping on the streets by 40 percent, and the total number of homeless people by 28 percent.

—Columbus, Ohio—Between 1997 and 2005, the number of homeless families declined by 44 percent.

These remarkable results were accomplished because of two major shifts in the way communities serve homeless families and individuals—permanent supportive housing for chronically homeless individuals and rapid re-housing for homeless families.

PERMANENT SUPPORTIVE HOUSING

About 23 percent of homeless people experience chronic homelessness. They are homeless for years or even decades, or they cycle between homelessness, psychiatric hospitals, jails, prisons, detox programs and emergency rooms. For that group, most of whom have one or more severe disabilities, homelessness is extremely harmful and very costly to the public. Numerous studies have shown that providing permanent supportive housing to chronically homeless people ends their homelessness, improves their mental and physical health, and saves thousands of dollars per person by reducing the need for shelter, detoxification, hospitalization, emergency rooms, and incarceration.[2] In Denver, Colorado, permanent supportive housing saved $2,300 per person per year, and in Portland, Oregon, permanent supportive housing saved $15,000 per person per year.

Congress, the administration, the bipartisan Millennial Housing Commission and numerous researchers and advocacy organizations have identified a need for 150,000 units of permanent supportive housing over 10 years targeted to chronically homeless individuals. Combined with better prevention policies, these units would end chronic homelessness in the United States.

RAPID RE-HOUSING

While chronic homelessness has received more attention in recent years, communities have also been making great strides in serving homeless families. Most homeless families have very similar characteristics to other poor families with similar levels of education and similar rates of mental illness or depression. Most of these families struggled to pay for housing in an increasingly unaffordable rental market and then experienced some crisis, like domestic violence, a job loss, or a medical problem, that eventually led to their homelessness.

Recently, the Alliance studied some communities that had reduced family homelessness to identify the key ingredients to their success.[3] The success stories included the following:

—Hennepin County, Minnesota—From 2000 to 2004, the number of families experiencing homelessness declined by 43 percent.

—Westchester County, New York—The number of families needing shelter declined by 57 percent over a 2 year period.

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[1] Homelessness Counts. National Alliance to End Homelessness. January 2007. Washington, DC.

[2] The two studies compared the cost of health care, incarceration, emergency shelter, and other publicly funded care for chronically homeless individuals before and after entering permanent supportive housing. Denver source: Denver Housing First Collaborative: Cost Benefit Analysis and Program Outcomes Report, Jennifer Perlman, PsyD, and John Parvensky, Colorado Coalition for the Homeless. December 2006. Portland source: Estimated Cost Savings Following Enrollment In The Community Engagement Program: Findings From A Pilot Study Of Homeless Dually Diagnosed Adults. Thomas L. Moore, Ph.D. Central City Concern. June 2006. Portland, OR.

[3] Promising Strategies to End Family Homelessness. National Alliance to End Homelessness and Freddie Mac. June 2006. Washington, DC.

—Massachusetts—From 2002 through 2006, the number of families experiencing homelessness declined from 1,600 each night to 1,338.

The common ingredient in these and other successful communities is that they help families move back into permanent housing as rapidly as possible, and then provide services to help them stabilize and focus on their longer term needs. These rapid re-housing strategies reduce spells of homelessness from several months to several weeks, and when families at high risk of homelessness are identified early enough, they can prevent homelessness altogether.

FUNDING NEEDS FOR HOMELESS ASSISTANCE

To help communities make sufficient progress in their efforts to end homelessness, the Alliance recommends a funding level of $1.8 billion for Homeless Assistance Grants.

While some cities have already made remarkable progress reducing homelessness, all of them are at a critical juncture. They have developed 10 year plans to end homelessness, brought in new partners, identified cost-effective strategies, and located some potential sources of funding. Many have made significant commitments of State, local and private dollars. They are, however, counting on the Federal Government to be an active partner in their efforts.

The administration's fiscal year 2008 budget request calls for $1.586 billion for HUD homeless assistance funding, an increase of $144 million from 2007. The Alliance estimates that the request would be sufficient to continue existing homeless activities, yet it would fund fewer than 8,000 new units of permanent supportive housing. While this is slightly more than has been funded in the last 2 fiscal years, it is still well below the pace of new units funded between 2001 and 2004, and only a little over half the number needed to fund the 15,000 units needed each year to be on track to end chronic homelessness in 10 years. The administration's request would do nothing to help communities implement rapid re-housing programs for families, even as a growing body of research is showing that those programs are the best way to end homelessness for most families.

An appropriation of $1.8 billion would help communities make progress on their 10 year plans to end homelessness by accomplishing the following:

—Fund all expiring permanent housing renewals, which by themselves will increase by $65 million between 2007 and 2008.

—Provide $25 million to communities to set up cost-effective programs to help homeless families move into permanent housing.

—Fund 15,000 new units of permanent supportive housing, helping put communities on track to create the 150,000 units needed to end chronic homelessness.

POLICY NEEDS FOR HOMELESS ASSISTANCE PROGRAMS

For the past several years, Congress has implemented two policies that have helped make Homeless Assistance Grants a much more effective tool for ending homelessness:

—A 30 percent set-aside for permanent supportive housing for individuals and families with disabilities.

—Added funding for Shelter Plus Care renewals. Without the funding guarantee, people in permanent housing were in jeopardy of losing their housing.

The policies allowed communities to develop 50,000 units of permanent supportive housing over the past 6 years, and they should continue.

A similar initiative is needed to help end homelessness for the roughly 600,000 families who are homeless each year. The Alliance recommends that Congress provide an incentive within HUD's homeless assistance grants for rapid re-housing programs that focus on helping homeless families move into permanent housing as quickly as possible; provide flexible short-term housing assistance as needed; and provide follow up support to ensure stability and prevent future homelessness.

By increasing HUD's homeless assistance grants to $1.8 billion, continuing policies that create permanent supportive housing, and initiating policies to encourage rapid re-housing for homeless families, Congress will help communities take critical steps in their efforts to end homelessness.

INCREASING AFFORDABLE HOUSING

This Nation will continue to have homelessness until we address our affordable housing shortage. The link between affordable housing and homelessness can be summed up very simply. In 1970, there were 300,000 more affordable housing units available nationally than there were low-income households that needed to rent them.[4] As result, there was not widespread homelessness. Many people had mental illness, addictions, poor educations and low incomes, but they could still afford a place to live. Today, the situation is reversed. In 2003, there were 5.4 million more low-income households than there were affordable housing units available to them.[5] Although the problem exists for all low-income households, it is especially acute for those with extremely low incomes.

The new Congress faces an extremely difficult budget climate. Even so, investing in more affordable housing is economically sensible. Many of the challenges our Nation faces—homelessness, concentrated poverty, inefficiencies in health care and mental health, high rates of recidivism in the criminal justice system, failing schools, and others—are exacerbated by the lack of affordable housing. The Alliance joins many of our partners in the affordable housing community in recommending further strengthening and expanding the Housing Choice Voucher program, ensuring that public housing is fully funded and continues to be a valuable housing resource, and creating more affordable housing through a National Housing Trust Fund and other mechanisms, particularly for extremely low income households.

Prepared Statement of the American Association of Homes and Services for the Aging (AAHSA)

AAHSA members serve 2 million people every day through mission-driven, not-for-profit organizations dedicated to providing the services people need, when they need them, in the place they call home. Our members offer the continuum of aging services: assisted living residences, continuing care retirement communities, nursing homes, senior housing facilities, and home and community based services. AAHSA's mission is to create the future of aging services through quality the public can trust. Over half of our members develop, own or operate federally subsidized senior apartment buildings and AAHSA represents the majority of HUD section 202 senior housing providers.

GROWING NEED FOR AFFORDABLE SUPPORTIVE SENIOR HOUSING

The senior population in the United States is expected to double by 2030 to approximately 70 million seniors. The Commission on Housing and Health Facility Needs for Seniors in the 21st Century, in its report to Congress, estimated that an additional 730,000 assisted units would be needed by 2020 to meet the needs of low income seniors. Today more than 5.8 million of non-institutionalized people age 65 and older require assistance with everyday activities and about 1.2 million are severely impaired and require assistance with three or more activities of daily living (ADLs).

The HUD section 202 Supportive Housing for the Elderly program funds capital development grants, rental assistance contracts and other programs, directed to non-profit housing sponsors to develop and maintain safe, decent, affordable, supportive housing for seniors living on very-low incomes. Today more than 300,000 seniors rely on section 202 housing for an affordable, supportive living environment. The average section 202 resident is 79 years old and has less than $10,000 per year in income and needs some form of supportive assistance.

In a recent survey of section 202 property managers, AARP reported there are at least 10 seniors waiting for every unit of section 202 affordable elderly housing that becomes available. Furthermore, elderly residents comprise a growing segment of many of HUD's programs. Seniors make up one third of the public housing population and one half of section 8 voucher holders. With the average cost of assisted living more than $3,000 per month, low income seniors have few options beyond nursing home care for supportive housing outside of the HUD programs.

Level funding, across the board cuts and increased construction and rental assistance costs means that fewer section 202 units are being built each year. The section 202 program appropriations funded 5,819 units in fiscal year 2002, 5,689 in fiscal year 2003, 5,353 units in fiscal year 2004; 4,681 in 2005; 4,313 in 2006 and 3,667 in fiscal year 2007. Under the administration's proposed budget just 3,000 units will be built in fiscal year 2008.

To make matters worse, we are losing ground. Existing affordable housing units are being lost to market rate conversion and contract opt-outs. The Joint Center for Housing found that for every unit of affordable housing we build, two are lost. The

[4] In Search of Shelter: The Growing Shortage of Affordable Rental Housing. Daskal, Jennifer. June 1998. Paper. Center on Budget and Policy Priorities, Washington, DC.

[5] The State of the Nation's Housing: 2006. Joint Center for Housing Studies for Harvard University. June 2005. Cambridge, MA.

National Housing Trust estimates that almost 15,000 federally-assisted elderly units have been lost to conversion and another 82,900 remain "at risk."

SUPPORTIVE HOUSING AS PART OF THE CONTINUUM OF CARE

Affordable senior housing, such as section 202, can serve as an integral part of the continuum of care and avoid premature, inappropriate, unnecessary and costly institutionalization for seniors that do not want to leave their communities. In addition, section 202 housing sites provide a proven and cost-effective infrastructure system for service delivery for residents, as well as the community at large. Sites often serve as a base for the delivery of home and community based services from meals to health screenings to Older Americans Act programs.

Failure to invest in the section 202 program will add to the ongoing crisis in our long-term care system, forcing low-income seniors into institutions if they want to have a roof over their heads and access to meals and services. The section 202 program is a model of a public-private partnership that maximizes efficiency and quality in Federal housing programs. The administration has called on faith and community based groups, such as AAHSA's members, to be more involved in providing essential services for low-income citizens. They cannot respond to this call with continuous funding cuts.

—On behalf of our members, their residents and families, AAHSA strongly urges Congress to fund 10,000 new section 202 units by providing $1.33 billion for fiscal year 2008. This amount would include funding for existing project rental assistance contract renewals and:
  —$1.18 billion for the development of 10,000 new section 202 units. This will not come close to meeting the existing, much less future housing needs, but it represents a first step to the unmet housing needs of thousands of seniors.
  —$20 million for section 202 Predevelopment Grants. If implemented properly, this program increases efficiency and streamlines the development process for not-for-profit organizations. These grants are needed to cover the costs of architectural and engineering work, site control and other planning relating to the development of section 202 housing.
  —$75 million for service coordinators grants so that there is staff to assist frail elderly residents with identifying and obtaining the services they need to aging in place and avoiding premature institutionalization.
  —$50 million for the Assisted Living Conversion Program (ALCP) to fund modernization and conversion of existing facilities to an "assisted living" level of care, facilitating residents' ability to age-in-place. AAHSA urges you to allocate $20 million of the amount to increase the number of affordable housing units with supportive services and $30 million for substantial and emergency capital repairs. Many of the properties are "aging in place" and recapitalization may not be feasible. This funding is essential to affordable housing preservation efforts.

In addition to funding the section 202 program, we urge Congress to fully fund all HUD programs and USDA housing programs that serve rural seniors. These housing facilities provide safe, decent, affordable options to our seniors and enable them to avoid homelessness or premature and more expensive placement in a nursing home.

—*Provide funding for additional section 8 Vouchers.*—Increased project basing of section 8 assistance will allow providers to house the lowest income seniors and preserve at risk properties with partial or no rental assistance. This cannot be done within the existing section 8 funding levels.

—*Fully fund the Community Development Block Grant Program (CDBG).*—This program provides crucial gap and infrastructure financing for section 202 developments, as well as paying for supportive services in section 202 properties.

—*Continue to fund the USDA section 515 Multifamily program and the HUD Rural Housing and Economic Development Program.*—These programs ensure that low income seniors and the disabled in rural communities have access to safe, decent housing and an infrastructure where supportive services can be delivered and thereby reduce premature nursing home admission.

—*Support increased project-basing of section 8 vouchers.*—Public housing authorities can provide up to 25 percent of their section 8 housing vouchers as project-based assistance to privately owned, new or rehabilitated housing that are otherwise without rental assistance. Public Housing Authorities should be encouraged to do so.

CONCLUSION

In light of the importance of affordable housing to low income seniors, we urge Congress to address the funding needs of section 202 and the entire HUD budget to guarantee all seniors have access to safe, decent, affordable housing. Last year the Senate Appropriations Committee took a monumental step to increase the funding for both the section 202 and 811 programs for the first time in years. Your leadership is crucial. The elderly and disabled populations need additional funding for supportive housing options outside of institutional settings. AAHSA and its members appreciate your continued support and look forward to working with you in the future throughout this process.

PREPARED STATEMENT OF THE INSTITUTE OF MAKERS OF EXPLOSIVES

Dear Madam Chairwoman: On behalf of the Institute of Makers of Explosives (IME), I am submitting a statement for inclusion in the subcommittee's hearing record regarding the proposed fiscal year 2008 budget for the U.S. Department of Transportation (DOT).

INTEREST OF THE IME

The IME is the safety and security association of the commercial explosives industry. Our mission is to promote safety, security and the protection of employees, users, the public and the environment; and to encourage the adoption of uniform rules and regulations in the manufacture, transportation, storage, handling, use and disposal of explosive materials used in blasting and other essential operations. Commercial explosives are transported and used in every State. Additionally, our products are distributed worldwide, while some explosives, like TNT, must be imported because they are not manufactured in the United States. The ability to transport and distribute these products safely and securely is critical to this industry.

