

STATEMENT OF
THE HONORABLE JERRY F. COSTELLO
SUBCOMMITTEE ON AVIATION
HEARING ON
THE PRESIDENT'S FY2008 FEDERAL AVIATION ADMINISTRATION'S BUDGET
FEBRUARY 14, 2007

- I want to welcome everyone to the first hearing of the Aviation Subcommittee. In particular, I would like to welcome the new Ranking Member of the Aviation Subcommittee, Mr. Petri. In addition, I am pleased to welcome the Administrator of the Federal Aviation Administration (FAA), Marion Blakey; the new Department of Transportation Inspector General (DOT IG), Calvin Scovel; and Dr. Gerald Dillingham of the Government Accountability Office (GAO).

- I would also note that the FAA just released its Reauthorization Proposal this morning. The FAA's Reauthorization Proposal will be given detailed consideration in the Aviation Subcommittee's upcoming March hearings:
 - March 14, 2007: FAA's Reauthorization Proposal.
 - March 21, 2007: FAA's Financing Proposal.
 - March 22, 2007: FAA's Operational and Safety Programs.
 - March 28, 2007: FAA's Airport Improvement Program.

- This afternoon's hearing will focus on the Administration's proposed budget for the FAA. The Administration's FY 2008 FAA budget request has received much attention in the last week because it proposes to transform the FAA's current excise tax financing system to a hybrid cost-based user fee system. Under the FY2008 budget request, and as detailed in the FAA's reauthorization proposal, FAA's financing sources shift from a mix of fuel taxes, other excise taxes, and a general fund contribution to user fees, fuel taxes and a general fund contribution. This proposal would take effect in 2009. As I stated at the outset, the Subcommittee will hold a hearing on March 21st to discuss in detail the Administration's financing proposal and its present and future implications.

- However, I would make at least one initial observation about the proposed user fee financing proposal. While FAA has cited the need to finance a major new air traffic control modernization initiative as a reason for reforming the current tax structure, the Administration's data indicates that in FY 2008, user fees and excise taxes under the new proposal would hypothetically yield approximately \$600 million less in FY 2008 than maintaining the current tax structure and over \$900 million less from FY2009 to FY2012. I question the wisdom of moving to a new financing system that will not generate as much revenue as the current tax structure when we clearly need to make critical investments now to ensure that our nation's air traffic control infrastructure is robust for the future.

- I also believe that the FY08 FAA budget request falls short in several respects.

- **Facilities and Equipment (F&E) Capital Programs:** In 2003, the FAA requested and received from Congress an authorization of approximately \$3 billion per year for its capital program. Yet, for the past three years the Administration has requested roughly \$2.5 billion per year for its F&E capital program. For FY 2008, the Administration is once again requesting \$2.46 billion for capital spending. The Administration identifies \$173 million of its \$2.46 billion request, only 7 percent, as being directly related to the Next Generation Air Transportation System (NGATS).

- The DOT IG has stated that FAA cannot achieve its goal of technologically transforming the National Airspace System with a \$2.5 billion (or less) F&E budget, and that a \$2.5 billion funding level goes primarily toward sustaining the existing system, not new initiatives. Moreover, the Administration's FY 2008 capital spending request appears to be at odds with its own preliminary NGATS F&E cost estimate of a little more than \$3 billion.

- **Airport Improvement Program:** The FY 2008 budget request provides \$2.75 billion for the Airport Improvement Program (AIP) - \$950 million less than the level authorized by VISION 100 for FY 2007 (there is no authorization for FY 2008) and \$765 million less than the House-passed

FY 2007 continuing resolution, H.J.Res. 20. Under the current formula for distributing AIP entitlement funding, virtually every airport that currently receives AIP entitlement funding will have its entitlement reduced. Additionally, small airports might be particularly hard hit by the Administration's proposed AIP cut because AIP grants are a larger source of funding for smaller airports.

- **Essential Air Service:** Although it is not an FAA program, the FY 2008 budget provides only \$50 million for the Essential Air Service (EAS) program - \$77 million less than authorized by Congress almost \$60 million less than provided in the House-passed FY 2007 continuing resolution. As a result of this dramatic cut, almost half the communities that receive EAS funding – 73 out of 147 - would be dropped from the program.
- **Staffing:** In addition, I am very concerned about future staffing levels for the FAA's controller and safety inspector workforces. In particular, over the next 10 years, approximately 70 percent of FAA's nearly 15,000 air traffic controllers will be eligible to retire. FAA estimates that it could lose more than 10,300 air traffic controllers by 2015. The FAA will need to hire approximately 11,800 controllers over the next 10 years to have enough recruits in the pipeline to meet the positions lost.
- Although the FAA hired 1,116 controllers in FY 2006, the total loss of controllers (including retirements) was higher than estimated – 583 actual versus 467 projected. Such acceleration of retirements could be directly attributable to the imposition of the FAA contract on the controllers. In FY 2007, the FAA plans to hire more than 1,386 controllers, and the FY 2008 request provides for another 1,420 air traffic controllers.
- However, hiring new controllers is a complex process. Controllers are highly skilled professionals and it takes several years to train a controller. According to the FAA, the failure rate for controller trainees in both the FAA Academy and in ATC facilities is approximately five and eight percent, respectively. Replacing a controller who retires must begin several years in advance.

- In addition, the DOT IG will testify today that the FAA's Controller Workforce Plan still has some major shortcomings including the lack of facility level staffing standards and associated costs of implementation. It is imperative that FAA have a feasible plan to hire and train new controllers today. Otherwise, we will be left with a system that is woefully short-staffed and unable to accommodate the future demands for air transportation. I look forward to hearing from the DOT IG in this regard.
- I am also concerned about potential attrition in FAA's safety inspector workforce. It is my understanding that over one-third of FAA's safety inspectors will be eligible to retire by 2010. While the FAA's FY 2008 request provides for hiring an additional 177 safety inspectors over the next two years, I am concerned that the FAA does not have an accurate assessment of its staffing needs. Last year, the National Research Council reported that FAA lacks staffing standards for inspectors and recommended that the FAA undertake a holistic approach to determine its staffing needs.
- In addition, the DOT IG has noted in the past that the rapidly changing aviation environment -- from the increased use of outside maintenance vendors, to new classes of airspace users, such as unmanned aerial vehicles and very light jets -- will place greater demand on FAA's inspector workforce. It is imperative that we make the investments in FAA's workforce now so that they can meet the new challenges for maintaining the highest level of safety in this ever changing aviation environment.
- With that, I want to again welcome the witnesses today and I look forward to the testimony.