

STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION ADMINISTRATOR, BEFORE THE SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION, CONCERNING REAUTHORIZATION OF THE AIRPORT IMPROVEMENT PROGRAM. MAY 14, 1996.

Mr. Chairman and Members of the Committee:

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

Before turning to the main topic of discussion today, Mr. Chairman, let me briefly express my heartfelt condolences to the families and friends of the passengers and crew who were aboard the ValuJet aircraft that tragically crashed last Saturday in the Florida Everglades. FAA experts are working alongside the NTSB to assist them in the accident investigation, which so far has proven to be an extremely difficult task given the terrain where the accident occurred. I want to assure you that we will do all we can, not only to assist in identifying whatever may have caused or contributed to this accident, but in taking whatever corrective action may be necessary.

The members of the Committee will no doubt recall that, in January 1995, Secretary Peña and I convened an aviation safety summit, with the participation of over 1,000 aviation safety professionals. The theme was that to achieve a goal of zero accidents requires a shared safety responsibility between government and industry. Following this



conference, we have taken a variety of steps consistent with our full commitment to pursuing our mutual safety goals, including, as one example, the type of 120-day Special Emphasis Review we initiated at ValuJet on February 22. This review followed a period of increased operations and rapid expansion for ValuJet. As a result of that review, the airline has acted to enhance its crew training programs, put in place a new quality assurance program, strengthen mechanics training, and to establish a technical support group to provide guidance to line mechanics.

We have now expanded the ongoing review of ValuJet, to include an intensified look at whether the actions already initiated by the airline in response to our recommendations have increased the carrier's margin of safety. We will be examining the overall operations of the carrier, including an audit of its contracted repair facilities' quality control programs. We will observe the procedures and training of maintenance personnel. We will evaluate the effectiveness of the new Technical Support Center. And our inspectors will conduct increased cockpit observations of crew resource management procedures, aircraft dispatch planning, and in-flight management.

Let me give you my personal assurance that we are addressing this matter as aggressively and as expeditiously as we can. I would like to turn now to today's focus on the airport grant program.

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, let me reiterate my concern about the need to act to reinstate the excise taxes that fund the Airport and Airway Trust Fund. Each month we are losing \$500 million in revenue that would be dedicated to this Trust Fund, which provides most of the financial support for FAA's activities. In fact, we stand to deplete the uncommitted balance in the Trust Fund by the end of this calendar year. I would urge the members of this Committee to work with their colleagues to renew funding for the Trust Fund, since there already exist enough difficulties in assuring adequate funding for aviation programs without further compounding the financial picture. Let me turn now to the airport grant program.

The starting point for today's hearing is recognition that aviation in the United States has always been and must remain a truly national interest. As a nation, we have benefited enormously from the wisdom of initial decisions to stitch together a comprehensive and coherent national program to advance aviation activities -- safety and security, technologically advanced air traffic control, and airport development among others. My

emphasis today will be on the need to craft forward-looking legislation that preserves this national focus.

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 25% to 30% 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. Proposals to reduce discretionary funds should, like other changes, be carefully considered as part of an overall assessment of current funding mechanisms. In the meantime, we must retain a program that has the ability to respond quickly and effectively to high priorities. We believe that there is a pressing need for a complete reassessment of the AIP, and we hope to get Congress' agreement to undertake that detailed examination over the next year.

Our reauthorization proposal 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.

Before discussing the rest of our proposal, Mr. Chairman, I would like to take a moment to stress the need to continue to provide FAA with sufficient AIP discretionary funds to meet pressing national needs. In fact, it was this very Committee that acted in the 1994 AIP reauthorization to set a floor of \$325 million for what we refer to as "pure" discretionary funding in order to assure that there would be adequate discretionary funding available to the FAA. We would have serious concerns about reductions in the discretionary funds available to the FAA since to do so would limit our ability to meet important national needs, which might not be reflected in local and regional funding

priorities of individual airports. The FAA needs the flexibility to fund priority projects that are important to the national airport system such as runway and taxiway construction, acquisition of safety and security equipment, airport signage, and noise mitigation measures. Many of these projects, especially at small airports, depend on discretionary grants to provide the necessary funding. In addition, the discretionary fund has provided the FAA with the flexibility to respond quickly to natural disasters such as floods, hurricanes, and earthquakes.

A sufficient discretionary fund is critical to meeting these national needs. At the same time, we recognize that many in Congress, as well as on this Committee, have a strong interest in assuring that smaller airports, which often have less access to the private capital markets, are funded fairly, particularly under a decreasing AIP program. I want to assure you that we too are concerned that the AIP program meet the needs of all segments of the airport community, and that there are different viewpoints about the best means of restructuring the program and its distribution formulas to assure that goal is achieved. For that reason, rather than changing distribution formulas or proposing any significant restructuring of the program, we have proposed a 1 year extension of AIP authority and the establishment of the Select Panel to help determine the best future program. I want to assure you, though, that we are willing to work with you to assess alternative interim approaches to funding smaller airport activities, while preserving the critically important funding we need for an effective discretionary program.

In our proposal, 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 were implemented on 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 sum, I would ask the Committee to do several things:

- work with your colleagues and members of other relevant committees to reinstate Trust Fund revenues at the earliest possible time;
- provide us the current floor of \$325 million in airport discretionary funds, pending a top-to-bottom review of the airport grants program;
- agree with the Secretary and me on the need to establish a Select Panel on Airport Financing to define what the future airport grant program should be; and