BACKGROUND

The production and distribution of hazardous materials is a trillion-dollar industry that employs millions of Americans. These products are indispensable to the American economy. In the explosives industry alone, the value of our shipments far exceeds the $1 billion in gross revenues credited to the industry. The transportation of hazardous materials involves producers and distributors of chemical and petroleum products and waste, transporters in all modes, and manufacturers of containers. DOT estimates that upward of 800,000 shipments and as many as 1.2 million regulated movements of hazardous materials occur each day in the United States. This represents over 10 percent of all freight tonnage transported. As a major export, the transportation of hazardous materials contributes positively to our trade balance. These products are pervasive in the transportation stream and in our society as a whole.

While these materials contribute to America's quality of life, unless handled properly, personal injury or death, property damage, and environmental consequences can result. The threat of intentional misuse of these materials also factors into public concern. To protect against these outcomes, the Secretary of Transportation (Secretary) is charged to "provide adequate protection against the risks to life and property inherent in the transportation of hazardous materials in commerce by improving" regulation and enforcement.[1] These regulations are to provide for the "safe transportation, including security," of hazardous materials in commerce.[2] The Secretary's authority to accomplish this mission is embodied in the Hazardous Materials Transportation Act (HMTA).[3] Beginning in the 1990s and most recently in 2005, the HMTA has been significantly amended. As a consequence of these amendments, Congress directed DOT to accomplish a number of tasks. How DOT has handled these responsibilities and how it proposes to handle them in the future is the focus of this statement.

The HMTA directs the Secretary to implement the law. In reality, the Secretary has dispersed authorities in the act to the various modal administrations, with primary regulatory authority resting in the Pipeline & Hazardous Materials Safety Administration's (PHMSA) Office of Hazardous Materials Safety (OHMS). OHMS issues the hazardous materials regulations (HMR). As noted above, the commerce of hazardous materials demands that OHMS have intermodal, as well as inter-

[1] 49 U.S.C. 5101.
[2] 49 U.S.C. 5103(b)(1).
[3] 49 U.S.C. Chapter 51.

national, expertise. It regulates a diverse community of interests and must constantly manage the tension between safety, security and efficiency in the transport of these materials in order to fulfill its mission to protect the public and the environment. The fiscal year 2008 budget presents challenges and opportunities to OHMS in accomplishing its mission.

Staff and Program Resources

We want to begin our comments with praise for the leadership team assigned PHMSA. We have seen palpable evidence of improved outreach, responsiveness, not present in prior years. We attribute the focus to the recent reorganization under the Norman Y. Mineta Research and Special Programs Improvement Act of 2004 and the management style of the current administration.[4] Administrator Thomas Barrett, VADM Ret., is committed to a ensuring a risk-based program that is developed in a manner that is inclusive and transparent to stakeholders.

As a result of the fiscal year 2007 continuing resolution, OHMS was denied a four FTE staff increase. The administration is again requesting these positions expand the number of field inspectors from 30 to 34.[5] We fully support Congress' approval of these new staff positions. This staff request is still below the number PHMSA estimates it would need to raise its inspection rate to the minimum it believes is necessary to maintain a credible enforcement presence. PHMSA's job is particularly challenging, compared to other modes, given the diversity of entities within the regulated community over which PHMSA has primary inspection responsibility.

We are concerned about a continuing high number of vacancies, over 15 percent of current FTP. Some of the vacancies can be attributed to end-of-year retirements and to inside promotions. The issue of staff vacancies is even more problematic given that "over one-third of hazmat employees will be eligible to retire within five years."[6] Every effort should be made to fill these necessary positions.

Performance Measures

We are delighted to see that the OHMS budget, including the Emergency Preparedness Grants Program, is credited with supporting the Secretary's "global connectivity" and "security", as well as the traditional "safety" strategic goal.[7] OHMS' international harmonization activities do contribute to "global connectivity," and we strongly advocated for recognition of OHMS' security mission since the enactment of the 2002 amendments to the HMTA. However, we are puzzled that the portion of the OHMS budget that is attributed to enhancing security is attributed to the emergency preparedness grants program (EPGP), rather than OHMS' rulemaking or enforcement accounts.[8] The EPGP program has nothing to do with security of hazmat shipments. The EPGP planning grants support a U.S. Environmental Protection Agency program concerning emergency releases of hazmat into the environment and the training grants are aimed at emergency responders.

To measure OHMS' progress to enhance safety, the agency sets as its primary measure to "reduce deaths, injuries, property damage and economic disruptions from hazardous materials transportation incidents."[9] In the past, we have been critical of PHMSA's budget submission because the only performance measure has been the reduction of serious incidents which we believe is influenced by the state of the economy as much as it is the quality, or lack thereof, of OHMS activities. We are pleased that OHMS has set some secondary measures of performance.[10] These include increasing response time to stakeholder requests for assistance, the number of exemptions to be issued in a timely manner, and the compliance rate for security plans.

In the past, there has been a dearth of information about the OHMS program output. We are pleased to see OHMS share statistics about compliance with security plans and reports of undeclared hazmat shipments, in addition to data about the number of serious hazardous materials incidents.[11] We hope that Congress will en-

[4] Public Law 108–426.

[5] Fiscal year 2008 PHMSA Budget Submission, page 42.

[6] Fiscal year 2008 PHMSA Budget Submission, page 44.

[7] Fiscal year 2008 PHMSA Budget Submission, pages 127–128.

[8] OHMS currently supports security rules concerning plans and training (see 49 CFR 172 subparts H and I) and has pending two security rulemakings concerning security-sensitive hazmats (HM–232F) and rail security (HM–232E).

[9] Fiscal year 2008 PHMSA Budget Submission, page 133.

[10] Fiscal year 2008 PHMSA Budget Submission, pages 40 & 42. "We will enhance the response time by 10 percent. . . . We will reduce the time for processing special permits and approvals by 10 percent. . . . It is our goal to have a non-compliance rate of less than 15 percent when [reinspecting] companies [for] security plan compliance. This will permit an estimated 7 percent increase in the regional [enforcement] level-of-effort."

[11] Fiscal year 2008 PHMSA Budget Submission, pages 42–3.

courage OHMS to baseline these data so that progress to meeting regulatory needs can be objectively measured over time.

PHMSA presents several output efforts under the aegis of the Emergency Preparedness Grants Program (EPGP).[12] Our concerns about the EPGP and these measures are discussed below.

Regulatory Backlog Reduction

OHMS should be commended for its efforts to reduce regulatory backlogs. Last year, OHMS had eight open dockets designated as "significant." This year only four from that list remain.[13] At the same time, OHMS has engaged in new rulemaking of significance to industry to better focus security plan requirements on security-sensitive hazardous materials that would be of interest to terrorists.

These rulemakings do not take into account rulemaking petitions, which OHMS has accepted but has not yet assigned to a specific rulemaking action. OHMS has pending 159 such rulemaking petitions, 53 more than last year at this time.[14] In addition, OHMS is in the ninth of a 10-year cycle to review the impact of the HMR on small entities and to determine, as a result of those impacts, which rules should be continued without change, amended, or rescinded, consistent with the objectives of applicable statutes. OHMS also takes this opportunity to receive comments to make the regulations easier to read and understand. These regulatory reviews were mandated by Congress pursuant to the Regulatory Flexibility Act (RFA).[15] OHMS has finalized two of its regulatory reform proposals based on RFA reviews, while one rulemaking is pending. We are still waiting to see how OHMS will use the information collected during other prior year reviews to improve the HMR.

While OHMS has historically processed over 200 hundred special permit requests annually—a commendable effort—the administration's budget request does not disclose information to assess the special permit workload. OHMS is under a statutory mandate to process special permits within 180 days. OHMS does periodically report in the Federal Register special permit requests it has received and those that it has failed to process within the statutory 180-day deadline. As an indicator of the effort OHMS has put forward in the last year to reduce backlogs, OHMS reported a monthly average of 56 special permit requests in process longer than 180 days during the first 3 months of 2006 and attributed over 87 percent of that delay to lack of staff resources given other priorities or volume of applications. In the first 3 months of this year, the monthly average of requests in process longer than 180 days fell to 13 and the percent attributed to lack of staff resources fell to 84 percent. While part of the backlog decline should be attributed to increased productivity, Congress extended the timeline for most special permit renewals from 2 to 4 years. CY 2006 was the first full year where the effect of this statutory change could be observed. A helpful workload indicator to the subcommittee may be the actual number of special permit requests received, the actual number processed, and of that number, the actual number processed within the statutory 180-day deadline set by Congress. As noted above, OHMS has set for itself a performance measure to "reduce the time for processing special permits and approvals by 10 percent."[16]

One aspect of the hazmat regulatory workload that continues to present concern is the processing of petitions for preemption. This activity is managed by the PHMSA Office of Chief Counsel. Two petitions for preemption determinations are currently pending. Neither these, nor any prior petition for preemption, have been processed within the congressionally mandated 180-day turnaround.[17] PHMSA' ability to swiftly deal with petitions for preemption is essential to the purpose Congress hoped to achieve in granting administrative preemption to DOT, namely that the preemption determination process would be an alternative to litigation.[18] A priority of the HMTA is to achieve greater regulatory uniformity. Essential to that objective is the ability to respond through the preemption determination process to inconsistent non-Federal requirements that "creat[e] the potential for unreasonable hazards in other jurisdictions and confound[] shippers and carriers which attempt to

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[12] Fiscal year 2008 PHMSA Budget Submission, pages 121–2.

[13] 71 FR 73663–9 (December 11, 2006).

[14] http://dms.dot.gov/reports/PHMSA__report.cfin, March 19, 2007.

[15] Public Law 96–354, section 610 as amended.

[16] Fiscal year 2008 PHMSA Budget Submission, page 40.

[17] 49 U.S.C. 5125(d).

[18] In authorizing the preemption determination process, Congress found that "the current inconsistency ruling process has failed to provide a satisfactory resolution of preemption issues, thus encouraging delay, litigation, and confusion." H. Rept. 101–444, Part 1, page 21.

comply with multiple and conflicting registration, permitting, routing, notification, and other regulatory requirements."[19]

Hazmat Registration and Fees

We have appreciated the years of support and oversight the House and Senate Appropriations Committees have provided to ensure that fee collections have not been spent on activities above authorized amounts. The 2005 amendments to the HMTA have propelled us to a new era in the use and allocation of these fees. Over the objections of the regulated industry, the 2005 amendments to the HMTA nearly doubled the fees to be collected in support of the Emergency Preparedness Grant Program (EPGP) for States and Indian tribes, "train-the-trainer" grants for first responders, publication of the Emergency Response Guide (ERG), and, for the first time, grants to train hazmat employees. These fee increases will be effected in fiscal year 2008 for the 2008–09 registration year.

Current law requires that the fees be deposited into the Hazardous Materials Emergency Preparedness Fund (HMEPF) and allows OHMS to transfer these funds "without further appropriation."[20] The hazmat fee program was never intended nor could it be expected to generate the amount of funds necessary to meet the needs of communities or first responders for planning or training for transportation-related chemical, biological or radiological incidents. DOT's hazmat registration fees are not the only source of financial assistance available to States to support emergency preparedness and response and the safe and secure transportation of hazardous materials shipments. Congress has already provided more comprehensive, direct sources of funding for emergency response planning and training. Since 2001, the administration has provided nearly $37.5 billion to State, local, and tribal governments to enhance first responder preparedness of which $22 billion was allocated through DHS grant programs. This includes a total of $25.5 billion in support related to terrorism and catastrophic preparedness events, with $16.3 billion allocated through DHS. The fiscal year 2008 budget request proposes to add to these funds $2 billion in grants for first responder preparedness. These funds are in addition to the over $5 billion in funds that State, local, and tribal governments are raising and spending on their own. While these funds are not dedicated to hazardous materials planning and training, these activities are an allowable use of the assistance, and in fact, the majority of these funds are used to assist communities to address chemical, biological, and radioactive incidents. Planning and training to respond and recover from these hazardous materials releases, whether accidental or intentional, is the same. We do not believe that the hazmat registration program would ever generate the levels of revenue provided by other sources even if all subject to the OHMS fees were assessed the maximum amount authorized by law because smaller carriers would simply chose not to transport hazardous materials. For these reasons, it is important that the subcommittee continue to scrutinize the amount of hazmat fees that can be transferred from the HMEPF and to cap transfers at levels the subcommittee believes will be appropriately spent.

Thirty percent—$4 million—of the $13.5 million fee increase provided by the 2005 amendments is earmarked to train trainers of private sector hazmat employees or hazmat employees themselves. Prior to the 2005 amendments, this private sector training program was authorized only to train "trainers" and was funded from general revenues at $3 million per year. Hazmat employers have never advocated for a Federal appropriation for this training option. The HMTA is clear that hazmat employers are responsible for the training of hazmat employees. Yet, this program is of no benefit because the training provided is limited to that offered by non-profit hazmat employee organizations, organizations that are unlikely to be relied upon to provide the specific and specialized training each company is liable to provide to address its own unique hazmat environment. Any potential hazmat employee who availed themselves of such training from a third-party non-profit training organization would still have to be trained in his employer's hazmat operations. Furthermore, these funds are not needed to spur companies or organizations to get into the training business. There are a number of companies that offer hazmat training already. The real issue with private sector training is assessing the quality of the training that is available. Industry is already facing millions of dollars of additional fees for other aspects of the EPGP. This program amounts to a double taxation for hazmat employee training. Using industry fees for this purpose cannot be justified. If these funds will be made available for these purposes, we are pleased that OHMS has determined to make "the new grant program will be competitive."[21]

[19] Public Law 101–615, sec. 2.
[20] 49 U.S.C. 5116(i).
[21] Fiscal year 2008 PHMSA Budget Submission, page 123.

Emergency Planning and Training Grants

The purpose of the Emergency Preparedness Grants Program (EPGP) is to cover the "unfunded" Federal mandate that States develop emergency response plans and to contribute toward the training of emergency responders. Industry has contributed, through hazmat registration fees, nearly $183 million during the life of the grants program.[22] Since the events of September 11, 2001, we question whether or not the EPGP is the most efficient way to deliver hazmat training to the response community, especially in light of other viable alternatives to address these needs. Even OHMS admits that this program, at most, provides "funds that might not otherwise be available" to localities for training and planning for hazardous materials incidents.[23] Still, OHMS' characterization of the EPGP would have one believe that the funds are limited to planning and training to respond to transportation-related hazmat incidents only. There is no such limitation.[24]

We have, for a number of years, called for more accountability in the EPGP and more evidence of coordination among other similar Federal initiatives to ensure that all resources are used as efficiently and effectively as possible. We are not alone in our concern. In 2005, the Volpe Center issued a report making recommendations to better align grantee activities with program goals.[25] The 2005 amendments also directed OHMS to submit annual reports to Congress on the allocation and uses of the grants, identify the ultimate recipients and providing a detailed accounting of all grant expenditures as well as an evaluation of the efficacy of the programs carried out. OHMS was also directed to make this information available to the public.[26] However, no reports or information have been forthcoming.

