

STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION
ADMINISTRATOR, BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE, SUBCOMMITTEE ON AVIATION, CONCERNING
REAUTHORIZATION OF THE AIRPORT IMPROVEMENT PROGRAM.
MARCH 20, 1996.

Mr. Chairman and Members of the Subcommittee:

I welcome the opportunity to appear before the Subcommittee today to discuss the reauthorization of the FAA's Airport Improvement Program authority. With me today are James Washington, FAA's Acting Associate Administrator for Airports, and Ellis Ohnstad, Manager of the Program Guidance Branch in the Airports Financial Assistance Division.

In my remarks today, I would like to focus primarily on the airport grants program and our proposal to establish a Select Panel that will examine the full range of options for meeting airport needs. I will also briefly touch on some of the other key elements of our reauthorization proposal, including special budget flexibility to transfer money among accounts, authorizing criminal background checks for additional categories of airline and airport employees, and protecting voluntarily submitted industry data.

At the outset, Mr. Chairman, I would like to express my appreciation for the Subcommittee's long-standing interest in the airport grant program, and for the detailed examination of the program you have conducted in a series of hearings this year. There is little question that AIP and its predecessor airport grant programs have been a vitally important element in helping to achieve the outstanding air transportation system we have today in the United States. The many air traffic control improvements we have achieved over the years have contributed only one part of an integrated solution to the efficiency and capacity needs of our system. Of necessity, they have been complemented by related airport development work, which has often been assisted by Federal airport grants.

While recognizing the important role that the airport grants program has played historically, I believe it is also necessary to recognize that today we are at a crossroads that requires a critical assessment of the future direction of this program, as we proceed toward a balanced budget.

Traditionally, AIP grants have provided about one-quarter to one-third of the funding for capital investment in airport infrastructure. Local revenue sources, bonds, and, in recent years, PFCs have addressed much of the difference in funding. PFCs, authorized in 1990, now account for nearly one billion dollars annually. Moreover, it is likely that PFCs will play an even more important role in airport capital investment decisions in the future. In this regard, the recent decision of various bond-rating firms to award an investment-grade rating to PFC-backed bonds at Chicago's O'Hare Airport is an important development. The FAA has been working closely with bond rating agencies so that airports can leverage their PFC revenues in this way. Following the O'Hare precedent, it is much more likely that other airports will use PFC-backed bonds in the future to finance their essential capital needs.

But we all recognize that there have been and remain significant differences among airports, by size, location, and type of service, in terms of their ability to raise funds to address development needs. Moreover, there have always been considerably more airport development needs than could be addressed with airport grants, and this fact will be accentuated as we see passenger enplanements increasing by almost 35 % by the year 2002 while available Federal assistance declines. Prioritizing and targeting grants to the most critical capacity, safety and security needs does not address this issue for the long-term, nor is it likely that tinkering with distribution formulas will either. Any proposal that would reduce the discretionary funds available to the FAA could have detrimental

effects, since we must retain the ability to respond quickly and effectively to high priorities. We believe that there is a pressing need for a complete reassessment of AIP.

Our reauthorization proposal, which was provided you last week, calls for that fundamental reassessment of AIP. We, therefore, are seeking only a one year extension of the program at a 1997 funding level of \$1.35 billion, and are proposing the establishment of a Select Panel on Airport Financing, comprised of representatives of the aviation community and financial experts, who would be appointed by the Secretary, in consultation with the Secretary of the Treasury, to conduct a critical evaluation of AIP as well as alternative financing mechanisms to determine how best to meet future airport development needs. Airlines and airports would be equally represented in this effort. The Panel would be asked to use its best efforts to achieve consensus wherever possible, but, in any event, would be called upon to complete its report and recommendations within 120 days.

We believe that virtually everything associated with AIP and airport financing should be laid on the table by the Panel--passenger facility charge levels, AIP formula distributions, airport capital requirements, the extent to which the availability of private capital could or should replace or supplement Federal funding, to name but a few. Today, there is no consensus in the aviation community about the best ways to address future airport development requirements, even though the failure to meet these requirements will, over time, affect virtually every segment of that community. The necessary give and take of a Panel representing different points of view, and assisted by financial experts, can serve as a particularly constructive way in which these important public policy issues can be debated and fleshed out. We are hopeful that a balanced, focused review of this complicated issue will provide a more informed basis for developing a proposal to meet

the longer-term needs of our air transportation system in the most reasonable and cost-effective way.

In the interim, we propose that the current program, with some changes that will be helpful in the short-term, be continued through the end of FY 1997. Among the changes we have recommended for the AIP statute are new authority to issue land use compatibility planning and implementation grants to non-airport sponsors, greater intermodal participation in airport planning and development activities, a modest expansion of the State block grant program, and an expansion of PFC eligibility to address Federal mandates in the same way that AIP already does. The bill includes an innovative finance provision designed to give the FAA the authority to test and evaluate, on a pilot basis, a wide range of innovative financing techniques suggested by airport sponsors, including concepts that seek to accelerate airport development work. This approach has been used quite successfully for surface transportation programs, and we expect similar results in the aviation arena.

We have also requested 3-year authorizations of appropriations for the FAA's Operations, Facilities and Equipment (F&E), and Research, Engineering, and Development (R,E&D) accounts. The first year authorization levels we seek for these programs correspond to the FY 1997 levels contained in the President's budget.

In recognition of the pressing need for financial reform for the FAA, we are seeking special budget flexibility to permit the FAA Administrator to transfer money among the Operations, F&E and R,E&D accounts. Use of this authority could not increase the agency's aggregate outlays in the fiscal year in which the transfer is made, nor could it decrease an individual account's budget authority by more than 5% or increase an account's budget authority by more than 10%. In an era of limited budgets, this authority

would provide the FAA added flexibility to respond, in a deficit neutral way, with additional resources to unanticipated problems that may arise during the course of a fiscal year--as we have seen in the past in the security area and, more recently, with outages.

We are also seeking several additional authorities for the FAA that will assist us in carrying out our basic missions. First, we are asking for discretionary authority to prescribe, as the Administrator finds is necessary for security, additional categories of airline and airport employees who would be subjected to employment history and criminal background checks. This is a proposed expansion of the current authority, which is limited to persons with unescorted access to secured areas. The proposed provision would require that any changes to the current categories of employees would have to be accomplished through the regulatory process, which would afford an opportunity for weighing the costs and benefits of such a proposal. Second, we are seeking authority to permit the FAA to acquire employee housing, outside the contiguous United States, in certain cases where they may be a continuing obligation for the FAA to pay for such small costs as homeowners and related fees. In exercising this authority, the statute would require the FAA to determine that any such acquisition was cost-beneficial. I would also note that this would be consistent with the reinventing government initiative, and FAA's new personnel and acquisition policies, which will be implemented April 1. Last, in order to encourage the voluntary submission of safety data by the airlines and others to the FAA, we are seeking an expansion of current legislative authority, which permits us to protect from disclosure certain types of security and R&D information. This added authority would be a vital means of helping us achieve our goal of zero accidents.

In closing, Mr. Chairman, let me express our appreciation to you and the Members of this Subcommittee for your continued support of the FAA and its critical safety programs.

We look forward to working with you and Subcommittee staff to shape a reauthorization bill that meets the needs of the air transportation system and provides the FAA with additional tools to help us meet our vital responsibilities. We believe our proposal provides that foundation.

That completes my prepared statement, Mr. Chairman. We would be pleased to respond to any questions you may have at this time.