STATEMENT OF
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HEARING ON

"Federal, State and Local Partnerships to Accelerate Transportation Benefits"

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Chairman Boxer, Ranking Member Inhofe, and Members of the Committee:

I am pleased to appear before the Committee today to discuss activities of the U.S. Department of Transportation that facilitate Federal, State and local partnerships to accelerate major transportation projects around the country.

My testimony will focus primarily on three innovative approaches to transportation investment that either currently support this objective or could support it. However, before discussing these approaches, I would like to discuss some of the challenges that we face in responding to the tremendous demand for transportation investment that we encounter around the country, even with the innovative tools that are currently available.

On Friday, February 19, I traveled with Secretary LaHood to Los Angeles. While there, Secretary LaHood and I had the opportunity to meet with Chairman Boxer, Mayor Villaraigosa and other State and local leaders to learn about the Los Angeles "30/10" program, an ambitious multi-billion dollar initiative to accelerate 12 major transit projects so they can be built in 10 years instead of 30.

The 30/10 program includes the Westside subway extension, the Regional Connector light rail in downtown, the Green Line connection to LAX and extension to the South Bay, the Foothill Extension of the Metro Gold Line, the Crenshaw corridor transit project, the Expo light rail line on the Westside Phase 2, the San Fernando Valley 405 Corridor Connection, the Orange Line Canoga Extension, the West Santa Ana Branch Corridor, the San Fernando Valley North-South Rapidways and the Eastside Extension to El Monte or Whittier. A total of $5.2 billion is available for the program from the locally approved Measure R and other sources, but additional funds will be required from the private sector, the Federal Government and other partners.

The 30/10 program may well be at the vanguard of transit planning and system development; similar programmatic approaches to solving regional transportation challenges are likely coming. In this model, plans are assembled for many projects and all of the projects are accelerated. Denver, Colorado, is another good example of a major city that has developed a full transit capital program comprised of multiple major projects and is approaching project development and delivery in an accelerated fashion, rather than project-by-project.

The Department's most significant discretionary transit capital program, the New Starts program, typically evaluates and funds projects on a project-by-project basis, but could be adapted to evaluate and fund a system of projects in an integrated way. The Department is ready to support ambitious local initiatives like the 30/10 program, which would compete on their merits with other projects in the funding queue based on project justification, local financial commitment and the readiness of the sponsors to initiate the project.

The Department has additional resources to help deliver some of the individual projects that make up integrated system projects. We are working on solutions in Denver and look forward to working with Los Angeles, too. My testimony is going to focus on three of the Department's most innovative programs, or proposals, that are available to help deliver the projects in Los Angeles, as well as other major transportation projects.

First, one of the Department's most successful programs over the last decade has been the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) program, which provides credit assistance for major transportation projects around the country. The program offers direct loans, loan guarantees or lines of credit for up to a third of a project's eligible costs, with favorable repayment terms that make financing cheaper and encourage co-investment.

Second, the Department's Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant program, authorized under the American Recovery and Reinvestment Act of 2009, provided a unique and unprecedented opportunity for the Department to encourage multi-jurisdictional and/or multi-stakeholder planning, and leverage substantial co-investment from public and private sector partners. The vast majority of the TIGER projects involved multiple levels of planning and/or multiple layers of funding.

Lastly, President Obama's budget for Fiscal Year 2011 provides $4 billion for a new National Infrastructure Innovation and Finance Fund (the I-Fund), which will invest in high-value projects of regional or national significance. The I-Fund would have flexibility to choose projects with demonstrable merit from around the country and provide a variety of financial products – grants, loans, or a combination – to best fit a project's needs.

TIFIA, TIGER and the I-Fund respond to the difficulty States and local governments face in funding major projects of regional or national significance through traditional formula fund programs on a pay-as-you-go basis. By encouraging multi-jurisdictional and multi-stakeholder planning at the regional and national level, and by encouraging substantial levels of co-investment from a variety of public and private sector partners, these programs are reshaping the landscape for investment in major transportation projects.

Transportation Infrastructure Finance and Innovation Act (TIFIA)

The TIFIA program provides credit assistance for up to one-third of the eligible costs of qualified surface transportation projects of regional and national significance. Eligibility is open to large-scale, surface transportation projects—highway, transit, railroad, intermodal freight, and port access—with eligible costs exceeding $50 million. TIFIA credit assistance is available for State and local governments, transit agencies, railroad companies, special authorities, special districts, and private entities.

The primary goal of the TIFIA program is to use Federal funds in a way that promotes new and innovative models for more efficiently financing and managing large transportation projects (e.g. Public-Private Partnership agreements), catalyzes regional or national planning efforts, and attracts substantial private and other non-Federal co-investment for critical improvements to the Nation's surface transportation system. The program achieves this goal by providing a number of flexible and favorable financing terms to help fill market gaps in financing plans. Because TIFIA is a Federal credit program and because it requires co-investors for at least two-thirds of project costs, TIFIA is also able to drive total investments that are a multiple of the actual Federal budget resources the program consumes.

While TIFIA has proven to be an extremely useful tool for financing toll roads and other user-backed transportation projects, it is also considering capital investment programs in other modes that are traditionally less reliant on user fees, such as transit. For transit projects, sales taxes and/or other revenue streams related to transit-oriented development can be leveraged to repay project financing sources.