The EPGP also restates the claim of the last several years that it will provide support to update and develop at least 3,000 emergency plans during fiscal year 2008.[27] The incredulity of this claim still warrants oversight. Using a productivity analysis alone, OHMS has not adjusted its workload output one iota since its request for funding this activity increased 63 percent.[28] Congress intended that the planning grants portion of the EPGP be used to "develop, improve, and carry out emergency plans under the Emergency Planning and Community Right-To-Know Act" (EPCRA).[29] EPCRA requires State coordinating commissions (SERC) to designate Local Emergency Planning Committees (LEPC) which were charged to develop localized plans for chemical emergencies, of which one type may be transportation-related hazmat incidents. So, it should come as no surprise that PHMSA sets as a measure of the impact of the EPGP a number of these emergency plans to be developed and updated. What is surprising is the target number of plans to be completed or updated. First, EPA estimates that the current number of LEPCs is about 3,500.[30] Each LEPC prepares one plan, so at most 3,500 plans would need support. Second, LEPCs were in existence before the inception of the EPGP. EPCRA was enacted in 1986 and has required LEPCs to have "complete" plans in place since the late 1980s. Once an LEPC's plan is "complete," based on acceptance by the LEPC's SERC, LEPCs are not required to "re-complete" these plans each year, although they are required to annually "review" their plans. Third, EPA last surveyed LEPC compliance in between October 1999 and February 2000.[31] At that time, the agency found that approximately 45 percent of responding LEPCs had completed plans and another 10 percent mostly complete. Furthermore, 24 percent of LEPCs had incorporated counterterrorism measures into their emergency response plans. Using these percentages, it would appear that 1,600 would be a more accurate projection

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[22] Fiscal year 1992–2006, HMRP, DOT, October 6, 2006.

[23] Fiscal year 2008 PHMSA Budget Submission, page 121.

[24] 49 U.S.C. 5116(a) & (b).

[25] Hazardous Materials Emergency Preparedness Grants Program; Assessment of the alignment between local activities and program goals, John A. Volpe National Transportation Systems Center, for PHMSA, October 2005.

[26] 49 U.S.C. 5116(k).

[27] Fiscal year 2008 PHMSA Budget Submission, page 122.

[28] Prior to fiscal year 2007 when funding for the EPGP grants program was due to increase and, except for the fiscal year 2007 continuing resolution, would have, the project number of plans to be assisted was 3,000. With the funding increase, the number is still 3,000. [Inconsistencies in the budget submission, further underscore the need for oversight and accountability of this program. Compare page 122 (3,000 plans), with page 159 (5,000 plans) and page 160 (3,700 plans). Similar inconsistencies can be noted with regard to training first responders by comparing pages 159 and 160.]

[29] 49 U.S.C. 5116(a)(1)(A).

[30] http://yosemite.epa.gov/oswer/ceppoweb.nsf/content/epcraOverview.htm

[31] 1999 Nationwide LEPC Survey, George Washington University for EPA, May 17, 2000. http://yosemite.epa.gov/oswer/ceppoweb.nsf/vwResourcesByFilename/lepcsurv.pdf/$File/lepcsurv.pdf. EPA is preparing to update this survey with results available in the fall of 2007. 70 FR 54044 (September 13, 2005).

of the number of emergency plans to be completed, not 3,000.[32] Furthermore, it is unlikely, given EPA's assessment of "completed" and approved plans, that any significant portion of these plans are being reopened and revised.

Finally, OHMS claims that is will "plan and hold 15 annual, national monitoring and technical assistance sessions where grantees, responders and [LEPCs] members present program accomplishments and receive technical assistance from a team of Federal and non-Federal experts."[33] This ambitious schedule would require more than one "national" session per month, planned and supported for $13,333 per session. Irrespective of frequency or number of technical assistance meetings held, however, little is known about where the meetings are held, how many Federal and non-Federal personnel attend, for how long, exactly what is allowed to be reimbursed or spent with the $200,000 allotted for this purpose. As a fiduciary matter, the subcommittee may wish to explore this matter further.

OHMS' assertion that the training grants are "to ensure [that the LEPC] plans can be effectively implemented" is misleading.[34] There is no statutory limitation that these training funds can only be used to train on the implementation of the LEPC plans. No proof has ever been offered to this effect. Since the planning and training grantees are different entities, it would be highly unlikely that LEPC plan implementation would be the focus of the training first responders receive. In fact, local emergency preparedness training is based on an "all-hazards" approach. This approach requires communities to assure that emergency personnel have the training necessary to respond to a wide range of emergencies: intentional or naturally occurring infectious disease outbreaks; chemical, explosive or radiological accident or attack; weather-related disaster; or other emergency.

In contrast to the evidence that suggests the level of financial support needed for LEPC plans is waning, the needs of first responders for training significantly eclipse the amount available from the EPGP, which if funded at the level of the administration's request offers a grant package of only $13.7 million and, of that, only 75 percent is passed through to localities.[35] Given the plethora to other viable alternatives to address the needs of the response community, the EPGP is at best inconsequential, but more realistically, a program that has outlived its relevance and usefulness.

While the law provides that OHMS can expend industry's hazmat registration fees for the EPGP "without further appropriation,"[36] we would encourage the subcommittee to exercise its oversight to address these programmatic issues and concerns before handing over a blank check. The subcommittee has established congressional precedent in this area, setting caps on the amount of the fees that may be expended for the EPGP. As an indication of congressional concern that the LEPC set-aside may not be the best use of the new $9 million fee increase in the EPGP, the 2005 HMTA amendments provide discretion to DOT to limit or deny new funding. While allowing a 35/65 percent split of the new funds between the planning and training accounts, the law also provides that up to all of the increase may be allocated to the training portion of the EPGP.[37] Yet, the allocation proposed in the OHMS fiscal year 2008 budget submission does not reference the statutory latitude that the Secretary has to move funds from the planning to the training account nor does it describe any sort of analysis that would justify making no adjustment to the 35/65 split. OHMS should be asked to prioritize the needs and value of the planning and training portions of the EPGP to the safety and security of hazardous materials transportation.[38] The subcommittee should use this information to redirect the new $9 million allocation up to the maximum extent allowed.

Our efforts to address EPGP shortcomings with PHMSA have not been satisfactory. We believe that the subcommittee is best suited to demand a level of oversight that will continue annually and that will include a complete accounting of funds distributed and their use as know required by law, not the type of anecdotal "successes" that comprised so much of PHMSA's 1998 report to Congress on this program.

[32] Not all LEPCs responded to the latest EPA survey. Even assuming that every one of the non-respondents had no plan, together with those known to have no plan or an incomplete plan, the number of plans needing completion would be 2,500, still under the 3,000 estimate provided for fiscal year 2008.

[33] Fiscal year 2008 PHMSA Budget Submission, page 121.

[34] Fiscal year 2008 PHMSA Budget Submission, page 121.

[35] Fiscal year 2008 PHMSA Budget Submission, page 23.

[36] 49 U.S.C. 5116(i).

[37] 49 U.S.C. 5128(b)(2).

[38] For example, how many first responders accessed their community's LEPC plan prior to responding to a recent hazmat transportation emergency?

Hazmat Intermodal Portal

PHMSA is proposing to increase funding to implement the Intermodal HAZMAT Portal. The Intermodal Portal is a DOT-wide data system that allows all modes to integrate "stovepiped date, to collaborate, and to monitor business processes."[39] This initiative was identified by DOT in 2000 and the OMB PART review.[40] We support this initiative. The transportation of hazardous materials is an intermodal enterprise. The Department cannot fully understand the issues facing this commerce without taking a systemwide view. Too often, modal responses to issues only shifts risk to other modes than may be less prepared to deal with them.

Program Funding Decreases

While we support the Hazmat Intermodal portal initiative, we are concerned about decreases in other OHMS operations. The budget request proposes to decrease funds for the research and analysis capacity necessary to support the development of new or the revision of existing regulations, to defer maintenance of and to defer the introduction of new features and enhancements to the Hazardous Materials Information System; and to scale back the package testing program.[41] We urge the subcommittee to restore these funding decreases.

Regulation is vital to the transport of hazardous materials. The HMR is structured so that hazardous materials do not move unless a department rule says it can move. Additionally, the industry is so large and diverse that the only way to ensure a level playing field is to hold industry to the same regulatory performance standards. These realities require that OHMS not only be heavily engaged in rulemaking, but the rulemaking process must be efficient. OHMS' research and analysis capability identifies safety and security gaps in the hazmat transportation system. In the risk analysis area, OHMS is heavily dependant on this capability to determine equivalent levels of safety in order to process what has been annually over 200 new special permit petitions.[42] If anything, OHMS rulemaking resources should be increased to ensure against regulatory backlogs.

We want to underscore the importance and necessity of the HMIS. This system supports PHMSA's key measurement of its goal to reduce deaths, injuries, property damage and economic disruptions from hazardous materials transportation incidents. The data collected and maintained in the database is not available from other sources. Not only does the HMIS allow OHMS to identify and analyze safety risks for regulatory purposes, it also (1) assists non-Federal governments to identify problematic routes; (2) can be used to focus enforcement efforts; (3) is used by industry in its risk management initiatives, and (4) can be used to defuse public concern about hazardous materials transportation by validating the extraordinary safety record of this industry, considering the potential of these materials to cause serious harm. If OHMS/PHMSA is to be a "data-driven" operation, this is not the account to cut.[43]

As noted, the transportation of hazardous materials is extensively regulated. A key component to the effectiveness of these regulatory schemes is credible enforcement. In order to determine what those needs may be, it is critical that the agency know who it is regulating. About 200,000 hazmat shippers, packaging manufacturers and testers are the focus of PHMSA's compliance efforts. This is a daunting universe to inspect with a cadre of 30, and hopefully soon 34, inspectors. However, key to credible enforcement is OHMS ability to test packagings. The packaging standards are the basis for the HMR. Packaging differs by the type and amount of material to be shipped. The packaging standards are DOT's assurance to the public that hazmat can move safely in transportation. In 1990, the PHMSA adopted internationally-recognized performance-based standards for the transportation of hazardous materials, in lieu of specification standards. The only way to ensure regulatory compliance is to test packagings. It is disingenuous for PHMSA to declare that one of the anticipated accomplishments for the 2008 fiscal year will be to "dedicate resources to testing new packagings against PHMSA's performance standard to

[39] Fiscal year 2008 PHMSA Budget Submission, page 46.

[40] "Departmentwide Program Evaluation of the Hazardous Materials Transportation Programs," Executive Summary, March 2000, pages xvi & xvii; and OMB PART recommendations No. 1 & 2, March 2005, fiscal year 2008 PHMSA Budget Submission, page 50.

[41] Fiscal year 2008 PHMSA Budget Submission, page 47.

[42] OMB Part Recommendation No. 4, March 2005, directs that PHMSA "develop a new efficiency measure that characterizes the time to issue special permits from the date of application," fiscal year 2008 PHMSA Budget Submission, page 50.

[43] Fiscal year 2008 PHMSA Budget Submission, page 6.

ensure that hazmat containers are adequate to meet safety requirements during transport," when the budget request cuts the agency's package testing program.[44]

CONCLUSION

The transport of hazardous materials is a multi-billion dollar industry that employs millions of Americans. This commerce has been accomplished with a remarkable degree of safety, in large part, because of the uniform regulatory framework authorized and demanded by the HMTA. Within the Federal Government, OHMS is the competent authority for matters concerning the transportation of these materials. Despite productivity that averages 40 administrative actions a day, this small agency still has a backlog of correspondence, rulemaking petitions, and technical applications for exemptions and approvals. We, therefore, strongly recommend full funding for OHMS.

Thank you for your attention to these issues.

PREPARED STATEMENT OF THE CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

Mr. Chairman and members of the subcommittee: On behalf of the Capital Metropolitan Transportation Authority in Austin, Texas, I am pleased to submit this statement for the record in support of our fiscal year 2008 funding requests from the Federal Transit Authority for Capital Metro—the transportation provider for Central Texas. I hope you will agree that the appropriating of funds for these Central Texas projects warrants serious consideration as Austin and the surrounding Texas communities plan for our region's growing transportation needs.

First, let me thank you for your past financial support for transportation projects in Central Texas. Your support has proven valuable to Capital Metro and to our Central Texas community as we face new challenges.

As you know, Interstate 35 runs from Canada to Mexico, and along the way it also runs through the city of Austin and Capital Metro's 600 square mile service area. While traffic in this important corridor has always been a challenge, the North American Free Trade Agreement has resulted in increased traffic and congestion for our region. In fact, a 2002 study by the Texas Transportation Institute determined Austin, Texas to be the 16th most-congested city nationwide.

Also, Central Texas' air quality has reached near non-attainment levels. Together, our community has developed a Clean AirForce, of which Capital Metro is a partner, to implement cooperative strategies and programs for improving our air quality. Capital Metro has also unilaterally implemented several initiatives such as converting its fleet to clean-burning Ultra Low Sulfur Diesel (ULSD), becoming the first transportation authority in Texas to introduce environmentally-friendly hybrid-electric buses, and creating a GREENRide program to carpool Central Texas workers in low emission hybrid gas/electric automobiles.

To address these transportation and air quality challenges as well as our region's growing population, in 2004 Capital Metro conducted an extensive community outreach program to develop the All Systems Go Long-Range Transit Plan. This 25-year transportation plan for Central Texas was created by Capital Metro, transportation planners, and local citizens. More than 8,000 citizens participated in the design of the program that will bring commuter rail and rapid bus technologies to Central Texas. The plan will also double Capital Metro's bus services over the next 25 years.

By a vote of over 62 percent, this long-range transportation plan was adopted by the Central Texas community in a public referendum on November 2, 2004. The plan received bipartisan support, along with endorsements from the business community, environmental organizations, neighborhood associations, and our community leaders.

An important component of the All Systems Go Long Range Transit Plan is the creation of an urban commuter rail line along a 32-mile long freight rail line currently owned and operated by Capital Metro. The proposed starter route would provide urban commuter rail service extending from downtown Austin (near the Convention Center) through East and Northwest Austin and on to Leander.

To implement the community's All Systems Go Transit Plan, Capital Metro is seeking $10 million for fiscal year 2008 for four projects of importance to our Central Texas community:

[44] Fiscal year 2008 PHMSA Budget Submission, pages 39, 40 and 138.

ENHANCEMENT AND IMPROVEMENT OF BUSES AND BUS FACILITIES—$5 MILLION

Capital Metro has embarked on a long term plan to improve and expand bus service. In addition to improving bus routes, the agency is investing in critical park and ride facilities, transit centers and enhanced bus stop locations and amenities. As Capital Metro's service area and the population we serve continue to grow, we will continue to enhance our system and facilities while addressing traffic congestion and air quality concerns. In the next 3 years, Capital Metro has planned to invest $82.5 million in capital projects to better serve our growing population. Capital Metro seeks $5 million from the appropriations process for these improvements and expansions of our bus service and facilities.

