

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND) at
Hearing on the President's FY 2011 Budget for the Department of Transportation
February 24, 2010**

The hearing will come to order. I want to welcome everyone to the Senate Budget Committee this morning. Our hearing today will examine the President's transportation budget request. Our witness is the Secretary of Transportation, Ray LaHood. I especially want to welcome you to the Senate Budget Committee. This is Secretary LaHood's first appearance before the Senate Budget Committee and we are delighted that he could be here.

I would like to begin by providing an overview of transportation funding and the challenges we face in this area.

And I also apologize to the Secretary, because our attendance is affected. Members know that we typically do hearings beginning at 10 a.m. Because of your schedule and because of Senate votes that have been now scheduled in the middle of the hearing, which is unusual but unavoidable given the circumstances we're facing, members had previous obligations and other committee work. So that clearly is affecting our attendance. Our Ranking Member is delayed as well by other responsibilities, but we will press ahead because this is an important hearing for the Budget Committee.

It is clear that transportation funding has played a role in helping to revive our struggling economy. When President Obama took office last year, we were in the midst of a deep recession, the worst since the Great Depression. The actions taken by the federal government over the last year, I believe, have helped pull our economy back from the brink. I think it is undeniable that the series of actions taken by the Congress, the President, and by the Federal Reserve have averted what could've been a global financial collapse. I was in the room; I saw the reports coming in that were truly dire.

One of the actions that was taken was the Recovery Act, which included additional transportation investments. Those investments were certainly not the only factor contributing to our turnaround, but they appear to have made an important contribution. And those transportation investments will have the added benefit of improving our nation's long-term economic efficiency and competitive position.

We have seen a remarkable turnaround during this last year in economic growth. Economic growth in the first quarter of last year was a negative 6.4 percent. By the last quarter, it had improved to a positive 5.7 percent growth.

We have also seen a steady improvement in the jobs picture. In January of last year, we now know the economy was losing more than 800,000 private sector jobs a month. I have previously used the number 700,000. We now know that, in fact, we were losing 800,000. By this January, the economy was losing about 12,000 jobs a month. That is a dramatic improvement. And I know it is cold comfort to those who don't have work or can't find the work that they would like. But, nonetheless, we have to deal with the reality that we have seen a dramatic improvement in the jobs picture, and we are hoping to see positive job growth in the

months ahead.

Most economists agree the Recovery Act had a positive impact. This is what Dr. Simon Johnson, the former Chief Economist of the International Monetary Fund, said in testimony before the Budget Committee, this committee, earlier this month. He said, and I quote: “I would give the stimulus a very positive assessment. I’m not a fan of stimulus in general, but ... this was a very unusual set of circumstances. And I think it saved jobs, and I think it prevented damage to potential output that you would have seen otherwise. The crisis in confidence ... a year ago was extraordinary.... It was global, it was everywhere. And the fiscal stimulus was an essential part of U.S. leadership in turning the world economy around.” I believe Dr. Johnson has that right.

This chart highlights the key transportation investments in the Recovery Act. In total, it provided \$48 billion to rebuild and modernize the nation’s transportation system, including: \$27.5 billion to build and repair highways; \$8.4 billion to expand transit systems; \$8.0 billion to develop high speed intercity passenger rail; \$1.5 billion for investments in surface transportation projects; \$1.3 billion to expand airport capacity and improve safety; and \$1.3 billion to modernize Amtrak’s equipment and upgrade tracks.

Let me just say, in the debates over the Recovery Act, I was an advocate for \$200 billion in that category. I believed we should’ve put \$200 billion in the infrastructure accounts. I did not win that debate. I still believe, looking back, that while we all acknowledge there is a delay in infrastructure projects and getting them moving, that the job creation that would’ve flowed from that size of a package, as well as the need to deal with the backlog that we confront across the country in terms of highway repair, bridge repair, airport improvement, that those are investments that would’ve been wise to be made now. You can’t get a better time to bid contracts than right now.

And the President’s budget request, I’m happy to say, for 2011 continues to make investments in transportation.

The budget includes \$42 billion for highways and \$10.8 billion for transit, and the extension of the Surface Transportation Program, or highway bill, through March of 2011 at current levels.

The budget includes \$16.5 billion for aviation, including funding to develop next generation air traffic control systems, which we simply must do. If we are going to remain competitive, we have got to go to next generation air traffic control systems.

The budget also includes \$2.9 billion for rail, continuing investment in high speed rail and increased funding for Amtrak, both very much needed.

And the budget includes \$4.0 billion for a National Infrastructure Fund, to allow for investing in projects of regional or national significance.

But we have serious highway and transit funding problems going forward. This chart

shows that Highway Trust Fund receipts are projected to be lower than Highway Trust Fund outlays in the years ahead. And this funding gap is growing.

The jobs bill now under consideration includes a General Fund transfer to fill this gap for 2010 and 2011. This is not my preferred alternative. We heard yesterday from the Ranking Member very clearly on this matter. I agree with him on the long-term. This is, it is not satisfactory for us not to address this long-term funding gap.

On the other hand, in the short-term, what is the alternative? I think we have to be very serious, what is the alternative? Are we really going to raise taxes in the midst of a continuing weak economy – one that is improving, but is still not fully recovered? Are we going to really raise taxes in that circumstance?

Are we going to reduce the ability to go forward in this highway construction season when we've got the opportunity to have bids at very favorable rates, to create jobs and to improve the competitive position of the United States? For those who say, "well, we ought to just shut it down; we ought to have dramatic cuts;" I profoundly disagree. I think that would be wrong on every count. I think it would be wrong in terms of the taxpayer interest. I think it would be wrong in terms of job generation. I think it would be wrong in terms of economic growth. I think it would be wrong in terms of improving the competitive position of the United States.

But over the longer-term, we have to find another way. Given our nation's dire financial outlook, we cannot afford to continue funding our highways and transit out of the General Fund. That cannot be the answer. That is why it is critical that we get a long-term highway reauthorization plan from the Administration. We need to know how the Administration would bridge this funding gap. We would like to hear from Secretary LaHood when Congress can expect to receive the Administration's long-term highway reauthorization plan.

This next chart shows some of the options that have been proposed to address the highway funding gap. And these include: increasing the gas tax; charging for each mile traveled; adding more tolls; continuing General Fund transfers, which I strongly oppose; and identifying other funding sources. Now let's be frank, none of these are popular options. But we have to find a way to close this funding gap. We are going to have to start making tough choices.

With that, I want to go to Secretary LaHood for his opening statement. Again, to welcome you; we are delighted that you are in that position; we have high regard for you. I have followed your career when you were in the House of Representatives. You were known as somebody who reached across partisan divides, was eminently fair in the way you conducted yourself, and really, I think, in many ways are a role model for how members of Congress, both in the Senate and the House, ought to operate. With that, we very much appreciate your being here today. Please proceed, and then we'll go to questions from members.