For example, most recently, TIFIA provided a $171 million loan for the Transbay Transit Center, a major passenger transportation hub connecting San Francisco with other Bay Area communities and the rest of California. This is the first transit center of its kind, a “Grand Central” terminal connecting local, regional and national travel options, to be financed with a direct TIFIA loan, and represents a milestone in the program’s development. The TIFIA loan for the Transbay Terminal Center reflects the variety of ways the Department can use innovative programs to demonstrate efficient transportation infrastructure finance and execution around the country.

The TIFIA office is evaluating loans expected to close in the near term that may consume a large portion of its current resources. A full year appropriation for FY 2010 (based on FY 2009 funding levels) would make more funds available to fund additional projects.

Project sponsors submitted thirty-nine letters of interest for FY 2010 credit assistance in response to the March 1, 2010 deadline established in a Notice of Funding Availability. The letters of interest represent a range of different project types, including six transit projects, thirty-one highway and bridge projects, and one freight intermodal project. Project sponsors requested almost $13 billion in TIFIA credit assistance to support over $41 billion in total project costs, significantly more capacity than TIFIA's budget resources can support.

TIGER Discretionary Grant Program

The TIGER program represents one of the Department's most ambitious efforts to date to leverage Federal investment. The program catalyzed local, regional and National planning and facilitated substantial co-investment by the public and private sectors to help deliver 51 major transportation projects across the country. Among the factors that make this program a success are its ability to fund the full host of surface transportation projects (not just particular modes) and its ability to provide this funding to any State or local project sponsor. The program's flexibility allowed it to fund an unprecedented number of innovative and creative projects that the Federal Government would otherwise find difficult if not impossible to fund.

For example, the TIGER program allowed the Federal Government to invest in major freight rail and maritime port initiatives spanning multiple states and involving multiple stakeholders. This is unique, as the Federal Government does not have any other single program authorized to make similar investments.

One initiative will invest in freight rail capacity projects on a major corridor running across Ohio, Pennsylvania, West Virginia, and Maryland, providing substantial new capacity and enhanced efficiency for goods movement from the East Coast to the Midwest. Similarly, the TIGER program is investing in the CREATE program of freight rail projects in Chicago, and in intermodal freight rail facilities in Alabama and Tennessee. The CREATE program is an extremely well-coordinated effort among Federal, State, local and private stakeholders to streamline freight movement through Chicago, arguably the most significant freight bottleneck in the country. The investments in Tennessee and Alabama are the first pieces of a much broader initiative to improve freight capacity and efficiency from the Gulf Coast to the Mid-Atlantic, a major goods movement corridor currently underserved by freight rail.

The TIGER program provides funds for the public benefits of these projects – increased freight rail capacity and efficiency, reduced emissions and fuel consumption, and the potential to reduce highway maintenance costs and congestion. The TIGER funding also provides a powerful incentive for the relevant States and the private railroads to engage in comprehensive regional and National planning and invest their own resources to leverage the Federal investment. Each of these investments is matched with significant State, local or private funds, which will provide a substantial portion of the overall investment.

The competitive nature of the TIGER program also helps spur cooperation among a variety of project sponsors and encourages them to leverage as many sources of funding as they can muster to demonstrate that they can make Federal dollars go further. The TIGER program is also funding a number of intermodal passenger transit facilities, which require extensive planning among local and regional transportation providers and users, and may integrate funding from multiple sources.

The Department also used the TIGER program to provide four "TIFIA Challenge Grants." For these four projects, major highway projects in Arkansas, Colorado, South Carolina and North Carolina, the Department offered the applicant a $10 million grant, or the opportunity to use the $10 million as budget authority to support a larger investment in the form of a TIFIA loan. For the project sponsors, a TIFIA loan may be a unique opportunity to catalyze an innovative financing strategy that had not previously been considered, or thought feasible.

For the Department, providing TIFIA Challenge Grants is a first step in a new direction. The Department aims to get the best possible return out of each Federal investment it makes, and is excited about the opportunity to proactively work with sponsors on major infrastructure projects that demonstrate significant transportation benefits. The Department has many resources available to support co-investment in these projects, including technical and professional staff with relevant experience in innovative financing, and can help develop creative solutions for getting projects done.

National Infrastructure Innovation and Finance Fund (I-Fund)

President Obama's Budget for Fiscal Year 2011 provides $4 billion for the new I-Fund, which would give the Department additional flexibility to support high-value projects of regional or national significance. The I-Fund would allow the Department to select projects with demonstrable merit from around the country and provide a variety of financial products – grants, loans or a combination – to best fit a project's needs.

The I-Fund signals a shift in the Federal Government's model for transportation investment and would allow the Department to expand on current practices in the TIFIA and TIGER programs that encourage collaboration among, and co-investment by, non-Federal stakeholders, including States, municipalities, and private partners.

Conclusion

The Federal Government has many programs that facilitate and encourage State, local and private co-investment in transportation projects. Of particular note are the TIFIA program, the TIGER Discretionary Grant program and the proposed National Infrastructure Innovation and Finance Fund. These programs reflect an acknowledgement that the Federal Government needs to take a more active role in supporting major transportation projects with targeted grants and credit assistance.

The Department's experience over the last year with TIGER and TIFIA is that competitive national programs facilitate creative and innovative approaches at the State and local level to leverage substantial revenue for major transportation investments.

Thank you again for the opportunity to discuss these important matters. I would be pleased to answer any questions you may have.