OAK HILL PARK AND RIDE FACILITY—$2 MILLION

The Oak Hill Park and Ride facility will anchor Capital Metro's future rapid bus services to rapidly growing areas of Southwest Austin and Travis County. This facility and its routes will connect local service to several nearby neighborhoods to serve the growing number of suburban commuters in this portion of Capital Metro's service area. Capital Metro is seeking $2 million for this project.

URBAN COMMUTER RAIL CIRCULATOR VEHICLES—$2 MILLION

Capital Metro's 32-mile Urban Commuter Rail line will begin operations in 2008, serving 9 stations throughout Central Texas. Urban Commuter Rail circulator vehicles will serve each of the stations to transport passengers to and from their final destinations, connecting with the MetroRail. Capital Metro is seeking $2 million for this project.

PARATRANSIT SERVICE VEHICLES—$1 MILLION

Pursuant to, and in accordance with, the Americans with Disabilities Act, Capital Metro provides door-to-door van and sedan paratransit service throughout Central Texas for persons with disabilities and senior citizens. This $11.7 million (fiscal year 2007) program provides more than 500,000 rides each year. Capital Metro will be replacing many of the vans and sedans that serve this program, as they are retired during fiscal year 2008. This crucial funding will assist Capital Metro in ensuring the accessibility of transportation services for all Central Texans.

I look forward to working with the committee in order to demonstrate the necessity of these projects. Your consideration and attention are greatly appreciated.

PREPARED STATEMENT OF THE CITY OF SAN MARCOS, TEXAS

Mr. Chairman and members of the subcommittee: On behalf of the city of San Marcos, Texas, I am pleased to submit this statement in support of our requests for project funding for fiscal year 2008.

The city of San Marcos requests Federal funding for the San Marcos Municipal Airport to accomplish improvements that are in the public interest. The improvements are described in the three specific projects listed below:

	Amount
Northside Infrastructure Development	$3,500,000
New Terminal Building	4,500,000
Fixed Base Operator (FBO) Facility	1,500,000
Total Request	9,500,000

The San Marcos Municipal Airport is a public general aviation airport classified as a reliever airport within the National Plan of Integrated Airport Systems. The airport is owned and operated by the city of San Marcos, Texas. It is located just east of Interstate Highway 35 on Texas Highway 21 approximately 30 miles south of Austin and 45 miles north of San Antonio in one the fastest growing corridors in Texas.

The airport is part of a closed military base; the remainder of the former Air Force Base is occupied by the U.S. Department of Labor's Gary Job Corps Center. When the base was closed and divided in 1966, the Job Corps retained the portion of the property with the buildings and other amenities while the city of San Marcos was given the aeronautical facilities consisting of runways, taxiways, and the parking apron.

This arrangement has resulted in a "bare bones" airfield that lacks the support structure to sustain an economically viable modern airport. We have adequate aeronautical facilities and real estate but little other facilities. In addition, current legislation provides for airport capital improvement funding assistance through the Federal Aviation Administration for aviation infrastructure, but not for the type of improvements that this airport needs.

The city of San Marcos requests assistance to transform the airport into a modern, self-sustaining enterprise benefiting not only the local community but the region. After analysis and master planning, we have determined that the three projects herein described will get us the "biggest bang for the buck". These projects will meet our highest priorities and most immediate needs, and they will be a highly visible indicator that the San Marcos Municipal Airport is on the move. We are firmly convinced that these improvements will kick-start further development and attract private investment that will far surpass the amount that we are seeking in Federal support.

The following program descriptions outline our three requests:

Northside Infrastructure Development—$3,500,000

The layout of the former Gary Air Force Base is such that all the buildings and developed area of the base were to the south of the airfield. When the base was divided between the Gary Job Corps Center and the San Marcos Municipal Airport, the airport was given only a thin sliver of land on the south side to provide access and support the airfield. There is not enough room for all the support facilities such as hangars, maintenance shops, and terminal buildings that an active airport requires.

However, on the north side of the airfield is real estate that has never been developed. One prime piece of the north side area consists of approximately 40 acres of very desirable airport land that fronts on Texas Highway 21 and borders an existing taxiway that will become the main taxiway for the entire north side development. Except for the absence of infrastructure, it is the "McDonald's" location on the airport. The area requires access roads including a main airport entrance, drainage improvements, aircraft ramps and aprons, existing taxiway pavement reconstruction, and utilities. It also needs a seed project to stimulate private investors to move into the area.

Our plan proposes to construct the infrastructure and to then build approximately 50 nested T-hangars in 2 or 3 city-owned buildings. Our planning estimate for the cost to implement this project is $3,500,000. We are also convinced that once this north side development ball starts to roll, the future of the new San Marcos Municipal Airport will shift from the current limited and constrained south side to the several hundred acres of prime undeveloped land available on the north side.

New Terminal Building—$4,500,000

The commercial, economic, and public service hub of a modern airport is the public terminal building. The terminal building provides public amenities such as a waiting room or lounge, airport administration offices and public meeting rooms, restrooms, flight planning facilities and communications links to obtain flight planning information, commercial lease space for such businesses as restaurants, retail shops, rental car facilities, and other aviation-related commercial activities.

An airport's facilities will be the first thing a business traveler will see, and it's those facilities which represent the city of San Marcos. These facilities are sorely lacking in our present airport configuration and the existing terminal building is undersized to meet existing demand, much less provide room for growth. It is opportune that the Federal Aviation Administration is programming a new air traffic control tower for our airport in fiscal year 2007. A new terminal building located adjacent to the control tower could be architecturally coordinated with the control tower for aesthetic advantage. The two facilities could achieve a significant efficiency in the coordinated construction of road access, utility services, parking facilities, drainage improvements, and landscaping. This same concept is being touted at several other airports similar to ours. (Dallas Executive Airport is a prime example.) The planned terminal building planning concept is for a modern, state-of-the-art building of approximately 10,000 square feet first floor and total cost estimated at $4,500,000.

Fixed Base Operator (FBO) Facility—$1,500,000

For general aviation operations, airport activity centers on the FBO. This is where the transient and based pilots and aircraft operators go to buy fuel and obtain direct support for their flights. It is also a place where transient and based pilots can arrange to have their aircraft serviced, repaired, and hangared overnight or longer when required.

It is again opportune that the San Marcos Municipal Airport has an established FBO that is capable of accomplishing these vital services if a facility were available for them to lease. We propose that a modern, state-of-the-art FBO be constructed to meet the airport's present and future commercial requirements. The approximately 30,000 square foot structure would be mainly hangar space with an attached business, shop, and office area. Cost is estimated at $1,500,000. Lease payments and other airport fees would offset this investment; and the investment is calculated to be a profitable enterprise for the airport in the long term.

The 1,356 acre San Marcos Municipal Airport is a potential economic dynamo for this region of Central Texas. The three airport improvement projects that we are proposing will result in an increase in activity and private investment. This is a good investment of public revenue that will result in more high-paying aviation jobs, an increased tax base, and more direct revenues in the form of airport fees and rents. Our airport will also better serve the aviation needs of the region and spur further growth, development, and prosperity for our citizens. These projects are grounded in sound public policy principles. They will result in excellent value for the American taxpayer and for the traveling public that will utilize the facilities.

The city of San Marcos sincerely appreciates your consideration of these requests for funding in the fiscal year 2008 cycle, and respectfully requests your support.

Prepared Statement of the University Corporation for Atmospheric Research (UCAR)

On behalf of the University Corporation for Atmospheric Research (UCAR) and the university community involved in weather and climate research and related education, training and support activities, I submit this written testimony for the record of the Senate Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies.

UCAR is a consortium of 70 universities that manages and operates the National Center for Atmospheric Research (NCAR) and additional research, education, training, and research applications programs in the atmospheric and related sciences. The UCAR mission is to serve and provide leadership to the atmospheric sciences and related communities through research, computing and observational facilities, and education programs that contribute to betterment of life on Earth. In addition to its member universities, UCAR has formal relationships with approximately 100 additional undergraduate and graduate schools including several historically black and minority-serving institutions, and 40 international universities and laboratories. UCAR is supported by the National Science Foundation (NSF) and other Federal agencies including the Federal Highway Administration (FHWA), and the Federal Aviation Administration (FAA). I would like to comment on the fiscal year 2008 budgets for these agencies.

THE FEDERAL HIGHWAY ADMINISTRATION

The fiscal year 2008 budget request for the FHWA should support the administration's and the country's commitment to a safe, efficient, and modern surface transportation system. Weather research and intelligent transportation system (ITS) technology significantly contributes to this commitment. According to the National Academy of Sciences, adverse weather conditions obviously reduce roadway safety, capacity and efficiency, and are often the catalyst for triggering congestion. In the United States each year, approximately 7,000 highway deaths and 450,000 injuries are associated with poor weather-related driving conditions. This means that weather plays a role in approximately 28 percent of all crashes and accounts for 19 percent of all highway fatalities. The economic toll of these deaths and injuries is estimated at $42 billion per year. The societal and economic impacts of adverse weather on the highway system are obviously enormous.

Road Weather Research and Development Program

The Road Weather Research and Development Program funds the collaborative work of surface transportation weather researchers and stakeholders. This work is potentially life saving for the users of the national surface transportation system. Much has been accomplished already in understanding and developing decision support systems to address the impact of poor weather on the surface transportation system including congestion. However, it should be noted that according to the 2004 National Research Council's report titled, Where the Weather Meets the Road: A Research Agenda for Improving Road Weather Services, the investment required to satisfy the unmet needs for road weather information is $25 million per year for 15 years. An investment at this level would be focused on developing decision support systems for traveler information systems, winter road maintenance, traffic management, incident and emergency management, in-vehicle information systems through the vehicle infrastructure integration program, and ITS. Enhanced research on pavement condition prediction, snow and ice control, fog, road friction, flooding, thunderstorm forecasting, icing, sensor development, and other areas will result in significant savings in lives and dollars.

Only recently has the FHWA begun investing in road weather research and this investment level has been extremely low ($2.8 million per year), considering its impact on the transportation system. An adequately funded road weather research program will improve the safety, capacity, efficiency and mobility (by reducing congestion), of the national roadway system. It will benefit the general public, commercial trucking industry, State DOT traffic, incident and emergency managers, operators and maintenance personnel.

The 2006 Transportation Reauthorization bill, SAFETEA–LU (section 5308) contains language that establishes the Road Weather Research and Development Program within the FHWA ITS Research and Development Program, with annual funding at $4 million (significantly less than the NRC recommendation of $25 million). The fiscal year 2008 request is only $3 million and may be found within the FHWA Intelligent Transportation Systems account. This program is well supported by numerous organizations including the American Association of State Highway and Transportation Officials (AASHTO), the Intelligent Transportation Society of America (ITSA), the Transportation Research Board (TRB), the National Research Council (NRC), State Departments of Transportation (DOTs), and the American Meteorological Society (AMS). I urge the committee to fund the Road Weather Research and Development Program at $4 million, at a minimum, in fiscal year 2008.

FEDERAL AVIATION ADMINISTRATION (FAA)

> Our Nation's air transportation system has become a victim of its own success. We created the most effective, efficient and safest system in the world. But we now face a serious and impending problem . . . demand for air services is rising, and could as much as triple over the next 2 decades.
>
> FAA Administrator, Marion Blakey, July 2006

Research and Engineering Development Account (RE&D)

The following three programs can be found within the RE&D section of the fiscal year 2008 FAA budget request.

Weather Program

The FAA anticipates a three-fold increase in demand on the National Airspace System (NAS) by 2025; any air travel interruption, including weather problems, will result in overwhelming flight delays. The FAA and airlines have done a remarkable job of minimizing delays given the limited airport and system capacity. But major weather related delay events, such as the 2006 Denver blizzard over the holidays, have left thousands of travelers stranded and cost the industry many millions of dollars. This recent incident indicates existing vulnerabilities that must be addressed.

Research and development conducted today forms the basis for tomorrow's operational products. Enhanced weather forecasts as well as improved use of forecasts will contribute to a reduction in weather impacts. The FAA's Weather Program focuses on projects that address the current challenges of operating the safest, most efficient air transportation system in the world while building a foundation for the Next Generation Air Transportation System (NextGen). For fiscal year 2008 and beyond, FAA is focusing on capabilities to help stakeholders at all levels make better decisions and better react to avoidable weather situations, thus minimizing their impact.

To mitigate the effects of weather, the FAA's Weather Program conducts applied research in partnership with a broad spectrum of the weather research and user communities with a goal of transitioning advanced weather detection and forecasting technologies into operational use. Leveraging the work of the research community, the FAA has made tremendous strides in understanding and mitigating the impacts of severe weather on aviation. Enhanced research on turbulence, thunderstorm forecasting, oceanic weather, icing, and other areas can result in even more savings, in both lives and dollars. The fiscal year 2008 request for the Weather Program is $16.8 million, down from the fiscal year 2007 request of $19.5 million. This program continues to be severely under funded. To truly be responsive to the new weather research capabilities and national needs, the Weather Program needs to be doubled and funded at about $35 million. I urge the committee to fund the Weather Program at the fiscal year 2007 requested level of $19.5 million, at a minimum.

Joint Planning and Development Office (JPDO)

In preparation for a burgeoning National Airspace System, 4 years ago the President and Congress created the multi-agency Joint Planning and Development Office (JPDO) to oversee planning related to NextGen. The JPDO, in its brief existence, has already accomplished much, and has defined eight critical strategies to meet the goals and objectives for NextGen—one of which is focused on mitigating the impacts of weather on the air transportation system.

The President's fiscal year 2008 request of $14.3 million for JPDO is not an adequate level of funding, given the challenges of bringing the aviation system up to 21st Century needs. The request is down 21 percent from the fiscal year 2007 request of $18.1 million. To accomplish an initiative of this magnitude and complexity, JPDO should be doubled to $28 million. I urge the committee to fund the Joint Planning and Development Office at the fiscal year 2007 requested level of $18.1 million, at a minimum.

Wake Turbulence

Better detection and forecasting of wake turbulence, dangerous swirling air masses trailing from aircraft wingtips, is a key element in the FAA's safety program. Research results and technologies derived from the Wake Turbulence program will allow airports and airlines to operate more efficiently, increasing capacity and safety, by providing a better understanding of this phenomenon. I urge the committee to support the fiscal year 2008 request of $10.7 million for the wake turbulence program.

Facilities and Equipment Account

The following program can be found within the Facilities and Equipment Account on the FAA's fiscal year 2008 budget request.

Wind Profiling and Weather Research—Juneau

High wind and terrain-induced turbulence information can help airlines adjust their routes and schedules to optimize usage of the airport. Within the FAA's Facilities and Equipment Budget the program, Wind Profiling and Weather Research—Juneau, supports the Juneau Airport Wind System (JAWS), a developing operational system designed to detect and warn of wind and airport turbulence hazards. I urge the committee to support the administration's fiscal year 2008 request of $4.0 million for Wind Profiling and Weather Research—Juneau.

On behalf of UCAR, as well as all U.S. citizens who use the surface and air transportation systems, I want to thank the committee for the important work you do that supports the country's scientific research, training, and technology transfer. We understand and appreciate that the Nation is undergoing significant budget pressures at this time, but a strong Nation in the future depends on the investments we make in research and development today. We appreciate your attention to the recommendations of our community concerning the fiscal year 2008 FHWA and FAA budgets and we appreciate your concern for safety within the Nation's transportation systems.

Prepared Statement of Foothill Transit

Mr. Chairman and members of the subcommittee, my name is Doran Barnes, and I serve as the Executive Director of Foothill Transit in West Covina, California. Thank you very much for the opportunity to submit testimony to this subcommittee.

Mr. Chairman, I recognize the difficult tasks before this subcommittee and commend your leadership in determining the allocation of available transportation resources during this congressional budget period. We are very appreciative of the strong support provided to Foothill Transit by this committee over the past 12 years. The support of your committee has enabled Foothill Transit to construct two operating and maintenance facilities and initiate replacement of our aging bus fleet with new compressed natural gas coaches, as well as embark upon providing commuter parking to encourage transit ridership. These initiatives will greatly enhance the service we provide to our customers.

WHY THIS BUS CAPITAL REQUEST?

Thanks to the unwavering support of our congressional delegation, Foothill Transit has been extremely successful in achieving its capital goals. Our fiscal year 2008 funding request is for $10 million in Discretionary Bus Capital funding to assist Foothill Transit in partnering with member cities by providing funding for commuter parking in transit-oriented neighborhood projects. This funding will be used for our innovative "Transit Oriented Neighborhood Program", which offers a win-win solution for commuters and communities in the San Gabriel and Pomona Valleys. Through this program, we will assist our member cities and the County of Los Angeles with the construction of facilities with 500 to 1,000 commuter parking spaces in neighborhood projects each year.

The program, begun in fiscal year 2004, provides an incentive for Foothill Transit's 21 member cities and unincorporated areas of Los Angeles County to include commuter parking in their plans for mixed-use, transit-oriented projects. Foothill Transit is working with our local cities by partnering to develop projects that meet our common goals. Projects are intended to serve the dual purpose of facilitating transit use during daytime commuter hours, and providing general public parking for dining, shopping, and other uses during evening hours and weekends

Over the past several years, commuter parking in Foothill Transit's service area has dwindled, culminating in the closure of a major park-and-ride lot in early 2003. At one time, the Eastland Park and Ride provided over 1,000 parking spaces for transit customers. With the revitalization of the Eastland Shopping Center, this park and ride facility has been eliminated. A second park and ride facility in the southern portion of our service area ceased operating in February 2004. This facility was provided by a regional shopping mall. As the shopping mall intensified its retail activities, it was no longer willing to provide its parking lot for park and ride activities. Under both of these scenarios, customers have found it more difficult to access Foothill Transit's commuter express services. Accordingly we have seen decreases in ridership on these express lines and we believe that a portion of these transit riders have returned to driving into downtown Los Angeles. This increases both traffic congestion and vehicle emissions.

The Transit Oriented Neighborhood Program enables Foothill Transit to continue its longstanding tradition of responding to customer needs by providing more convenient access to its high caliber bus service. By encouraging more transit use with the availability of park-and-ride facilities, Foothill Transit also helps mitigate the traffic congestion and poor air quality that plague the Los Angeles area.

We are pleased to report that our first project under this program has been completed. A ribbon cutting and dedication ceremony for the Claremont Transportation Center was held on August 31, 2006. The transit component of the project includes 477 parking spaces, with 200 spaces available for transit. In addition to supporting transit, this project is a key part of the expansion of the Claremont Transit Village.

The next phase of this program includes plans for parking structures in West Covina and Puente Hills. As noted above, for many years in these two areas, commuter parking was provided in regional shopping malls. However, as business improved at these malls, the parking spaces were reclaimed for shoppers. The return of commuter park and ride lots to West Covina and Puente Hills will greatly assist in maintaining and increasing transit ridership

ABOUT FOOTHILL TRANSIT

Foothill Transit was created in 1987 as an experiment to determine the effectiveness of competitively bidding for transit service operations. A public/private partnership, Foothill Transit is governed by an elected board comprised of mayors and council members representing the 21 cities and 3 appointees from the County of Los Angeles who are members of a Joint Exercise of Powers Authority. It provides public transit services over a 327 square-mile service area. Foothill Transit is one of the best investments of taxpayer dollars in these times of limited funds.

Foothill Transit has established a reputation of providing outstanding customer service. In five separate customer surveys, Foothill Transit drivers have consistently received ratings above average or greater by more than 80 percent of our customers. Customers also rate Foothill Transit buses very highly on their cleanliness, comfort and graffiti-free appearance.

Foothill Transit was initially established as a 3-year experiment to operate 14 bus lines at least 25 percent more efficiently and effectively than the former Southern California Rapid Transit District (now Metro), with those savings to be passed on to the community through increased service and/or lower fares. A 3-year evaluation completed by Ernst & Young in 1995 showed that Foothill Transit's public/private arrangement resulted in cost savings of 43 percent per revenue hour over the previous provider.

Recognized by Congress in 1996 as a "national model," the combination of public accountability and private sector efficiencies has allowed Foothill Transit to hold costs constant since its inception in 1987, while increasing ridership by 77 percent and more than doubling the amount of service on the street.

Foothill Transit has no employees. All management and operation of Foothill Transit service is provided through competitive procurement practices. The Foothill Executive Board has retained my employer, Veolia Transportation, to provide the day-to-day management and administration of the agency. The management contractor oversees the maintenance and operation contractors to ensure adherence to Foothill Transit's strict quality standards. We have two operating contracts for coach operators and vehicle maintenance. First Transit is currently the contractor under both of these operating contracts.

Mr. Chairman, thank you for this opportunity to provide testimony and your consideration of our request. Please feel free to contact me with any questions you may have or if I can be of any assistance.

PREPARED STATEMENT OF THE COALITION OF NORTHEASTERN GOVERNORS

The Coalition of Northeastern Governors (CONEG) is pleased to share with the subcommittee testimony on transportation and community development programs in the fiscal year 2008 Transportation, Housing and Urban Development, and Related Agencies Appropriations bill. The CONEG Governors appreciate the subcommittee's longstanding support of funding for the Nation's highway, transit, and rail systems, and we understand the difficult fiscal challenges and complex, interlocking issues that the subcommittee faces in crafting this appropriations measure. We urge the subcommittee to continue the strong Federal partnership so vital for the national, integrated transportation system that underpins the productivity of the Nation's economy and the security and well-being of its communities.

TRANSPORTATION

Surface Transportation

The Governors urge the subcommittee to fund the combined highway, public transit and safety programs at levels consistent with the fiscal year 2008 authorized levels, including the Revenue Aligned Budget Authority (RABA). This level of Federal investment in these infrastructure improvements is necessary if the Nation's surface transportation system—in both urban and rural areas—is to safely and efficiently move people and support the substantial growth in freight movement projected in the coming decade. Specifically, we urge the subcommittee to:

—support a Federal aid highway obligation limit at the authorized level of $39.585 billion, plus the Revenue Aligned Budget Authority (RABA);

—fund public transit at the authorized funding level of $9.423 billion, including full funding for the Small Starts Program; and

—provide sufficient funding for the Coordinated Border Infrastructure Program to enable investment in projects addressing both security and transportation needs at our Nation's borders.

Rail

The CONEG Governors also request that the fiscal year 2008 appropriations include $1.78 billion in Federal funding for intercity passenger rail as provided in the Senate fiscal year 2008 Budget Resolution, with specific funding levels provided for operations, capital and debt service. We particularly encourage the subcommittee to ensure that Amtrak can continue the critically needed bridge repair projects and life-safety work in the New York and Baltimore tunnels, and also initiate efforts to promptly upgrade the Northeast Corridor electric traction system capacity between Washington and New York to avoid major service disruptions. We also support the proposal for $100 million to fund a State capital investment program for intercity passenger rail.

This funding level for intercity passenger rail can ensure the stability of the national system, continue vital and on-going work to bring the Northeast Corridor to a state of good repair, and provide essential investment funds critical to the continued development of rail corridors across the country—even as reforms are undertaken through concerted and hopefully coordinated activities of the U.S. Congress, Amtrak, the U.S. Department of Transportation (USDOT), and the States. Since intercity passenger rail is a complex and interconnected system with significant capital requirements, it is essential that any operations reform be incremental and that the Federal Government continues to be a consistent partner in funding the capital needs of the Nation's intercity passenger rail system. We also believe that any reform of intercity passenger rail must be a data-driven, orderly and transparent process that includes meaningful collaboration with Amtrak's State funding partners.

A number of other national rail programs are important components of the evolving Federal-State-private sector partnerships to enhance passenger and freight rail across the country. We encourage the subcommittee to provide funding for both the Rail Relocation Program and the Swift High Speed Rail Development Program, both of which benefit passenger rail and freight rail systems.

The CONEG Governors also support a modest increase in funding for the Surface Transportation Board (STB) to $26.495 million. This funding level will allow the STB to provide the critical oversight services as the Nation's rail system assumes increasing importance for the timely, efficient, and environmentally sound movement of people and goods across the Nation.

COMMUNITY DEVELOPMENT

The CONEG Governors urge the subcommittee to provide $4.1 billion for the Community Development Block Grant (CDBG) program. The CDBG enables States to provide funding for infrastructure improvement, housing programs, and projects that attract businesses to urban and rural areas, creating new jobs and spurring economic development, growth and recovery in the Nation's low income and rural communities.

The CONEG Governors thank the entire subcommittee for the opportunity to share these priorities and appreciate your consideration of these requests.

PREPARED STATEMENT OF THE NEW YORK STATE DEPARTMENT OF TRANSPORTATION

The New York State Department of Transportation (NYSDOT) appreciates the opportunity to present testimony on the fiscal year 2008 transportation appropriations. New York has a truly multimodal transportation system and strives to allocate its financial resources accordingly. NYSDOT has responsibility for a $1.9 billion highway construction program in 2007–2008 and a $2.8 billion annual transit operating and capital assistance program. New York voters approved a $2.9 billion Transportation Bond Issue in 2005, which will help support New York's multi-year highway and mass transportation capital programs valued at nearly $36 billion, with each mode receiving nearly $18 billion in Federal and State funds. New York will invest $235 million in State funds for freight and passenger rail projects and will, over the next 5 years, provide over $116 million in State funds to advance general aviation security, business-use airport development, and capital improvement projects for public-use airports. In addition to highways and transit, New York State has invested $320 million in the State's passenger rail system in recent years. Clearly, New York State is committed to multimodal transportation systems.

In developing the fiscal year 2008 Transportation Appropriations legislation, we ask that you consider and endorse the following:

Support Funding for All Transportation Programs at the Levels Set in Authorizing Legislation

New York urges funding for transportation programs, at their maximum authorized funding levels. We are concerned with the President's fiscal year 2008 budget because it would reduce Federal funding for several programs to levels below authorized amounts, and we would particularly urge you to follow the path of SAFETEA–LU rather than that of the President's proposed budget in the following areas.

—The President's budget submission proposed the elimination of the distribution of an additional $631 million from Revenue Aligned Budget Authority (RABA) required by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA–LU). New York strongly urges Congress to restore this mandated funding as promised by Congress just 2 years ago.

—A $300 million reduction is proposed in Transit New Starts funding below the level authorized by SAFETEA–LU. The demand for Transit New Starts funding far exceeds the level of funding available, even though SAFETEA–LU increased the authorized funding level for this program. In New York, the Long Island Rail Road East Side Access and the Second Avenue Subway projects are priority New Starts projects to relieve congestion on the busiest transit system in the Nation. At a time when gasoline prices are at a premium, Federal investment in mass transit is key to reducing the Nation's reliance on foreign oil.

—Zero funding is proposed for both Next Generation High Speed Rail program and the Railroad Rehabilitation and Improvement Financing (RRIF) program. There are few Federal financing tools available to States and railroads for investment in rail passenger or freight. Freight traffic nationwide is projected by USDOT to double in the next 20 years. Some experts say freight traffic will quadruple in the immediate vicinity of key international freight hubs such as the Port of New York and JFK Airport in New York City. SAFETEA–LU authorizes $100 million per year for the Next Generation High Speed Rail program and $35 billion per year for the RRIF program, a credit enhancement program for rail freight and passenger investments. Congress should provide the full funding at the levels authorized in SAFETEA–LU for both of these important Federal rail investment programs.

—New York State continues to believe that there is an urgent need for short-term funding stability while a long term solution for intercity rail passenger service is developed and implemented. Short-term funding should be sufficient to operate existing intercity passenger rail service, as well as enable critical maintenance and "state of good repair" capital investments to continue. To achieve this, intercity passenger rail should be funded at $1.78 billion, the level called for in Senate bill S. 294. The administration's budget request of $800 million is significantly below what Amtrak needs to meet its commitments for operations, service, and debt payments. We particularly encourage the subcommittee to ensure that Amtrak can continue the critically needed bridge repair projects and life-safety work in the New York and Baltimore tunnels.

—The administration also proposes a new $100 million State capital investment program, where States would apply to the Federal Railroad Administration (FRA) for grants for up to 50 percent of the cost of capital investments necessary to support improved intercity passenger rail service that either requires no operating subsidy or for which the State or States agree to provide any needed operating subsidy. This proposed Federal-State partnership should be modeled on the highway and transit programs, with 80/20 Federal-State funding, dedicated, stable Federal funding, and a strong role for States in decision-making. Further, while this proposal is a good start, it needs to be part of a larger national intercity passenger rail strategy which establishes a strong, ongoing Federal-State partnership, brings Amtrak assets up to a state of good repair, provides corporate transparency and accountability at Amtrak, and expands competition in the delivery of intercity passenger rail service.

—As the debate over the reauthorization of the aviation program proceeds through Congress, New York supports funding the aviation programs at the fiscal year 2007 level or higher. The President's budget proposal includes a significant restructuring of the aviation program in the absence of authorizing legislation. Aviation funding for fiscal year 2008 should be based on the existing program structure until reauthorizing legislation is complete.

Impending Insolvency of the Highway Trust Fund

Both the Government Accountability Office and the Congressional Budget Office project that the Highway Account of the Highway Trust Fund will not have adequate revenue to support fiscal year 2009 authorizations for highways and bridges. The Mass Transit Account is projected to remain solvent until 2011 or 2012.

At a recent hearing of the Highways and Transit Subcommittee of the Transportation and Infrastructure Committee, a proposal to use the Mass Transit Account to address the fiscal year 2009 shortfall in the Highway Account was discussed with hearing witnesses. New York is concerned that Congress may be tempted to use this quick-fix approach in fiscal year 2009 Transportation Appropriations and may consequently postpone the fundamental surface transportation funding issue until SAFETEA–LU is reauthorized (SAFETEA–LU expires on September 30, 2009).

New York emphatically urges Congress to leave the Mass Transit Account intact when searching for a solution to the fiscal year 2009 highway funding shortfall. With transit funding already reduced in the President's fiscal year 2008 budget, any further reductions of funding for this vital component of a multimodal transportation system would be disastrous.

Fixing the Highway Trust Fund shortfall will require significant effort by authorizing committees to examine, analyze, and select alternative funding mechanisms to meet the financial needs of the Nation's transportation systems into the foreseeable future. New York believes that a comprehensive, sustainable, diversified portfolio of Federal revenue is needed to address the diverse investment needs of the Nation's surface transportation system, i.e. its highways, transit systems, railroads, and ports. We urge the Transportation Appropriations Subcommittee to appeal to the Transportation and Infrastructure Committee to begin this work immediately.

NYSDOT thanks you for this opportunity to present testimony. We appreciate your dedication to and support of the Nation's transportation systems.

Prepared Statement of Easter Seals

Chairman Murray, Ranking Member Bond and members of the subcommittee, Easter Seals appreciates this opportunity to share the successes and needs of Easter Seals Project ACTION and the National Center on Senior Transportation.

PROJECT ACTION OVERVIEW

Project ACTION was initiated during the appropriations process in 1988 by funding provided to the Federal Transit Administration to undertake this effort with Easter Seals. We are indeed grateful for that initiative and the ongoing strong support of this subcommittee in subsequent years.

Following its initial round of appropriations, Congress authorized assistance to Project ACTION in 1990 with the passage of ISTEA and reauthorized the project in 1997 as part of TEA–21 and in 2005 as part of SAFETEA–LU. The strong interest and support of all members of Congress has been greatly appreciated by Easter Seals as it has pursued Project ACTION's goals and objectives.

Since the project's inception, Easter Seals has administered the project through a cooperative agreement with the Federal Transit Administration. Through steadfast appropriations support, Easter Seals Project ACTION has become the Nation's leading resource on accessible public transportation for people with disabilities. The current project authorization level is $3 million, and Easter Seals is pleased to request the appropriation of that sum for fiscal 2008.

The strength of Easter Seals Project ACTION is its continued effectiveness in meeting the congressional mandate to work with both the transit and disability communities to create solutions that improve access to transportation for people with disabilities of all ages and to assist transit providers in complying with transportation provisions in the Americans with Disabilities Act (ADA).

NATIONAL CENTER ON SENIOR TRANSPORTATION OVERVIEW

The National Center on Senior Transportation (NCST) was created in SAFETEA–LU to increase the capacity and use of person-centered transportation options that support community living for seniors in the communities they choose throughout the United States. The center is designed to meet the unique mobility needs of older adults and provide technical assistance and support to older adults and transit providers. The NCST is administered by Easter Seals in partnership with the National Association of Area Agencies on Aging (N4A) and involves several other partners including the National Association of State Units on Aging, The Community Transportation Association of America, The American Society on Aging, and The Beverly Foundation. The Cooperative agreement forming the NCST was developed in August of 2007 and the Center was officially launched in January of this year.

The expected outcomes of the project are:

—Greater cooperation between the aging community and transportation industry to increase the availability of more comprehensive, accessible, safe and coordinated transportation services;

—Increased integration of provisions for transportation in community living arrangements and long-term care for older adults;

—Enhanced capacity of public and private transportation providers to meet the mobility needs of seniors through available, accessible, safe and affordable transportation;

—Enhanced capacity of human service providers to help seniors and/or caregivers individually plan, create and use appropriate transportation alternatives;

—Increased knowledge about and independent use of community transportation alternatives by seniors through outreach, education and advocacy;

—Increased opportunities for older adults to obtain education and support services to enable the individuals to participate in local and State public and private transportation planning processes.

The tools and resources being developed to achieve these goals include:

—Technical assistance extended through cross-agency and public/private collaboration to improve and increase mobility management for older adults through new or existing local and State coalitions;

—Technical assistance and other supportive services extended to communities, seniors, transportation and professional agencies and organizations, government, and individuals so they can effectively address barriers and/or respond to opportunities related to senior transportation; and

—Creation and dissemination of products and training programs (e.g., brochures, workbooks, best-practice guides and self-assessments) to help transportation

providers, human service agencies and older adults and their caregivers understand their roles and/or opportunities for increasing senior mobility options;
- —Use of an 800-telephone line, Web site, visual exhibit, newsletters and other communication tools;
- —Implementation of communication strategies to increase the profile of senior transportation on topics such as emerging best practices, advances in public policy, success stories and more;
- —Facilitation and testing of new ideas to increase and improve community mobility for seniors through the administration and management of demonstration projects.

In SAFETEA–LU, the NCST is authorized at $2 million for the first year of the project and $1 million for years after that. Easter Seals respectfully requests and appropriations of $2 million for the NCST in fiscal 2008. The additional $1 million included above the authorized level in this request would allow the center to fund local community's efforts to demonstrate creative, unduplicated and effective solutions to increasing mobility for older adults. This funding will allow us to support local communities' efforts to put the tools and resources developed by the NCST into practice.

SCOPE OF PROJECT ACTION AND THE NATIONAL CENTER ON SENIOR TRANSPORTATION

Both Project ACTION and the NCST are working at the State, local and national level to achieve the goal of greater mobility for all Americans. This includes everything from working with local communities to provide curriculum, resources, training and ongoing technical supports as they work to coordinate their local transportation resources, to working with States implementing the United We Ride Initiative activities, to hosting national level listening sessions and summits on issues of importance to the Nation's mobility.

FISCAL 2008 REQUEST

In order to continue the outstanding work of Easter Seals Project ACTION and the NCST, Easter Seals respectfully requests that $3 million be allocated for Project ACTION and $2 million be allocated for the National Center on Senior Transportation in fiscal 2008 to the Department of Transportation for project activities.

Mr. Chairman, thank you for the opportunity to present this testimony to the subcommittee. Your efforts have improved the accessibility of transportation for persons with disabilities and older adults and the ability of the transportation community to provide good service to all Americans. Easter Seals looks forward to continuing to work with you toward the pursuit of these objectives.

PREPARED STATEMENT OF ALL ABOARD WASHINGTON

Thank you and many other members of this subcommittee for having supported basic investments in Amtrak intercity rail in past years. While understanding there are many competing needs for tax dollars, I believe the justification for an increased Federal role in rail investments is now higher than anytime during my 20+ years as representing rail advocates from our State of Washington. (We were long known as the Washington Association of Rail Passengers.)

Given the finite, increasingly high cost of petroleum motor fuels, general acknowledgement of the negative impacts of upon local and global environments of ever-increasing motor vehicle use, the multiple costs of vehicular congestion and airport congestion, coupled with the inherent safety and efficiency of the rail mode, it would seem appropriate for the United States to join virtually all other advanced industrial nations and such rapidly advancing nations as China, Taiwan and South Korea to add intercity rail to road and air as significant means of moving people.

Our State of Washington has done its part since the early 1990s, having made the majority of investments in our popular and successful Amtrak Cascades trains, which serve Amtrak's Northwest Corridor, between Vancouver BC south through the densely populated and rapidly-growing western Washington on to Eugene Oregon. Customer satisfaction by Cascades' passengers is, year after year, judged to be at or near the top within the Amtrak system.

Only two significant concerns have surfaced concerning the Amtrak Cascades: that on-time performance is below optimum, brought about by the generally good news that shipments by the freight railroads are considerably higher than was predicted and planned for, resulting in track congestion; and, the need for more Cascades' trips per day, particularly between the major Seattle-Portland markets. In both cases, additional investments, by the freight railroads, the States of Washington and Oregon, the province of British Columbia, local communities, other private sector entities, and the U.S. Government, would strongly address these concerns.

A Rail Capacity and System Needs Study funded through the Washington State Transportation Commission and completed in December of 2006 concludes that it is in our State's interest to continue State investment in both passenger and freight rail, in cooperation with other private and public interests. The Study also concludes with the caveat that Washington State's success at increasing the role of rail transportation, with its manifold benefits to the State, would be greatly increased with a greater Federal investment role in the rail mode, one which starts to approach the many decades of U.S. Government generosity to highway, air, and inland waterway modes. While Amtrak participated in the funding of our Amtrak Cascades trains, and our congressional delegation has in general been supportive of Amtrak funding (Chair Murray has been a leader in this regard!), the State Transportation Budget passed overwhelmingly by the Washington Legislature on 21 April 2007 includes proposed rail projects which await a significant Federal investment component before they could be fully realized.

Legislators, transportation commissioners, and WSDOT leadership have said in blunt terms, "We are doing our share; now it's the Feds' turn!"

S. 294, with excellent bipartisan co-sponsorship, is a potential funding vehicle that can move toward a source of rail investment that would serve our State and other States well. As an authorization bill it remains a "good set of ideas". The means by which these good ideas can be financed fall under your committee's jurisdiction.

Details of S. 294, its characteristics, benefits, and costs would be well-known to your committee's excellent staff; I need not repeat them here. But as I am this week visiting this Washington, the Nation's Capital, and may have the privilege of meeting with some of you or you staffs, I would hope next week to be able to report back to my Washington that "the Feds" are indeed progressing toward a greater inclusion of passenger rail as a safe, fuel-efficient and environmentally-sound means of travel for the American people and our many foreign visitors.

It is said the President of South Korea was asked by an American diplomat how his country could afford the multi-billion dollar investment in high-speed passenger rail between his country's booming industrial cities. The President politely answered, "How can we afford not to?"

The funding means found in S. 294 are a start for a greater Federal rail investment in our country. Given the realities of fuel supply and cost, environmental concerns, public safety, and economic and community well-being, "How can we afford not to ?"

Prepared Statement of the American Public Transportation Association

INTRODUCTION

Madam Chairman and members of the subcommittee, on behalf of the American Public Transportation Association (APTA), we thank you for this opportunity to submit written testimony on the need for and benefits of investment in Federal Transit Administration (FTA) programs for fiscal year 2008.

The fiscal year 2008 Transportation, Housing and Urban Development, and Related Agencies Appropriations bill is an opportunity to advance national goals and objectives through increased investment in our surface transportation infrastructure, particularly public transportation. For that reason, we strongly urge Congress to fund the Federal transit program at no less than the $9.731 billion level authorized in the Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA–LU, Public Law 109–59).

In 2006, Americans took 10.1 billion trips on public transportation. Let me put the 10.1 billion number in perspective. This is more than the number of Americans who attended NFL games, MLB games, NBA games, NHL games, NASCAR races, went to the movies, and ate a hamburger from McDonald's, Burger King, and Wendy's combined. Transit ridership growth of 30 percent since 1995 is outpacing both the growth of our population—12 percent—and the growth in the use of the Nation's highways—24 percent—since then. Each weekday, 34 million trips are made on public transportation in our Nation. All across America, public transportation provides choice, freedom and opportunity.

Expanding access to public transportation is more important than ever. Transit plays a number of important roles. It reduces congestion and it provides mobility options. Its use decreases our dependence on foreign oil and improves air quality.

Increasing access to public transportation is clearly needed to create a stable, healthy and strong America. Forty years from now when America's population will exceed 400 million, we will be glad we had the foresight to discuss, plan and invest in the future of public transportation today. As we look to the future, we know there is no possible way that our roads can accommodate all the anticipated growth on their own. Transit is, and has to be, part of the solution.

FISCAL YEAR 2008 GOALS

APTA recognizes the need to invest limited Federal resources wisely, and we believe that investment in public transportation is an astute use of limited resources. To realize all of the benefits of public transportation, we urge Congress to follow the investment schedule in SAFETEA–LU. The law authorizes $9.731 billion for the Federal transit program in fiscal year 2008, including $7.766 billion in contract authority from the Mass Transit Account (MTA) of the Highway Trust Fund and $1.965 billion in new budget authority general fund spending.

We urge Congress to fund the Federal transit program at the authorized level so that communities across the Nation, utilizing State and local resources in tandem with Federal funds, can begin to address the overwhelming need both to preserve the existing transit infrastructure and to expand and improve that infrastructure in growing communities and those without good transit service.

A new survey prepared by Cambridge Systematics as part of the Transit Cooperative Research Program finds that annual transit capital needs are greater than $45 billion a year. State and local governments cannot meet the expanding capital need requirements of public transportation while also providing for transit operating expenses. To help meet these needs, APTA believes that the Federal Government should invest no less in public transportation than the $9.731 billion level that was authorized and guaranteed by SAFETEA–LU.

PRESIDENT'S BUDGET PROPOSAL

The administration's fiscal year 2008 budget proposal would cut $309 million from the level authorized and guaranteed by the Congress for fiscal year 2008 in SAFETEA–LU. The administration's budget cuts some $300 million in investments in rail and other fixed guideway transit projects in the New Starts and Small Starts program that were authorized by Congress under SAFETEA–LU. This is a failure to fund nearly 18 percent of the investment authorized to build projects which are crucial to attracting new riders.

As this committee knows, there is overwhelming demand for New Starts and Small Starts projects, and SAFETEA–LU authorized 387 such projects. New fixed guideway projects are an important part of meeting transit needs, but these major capital projects take years to develop and require a predictable funding commitment. The effect of underfunding the New Starts/Small Starts program will be felt disproportionately in future years. Transit providers would fall further behind in the development of new projects due to the cuts in the administration proposal, depriving communities of the congestion relief and environmental benefits associated with the projects.

If New Starts project schedules are delayed, project costs also rise due to inflation. A recent study by the Associated General Contractors of America (AGC) finds that the cost of building surface transportation infrastructure has increased at a much faster rate than the Consumer Price Index. Transportation-related construction costs increased by more than 30 percent between 2003 and 2006, yet the consumer price index for urban areas grew by only 11 percent during that period. Looking ahead, the AGC's research predicts that transportation construction prices will increase at an annual rate of at least 6 percent, but increases could be much higher based on the experience of recent years. Prices spiked 10 percent and 14.1 percent in 2004 and 2005, respectively. If the New Starts/Small Starts program is cut by $300 million in fiscal year 2008, it will require $330 million in fiscal year 2009 to build equivalent projects if costs rise by only 10 percent. The administration's budget proposal is truly pennywise and pound foolish. In recent years the time required to develop and complete New Starts projects has also continued to grow. This adds further to project costs, and APTA urges the committee to work with FTA to expedite this process.

We want to make another point, Madam Chairman. SAFETEA–LU restructured the general fund and Mass Transit Account (MTA) funding sources so that MTA outlays are now scored when they are actually spent rather than when they are appropriated. The good news is that MTA balances now are significantly higher than they would have been under the old scoring system. But this also means that the New Starts program is now funded exclusively from the general fund. Madam

Chairman, it is important to emphasize that this was done to improve the overall financing of the Federal transit program. The change was not meant to create funding uncertainty or program cuts, as the administration has proposed for the second year in a row.

While we understand the need to protect against spending the public's money on imprudent projects, we also believe FTA has effectively prevented the advance of viable projects by overemphasizing a limited number of benefits in the evaluation of potential New Starts projects, particularly travel time savings. Fixed guideway investment, particularly rail transit, is an alternative that requires long-term vision since the construction and expansion of systems takes time, but it is one of the most effective ways to reduce and prevent congestion in metropolitan areas and advance other national goals.

Finally, APTA urges this committee to consider providing New Starts projects with the same Federal share of project costs provided for other transit and highway investments. Both FTA and Congress have taken a number of actions that have prevented the advancement of New Starts projects that seek a Federal share of costs greater than 60 percent, and for most current projects, the local cost share exceeds 50 percent even though current law provides up to an 80 percent Federal share. APTA believes that at a time of growing concern about congestion, greenhouse gas emissions and weaning the country off foreign energy sources, the Federal Government should be encouraging communities to invest in new transit systems and the expansion of current systems. New Starts projects should be treated like other transportation projects and receive an 80/20 Federal match ratio.

TRANSIT FIGHTS CONGESTION

The U.S. Department of Transportation (USDOT) has recognized that system congestion is one of the single largest threats to our Nation's economic prosperity and way of life. In 2003, Americans lost 3.7 billion hours and 2.3 billion gallons of fuel sitting in traffic jams as a result of congestion. APTA strongly applauds the Department's efforts to focus national attention on our congested roads, rails and airways, but USDOT's efforts to fight congestion under its National Strategy to Reduce Congestion on America's Transportation Network (commonly referred to as the "Congestion Initiative") are simply incomplete. While our Nation's anti-congestion "blueprint" should incorporate new strategies such as innovative pricing, private sector investment, and urban partnership elements of the Department's Congestion Initiative, it must also call for a dramatic increase in the use of proven congestion fighting strategies like transit.

Thirty-four million trips are taken each weekday in the United States on public transportation, and each trip fights congestion. According to the 2005 Texas Transportation Institute Annual Urban Mobility Report, transit is successfully reducing traffic delays and costs in the 85 urban areas studied. Without transit delays in the 85 urban areas would have increased 27 percent, and residents in the urban areas studied would have lost an additional $18.2 billion in time and fuel as a result of increased congestion.

The impacts of congestion run deep. Good public transportation service allows all types of trips to be completed quickly and efficiently. Removing autos from congested urban freeways through transit use speeds truck-borne freight as surely as building highway capacity. In short, we must view the entire transportation network as a single system, one that can be planned managed and financed with a broad view to the overall good. Holes in the network through underinvestment result in degradation of performance for the entire system.

PUBLIC TRANSPORTATION AND ENERGY INDEPENDENCE

As our Nation revaluates our patterns of energy use, we must recognize the important energy savings that are derived from transit use. Earlier this year, a report by ICF International calculated that public transportation today reduces petroleum consumption by a total of 1.4 billion gallons of gasoline each year. This means:

—108 million fewer cars filling up—almost 300,000 every day;

—34 fewer supertankers leaving the Middle East—one every 11 days;

—over 140,000 fewer tanker truck deliveries to service stations per year;

—total savings as great as the entire amount of gasoline consumed in States the size of Nevada, Utah or New Mexico; and

—5 times greater savings than converting the entire 478,000 Federal light duty vehicle fleet to alternative fuels.

These savings result from the efficiency of carrying multiple passengers in each transit vehicle; the reduction in traffic congestion from fewer automobiles on the roads; and the varied sources of energy for public transportation.

All savings would be magnified with increased use of transit relative to the automobile. Savings would be magnified still further when we account for the energy efficiencies that are characteristic of cities highly reliant on transit which use much less energy per capita than auto dependent cities. According to research by sustainability experts Peter Newman and Jeff Kenworthy, U.S. cities use two and a half times more oil than comparable cities in Europe, and five times more oil than comparable cities in Asia.

CONCLUSION

Public transportation plays a key role in meeting the national goals of the administration and Congress in providing energy independence, congestion relief and transportation mobility options for Americans. APTA strongly believes that the Federal Government should invest no less than the $9.731 billion level authorized and guaranteed by Congress for fiscal year 2008 in SAFETEA–LU if we are to advance these goals.

Madam Chairman, on behalf of APTA's more than 1500 member organizations, I thank you for this opportunity to express our views.

PREPARED STATEMENT OF THE CALIFORNIA INDUSTRY AND GOVERNMENT CENTRAL CALIFORNIA OZONE STUDY COALITION

Madam Chairman and members of the subcommittee: On behalf of the California Industry and Government Central California Ozone Study (CCOS) Coalition, we are pleased to submit this statement for the record in support of our fiscal year 2008 funding request of $500,000 from the Department of Transportation for CCOS. These funds are necessary for the State of California to address the very significant challenges it faces to comply with new national ambient air quality standards for ozone and fine particulate matter. The study design incorporates technical recommendations from the National Academy of Sciences (NAS) on how to most effectively comply with Federal Clean Air Act requirements.

First, we want to thank you for your past assistance in obtaining Federal funding for the Central California Ozone Study (CCOS) and California Regional $PM_{10}/PM_{2.5}$ Air Quality Study (CRPAQS). Your support of these studies has been instrumental in improving the scientific understanding of the nature and cause of ozone and particulate matter air pollution in Central California and the Nation. Information gained from these 2 studies is forming the basis for the 8-hour ozone, $PM_{2.5}$, and regional haze State Implementation Plans (SIPs) that are due in 2007 (ozone) and 2008 (particulate matter/haze). As with California's previous and current SIPs, all future SIPs will continue to be updated and refined due to the scientific complexity of our air pollution problem. Our request this year would fund the completion of CCOS to address important questions that won't be answered with results from previously funded research projects.

To date, our understanding of air pollution and the technical basis for SIPs has largely been founded on pollutant-specific studies, like CCOS. These studies are conducted over a single season or single year and have relied on modeling and analysis of selected days with high concentrations. SIPs are now more complex than they were in the past. The National Academy of Sciences (NAS) now recommends a weight-of-evidence approach that will involve utilizing more broad-based, integrated methods, such as data analysis in combination with seasonal and annual photochemical modeling, to assess compliance with Federal Clean Air Act requirements. This will involve the analysis of a larger number of days and possibly an entire season. In addition, because ozone and particulate matter are formed from some of the same emissions precursors, there is a need to address both pollutants in combination, which CCOS will do.

Consistent with the NAS recommendations, the CCOS study includes corroborative analyses with the extensive data provided by past studies, advances the state-of-science in air quality modeling, and addresses the integration of ozone and particulate pollution studies. In addition, the study will incorporate further refinements to emission inventories, address the development of observation-based analyses with sound theoretical bases, and includes the following four general components:

	Years
Performing SIP modeling analyses	2005–2011
Conducting weight-of-evidence data analyses	2006–2008
Making emission inventory improvements	2006–2010

	Years
Performing seasonal and annual modeling	2008–2011

CCOS is directed by policy and technical committees consisting of representatives from Federal, State, and local governments, as well as private industry. These committees, which managed the San Joaquin Valley Ozone Study and are currently managing the California Regional $PM_{10}/PM_{2.5}$ Air Quality Study, are landmark examples of collaborative environmental management. The proven methods and established teamwork provide a solid foundation for CCOS.

For fiscal year 2008, our Coalition is seeking funding of $500,000 from the DOT through Highway Research funds. DOT is a key stakeholder in air quality issues because Federal law requires that transportation plans be in conformity with SIPs. Billions of dollars in Federal transportation funds are at risk if conformity is not demonstrated for new transportation plans. As a result, transportation and air agencies must be collaborative partners on SIPs and transportation plans, which are linked because motor vehicle emissions are a dominant element of SIPs in California and nationwide. Determining the emission and air quality impacts of motor vehicles is a major part of the CCOS effort.

Heavy-duty trucks are known to have very different driving patterns than light duty cars and, despite smaller numbers, are responsible for a disproportionate amount of emissions (e.g. approximately 50 percent of California's mobile source NO_X emissions). The continued growth of heavy-duty truck travel, including increases in inter-state and international goods movement, makes this element of the SIP transportation emission estimate critical. Thus, to support the region's new SIPs and to address the new NAS recommendations, improvement of the temporal and spatial distribution of heavy-duty truck emissions is needed. We propose funding of this activity at a level of $500,000. The funding will go to collect data that can be used to more accurately characterize heavy-duty truck emissions, including those resulting from NAFTA

If we receive the funds requested this year to complete this research project, this will be our final request.

Thank you very much for your consideration of our request.

Prepared Statement of the Illinois Department of Transportation

Mr. Chairman and members of the subcommittee, we appreciate the opportunity to submit testimony concerning the fiscal year 2008 U.S. Department of Transportation (U.S. DOT) appropriations on behalf of the Illinois Department of Transportation (IDOT) to the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. We thank Chairman Byrd and the members of the subcommittee for their past support of a strong Federal transportation program and for taking into consideration Illinois' unique needs.

IDOT is responsible for the planning, construction, maintenance and coordination of highways, public transit, aviation, intercity passenger rail and freight rail systems in the State of Illinois. IDOT also administers traffic safety programs. Our recommendation for overall funding priorities and our requests for transportation funding for projects of special interest to Illinois are discussed below.

HIGHWAY

Highway Obligation Limitation/RABA.—IDOT urges the subcommittee to set the obligation limitation for highway and highway safety programs at the guaranteed SAFETEA–LU level in fiscal year 2008 at $40.2 billion—a $1.1 billion increase over the fiscal year 2007 level of $39.1 billion. This recommendation consists of the obligation level of $39.585 billion authorized in SAFETEA–LU plus the $631 million expected from the upward Revenue Aligned Budget Authority (RABA) adjustment. IDOT is aware of the implications of supporting a RABA increase when the long-term viability of the trust fund is in question. However, IDOT is more concerned with the Federal funding needed to address immediate highway and bridge deficiencies as noted in the recent U.S. DOT publication, 2006 Status of the Nation's Highways, Bridges, and Transit: Conditions & Performance Report. Overall, IDOT continues to support the SAFETEA–LU guarantees and funding firewalls as do other transportation advocates such as the American Association of State Highway and Transportation Officials (AASHTO) and the American Road and Transportation Builders Association (ARTBA). The full utilization of the additional RABA funds will allow further improvements to highway and highway safety programs.

Rescission of Unobligated Highway Apportionments.—IDOT urges the subcommittee to suspend its practice of rescinding unobligated highway apportionments. Rescissions undermine the SAFETEA–LU principles of guaranteed funding and budgetary firewalls by withdrawing "promised" Federal funding to offset increased non-transportation funding elsewhere. Moreover, the accumulated impact of numerous rescissions since fiscal year 2002 has exacted unanticipated programmatic consequences. With large scale rescissions, such as the one implemented in fiscal year 2007 for $3.471 billion, a State has less flexibility to shift funding toward unique State needs and to meet individual highway program priorities. For example, to more equitably soften the impact of the most recent rescission on categories such as CMAQ and Enhancements, IDOT found it necessary to withdraw from categories with current-year apportionment. Additionally, State transportation departments are being unduly pressured by various transportation interests to make rescissions based on that group's particular preference. In total, Illinois has rescinded $326 million in unobligated apportionments since the first rescission in fiscal year 2002.

If the subcommittee finds the flexibility to earmark meritorious projects in existing discretionary SAFETEA–LU categories or outside the authorized categories, IDOT requests the following earmarks for highway, transit and rail funding:

—*I–55 Add Lanes Project.*—IDOT requests a fiscal year 2008 earmark of $16.4 million to provide additional lanes for 14.5 miles in each direction on I–55 from I–80 to Weber Road in an effort to reduce congestion and improve safety.

—*Illinois Statewide Intelligent Transportation Systems (ITS) projects.*—IDOT requests a fiscal year 2008 earmark of $14.5 million in ITS equipment/technology funds to implement 3 priority projects that will address congestion, improve safety, enhance security and improve the operating efficiencies of highway and transit systems.

—*Illinois Route 120 Corridor Initiative.*—IDOT requests a fiscal year 2008 earmark of $12.56 million for the planning and construction of a traffic facility to provide access and congestion relief for an east-west route in central Lake County. The facility would address future land use and economic development.

—*ITS Vehicle Infrastructure Integration Test Bed for NE IL (MOTODRIVE™).*—IDOT requests a fiscal year 2008 earmark of $2 million to utilize technology developed by Motorola to pursue the goals of the Vehicle Infrastructure Integration (VII) program and to assemble components and technologies that quickly, securely and reliably send large amounts of wireless data from transmitter devices, mounted on light poles along roadsides, to cars equipped with on-board devices.

—*Illinois Scenic Byways.*—IDOT requests a fiscal year 2008 earmark of $1 million for informational materials needed to promote and add signage to the two new byways in Illinois. These materials will promote travel and tourism and foster economic development.

Other IDOT Priorities—(to be earmarked under the: Subcommittee on Commerce, Justice and Science, and Related Agencies) Height Modernization.—IDOT requests a fiscal year 2008 earmark of $3.5 million to establish a Height Modernization (HM) program in Illinois. A HM program will establish a network of survey benchmarks and a statewide high-resolution digital elevation model of the earth's surface based upon the updated network. Illinois currently ranks alongside the bottom 10 states with regard to the quality of its elevation information.

TRANSIT

Transit Obligation Limitation.—IDOT urges the subcommittee to set the obligation limitation for transit programs at the guaranteed SAFETEA–LU level in fiscal year 2008 at $9.731 billion—a $756 million increase over the fiscal year 2007 level of $8.975 billion.

Bus and Bus Facilities.—IDOT, the Illinois Public Transportation Association and the Regional Transportation Authority (RTA) jointly request a Federal earmark of $31 million in fiscal year 2008 section 5309 bus capital funds for Illinois. This joint request is a demonstration of our mutual interest in securing funding for essential bus capital needs throughout the State.

The request will provide $5.3 million for downstate Illinois transit systems to purchase up to 36 buses and paratransit vehicles to replace overage vehicles and to comply with Federal mandates under the Americans with Disabilities Act. All of the vehicles scheduled for replacement are at or well beyond their design life. The request will also provide $12.6 million to undertake engineering, land acquisition or construction for five maintenance facilities and two transfer facilities that will enhance efficient operation of transit services.

In northeastern Illinois, $12.9 million will be used to purchase up to 40 heavy-duty buses, 10 for Pace, RTA's suburban bus operator, and 30 for the Chicago Transit Authority (CTA).

Illinois transit systems need discretionary bus capital funds since regular formula funding is inadequate to meet all bus capital needs. IDOT believes that Illinois' needs to justify a much larger amount of funds than the State has received in recent years. Under SAFETEA–LU Illinois is expected to receive nearly 6 percent of the needs-based formula funds but Illinois has only received between 1 and 3 percent of appropriated bus capital funds in the past. RTA ranks third in the Nation in bus passenger trips, yet Illinois' share of bus capital has been far below shares received by other States with much less bus use.

New Systems and Extensions—Chicago Transit Authority (CTA).—IDOT supports the CTA's request for an earmark totaling $40 million in New Starts funding to assist in upgrading the Ravenswood Brown Line. The match for these funds will be provided by IDOT.

The funding requested for upgrading the Ravenswood Brown Line would continue construction to extend station platforms to handle longer trains that are needed to serve the increasing demand along this line. Lengthening all platforms to handle longer, 8-car trains, straightening tight S-curves that slow operations and selected yard improvements will increase capacity by 25 to 30 percent. The CTA is seeking $40 million in New Starts funds for fiscal year 2008. A FFGA for $245.5 million was executed in January 2004 for the project.

New Systems and Extensions—MetroLink.—IDOT supports the Bi-State Development Agency's request for a Federal earmark of $50 million in fiscal year 2008 New Starts funding for extending the MetroLink light rail system in St. Clair County from Scott Air Force Base to MidAmerica Airport. The MetroLink system serves the St. Louis region in both Illinois and Missouri. MetroLink service has been a tremendous success and ridership has far exceeded projections. In addition, this new extension will provide employees the needed transportation to commute to a new industrial development that is to be located between Scott Air Force Base and MidAmerica Airport.

Formula Grants.—IDOT urges the subcommittee to set appropriations for transit formula grant programs at levels that will allow full use of the anticipated Highway Trust Fund Mass Transit Account revenues. IDOT also supports utilizing general funds to supplement transit needs.

In Illinois, Urbanized Area formula funds (section 5307) are distributed to the Regional Transportation Authority and its 3 service boards which provide approximately 600 million passenger trips per year. Downstate urbanized formula funds are distributed to 14 urbanized areas which provide approximately 30 million passenger trips per year.

The Rural and Small Urban formula funds (section 5311) play a vital role in meeting mobility needs in Illinois' small cities and rural areas. IDOT urges the subcommittee to fully fund section 5311 at the SAFETEA–LU authorized level. Many small urbanized areas have raised expectations under SAFETEA–LU and therefore the full appropriation is sought. In Illinois, such systems operate in 60 counties and 11 small cities, carrying approximately 2.9 million passengers annually.

RAIL

Amtrak Appropriation.—IDOT supports Amtrak's request of $1.53 billion in funding from general funds for fiscal year 2008 to cover capital, operating and debt service costs. Amtrak needs the full amount of their request to maintain existing nationwide operations. IDOT urges Congress to provide funds to continue current service until it develops a new national rail passenger policy and a clear plan for any changes to existing services as part of the congressional reauthorization of Amtrak. Chicago is a hub for Amtrak intercity service, and Amtrak operates 58 trains throughout Illinois as part of the Nation's passenger rail system, serving approximately 3.3 million passengers annually. Of the total, Illinois subsidizes 28 state-sponsored trains which provide service in 4 corridors from Chicago to Milwaukee, Quincy, St. Louis and Carbondale. Amtrak service in key travel corridors is an important component of Illinois' multimodal transportation network and continued Federal capital and operating support is needed.

CREATE—Chicagoland Region Environmental and Transportation Efficiency Program.—IDOT requests a fiscal year 2008 earmark of $10 million to support continued funding of the CREATE program that will improve the movement of freight through the Chicago region and will improve the overall efficiency of freight movements throughout the Nation.

—*Passenger Rail-Freight Congestion Relief.*—IDOT requests a fiscal year 2008 earmark of $1 million for engineering for selected capital infrastructure improvements necessary to relieve passenger and freight train congestion on the three state-supported downstate corridors.

AVIATION

Airport Improvement Program Obligation Limitation.—IDOT supports a fiscal year 2008 Airport Improvement Program (AIP) obligation limitation that, despite any programmatic restructuring as offered under the President's proposed plan, will net at least the same level of funding for airports as under VISION–100. In addition, IDOT supports a reauthorization bill that provides consistent increases to the AIP obligation funding levels in the out-years similar to the $100 million per year increases authorized during the 4 years of VISION–100.

Adequate AIP funding remains especially important for Small, Non-Hub, Non-primary, General Aviation and Reliever airports. While most Large/Medium Hub airports have been able to raise substantial amounts of funding with Passenger Facility Charges, the smaller airports are very dependent on the Federal AIP program. Airports must continue to make infrastructure improvements to safely and efficiently serve existing air traffic and the rapidly growing passenger demand. The most recent National Plan of Integrated Airport Systems (NPIAS) report identified $41.2 billion in airport development needs over a 5-year period (2007–2011), an annual average of $8.2 billion. More significantly, the Airports Council International-North America recently estimated that U.S. airport development costs (capital projects, terminal work, parking lots, etc.) will exceed $71.5 billion through 2009 (an annual average of $14.3 billion from 2005 through 2009). Lower AIP obligation levels will mean less Federal funds for airport projects, thereby exacerbating the existing capital project funding shortfall.

Essential Air Service Program (EAS).—IDOT supports an EAS program funded at a level that will enable the continuation of service at all current Illinois EAS points. Several Illinois airports, Decatur, Marion/Herrin and Quincy, currently receive annual EAS subsidies.

Small Community Air Service Program.—IDOT supports funding for the Small Community Air Service Development Program at the full authorized fiscal year 2008 level of $35 million. In fiscal year 2006, Abraham Lincoln Capital Airport in Springfield, Illinois received $390,000 under this program. Other airports in Illinois have received funding from this program in the past.

This concludes my testimony. I understand the difficulty you face trying to provide needed increases in transportation funding. However, an adequate and well-maintained transportation system is critical to the Nation's economic prosperity and future growth. Your ongoing recognition of that fact and your support for the nation's transportation needs are much appreciated. Again, thank you for the opportunity to discuss Illinois' federal transportation funding concerns.

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

The National Association of Railroad Passengers strongly supports the Senate Budget Resolution level of $1.78 billion for Amtrak. This includes $100 million—likely to be administered by the Federal Railroad Administration—for a Federal matching program to support State corridor development work, and $50 million for station-related Americans with Disabilities Act work.

—This is the third straight year that an Amtrak board composed exclusively of President Bush's appointees has supported significantly greater Federal investment in the Nation's passenger train system than the administration has requested.

—The Bush Administration, like Amtrak and our Association, supports a Federal/State matching program for intercity passenger train service. But we oppose the administration's proposal to fund this by taking it from Amtrak's appropriation.

—The administration's proposed budget of $800 million for Amtrak is unrealistic. Not only would it make it impossible to implement the program the administration proposed and funded for Federal/State corridor development, but it likewise would make it impossible to continue existing services.

THERE IS A STRONG CASE FOR GROWING THE NATION'S PASSENGER TRAIN SYSTEM

The public wants more rail service, and is increasingly impatient with the extent to which Federal transportation spending remains focused on highways and aviation, the least energy-efficient, most environmentally damaging forms of transportation (see section II), and the most costly. Here are three omens worth noting:

—California A.B. 32 enacted last year imposes an economy-wide cap on greenhouse gas emissions, including from transportation, beginning in 2009.

—The Institute for Public Policy Research, which Reuters characterized as "a leading British think tank," urged requiring advertisements for flights or vacations that include flying to carry a tobacco-style health warning to remind people of the global warming crisis. "The evidence that aviation damages the atmosphere is just as clear as the evidence that smoking kills," said IPPR Climate Change Chief Simon Retallack.

—The long-term trend in the price of oil is up. "This year, the world is going to use about 86 million barrels of oil per day. And if every oil well in the world were running, assuming 1.2 percent production growth, we are producing around 88 million barrels a day. Reserves that we are putting on, in general, don't produce as fast as the reserves we are replacing . . . [The economies of India or China] may slow, but from a double-digit level to something that is still very high . . . The chance of demand going down for energy is remote to none."—John Segner, Portfolio Manager, AIM Energy Fund (interview in Barron's, March 19, 2007).

Current U.S. reliance on air transport for mass travel may well not be sustainable. We cannot assume the indefinite existence of "bargain" airlines or airfares, which depend heavily on cheap oil, given what we already know about oil supply and demand worldwide.

ENERGY EFFICIENCY

The Transportation Energy Data Book, published annually by Oak Ridge National Laboratory under contract to the U.S. Department of Energy, shows that Amtrak is 18 percent more energy efficient per passenger-mile than scheduled airlines and 17 percent more efficient than automobiles (2003 data, the most recent reported; a passenger-mile is one passenger transported one mile). These are actual figures based on total energy consumption by the systems, and load factors.

General aviation (including corporate aircraft) is even less energy efficient. Oak Ridge reports that general aviation was 2.6 times (162 percent) more energy intensive than certificated air carriers in 2001, the last year for which data are available; other modes are 2003 data:

BRITISH THERMAL UNITS PER PASSENGER-MILE

Commuter Railroads	2,751
Amtrak	2,935
Automobile	3,549
Certificated air carriers	3,587
Light trucks (2-axle, 4-tire)	7,004
General aviation (2001)	10,384

Lowest = most energy efficient.

Amtrak's showing would be even more favorable with the benefit of adequate investment in rail infrastructure and rolling stock. The results above compare highways and aviation which have benefited from decades of investment by all levels of government while Amtrak depends on a largely inadequate and outdated rail network that government has consistently ignored. (We appreciate that the neglect would have been even worse but for the efforts of Congress.)

ROUTE CUTTING IS NOT IN THE PUBLIC INTEREST

Pressure to downsize Amtrak's already shrunken, minimal system even more is contrary to the public's need for high quality mobility choices. It is appropriate to increase the cost-effectiveness and on-time performance of the system, but further downsizing will not do this. Efforts to increase service and expand the route network would drive economies of scale that would improve economic efficiency and better serve the public need for safe, reliable and energy efficient mobility.

None of the current routes is expendable. When considered in terms of the service Amtrak provides, the public makes heavy use of all existing routes; there are no "empty trains." The current trend is positive. Travel on overnight trains as a group rose 3 percent in the first half of fiscal 2007 and yield (revenue per passenger-mile) climbed 4 percent compared with year-earlier figures. Comparing the entire fiscal 2006 with fiscal 2005, yield jumped 10 percent while passenger-miles fell only 3 percent despite major service disruptions caused by Hurricane Katrina. Amtrak is not "giving away the store." Congress's oversight should focus on year-long averages and not get distracted by individual fares offered selectively on the internet.

Attempts to improve economic efficiency by forcing removal of the "weakest routes" have not been effective in the past and likely will continue to fail in the future because of "network interdependencies" that affect both cost and revenue:

—A significant proportion of passengers on overnight national network routes connect with other Amtrak routes. The elimination of one route takes revenue away from surviving routes;

—The elimination of one route doesn't eliminate all of the costs allocated to it; many of those costs are just transferred to remaining routes.

—Further tinkering with Amtrak's current route structure risks great damage to the system's usefulness to travelers both now and in the future, while doing little to reduce Amtrak's operating grant requirement (and possibly increasing it).

The purpose of identifying "weak" routes should be only to focus management's attention on improving the attractiveness of the service and raising fare box recovery.

It is important to measure performance with metrics that are both accurate and appropriate. For example, Amtrak reports separate financial results for the Sunset Limited and Texas Eagle. This creates the illusion that the Sunset has a loss per passenger mile nearly double that of the Eagle. In reality, the Sunset and Eagle run as a single combined train San Antonio-Los Angeles; it is impossible to segregate the revenue and cost into two separate trains. When treated as a single train, the "net cost" of operating Eagle/Sunset is in line with other overnight long distance routes. Elimination of the Sunset would significantly increase the "net cost" of the Eagle, producing either much higher Eagle costs or much lower revenue, depending on whether or not Amtrak continued the San Antonio-Los Angeles segment.

"Subsidy per passenger" is not a standard measure for intercity travel because it ignores wide variations in trip lengths of different passengers. Consequently, it is not an economic measure but a statement of prejudice against passengers taking long trips, and against rural America. More reasonable measures include revenue-to-cost ratio, operating ratio (opposite of revenue-to-cost; frequently used in the railroad industry, loss per seat-mile and loss per passenger-mile.

No matter how many routes get cut, there always will be another set of "worst performing routes" that become the next targets for elimination. The most effective strategy to improve Amtrak's utility and economic efficiency is for Amtrak to focus on increasing volume and revenues, not reducing or eliminating service.

OVERNIGHT TRAINS: A NATIONAL TREASURE

Here are some of the major reasons Congress should maintain and expand nationwide passenger train service. An expanded national network will provide:

—Mobility for the one of every three Americans who does not drive.

—Mobility for millions of Americans who cannot or do not want to fly, in major markets with affordable air fares and markets with little or no alternative public transportation.

—An essential link between underserved rural communities and metropolitan areas.

—A foundation for future rail development that facilitates start-up of shorter-distance intercity services and commuter rail operations into congested urban areas—both of which use some of the same tracks and/or facilities.

—The only intercity passenger train service for people in most States. If all long-distance trains disappeared, the surviving system would serve just 21 States, and the network would consist of only four, isolated mini-networks.

—Needed transportation capacity with minimum impact on the environment. Except in a few key corridors already at capacity, rail can increase its capacity at comparatively low cost by increasing train length or running more trains on existing infrastructure.

—Greater public safety; rail is far safer than highways.

—Enhanced national security both by increasing the energy efficiency of the Nation's transportation system and by giving travelers needed choices in emergencies.

—On many routes, the best way to see the Nation's natural beauty and the only practical way for those who can't take long automobile trips.

SHORTER CORRIDORS

The need for these services is increasingly well understood, helped most recently by strong ridership response to the frequencies Illinois added last fall on the lines linking Chicago with St. Louis, Quincy and Carbondale. For March, ridership on these lines was up 57 percent, 44 percent and 75 percent, respectively, over March, 2006.

States are eager to develop new passenger train services and will respond quickly when provided a Federal matching fund program. In some cases, like California, the need is for new equipment as ridership growth begins to exceed the capacity of available rolling stock. In other States, the issue is adding new lines. Thank you for considering our views.