



The Statement of Travis L. Vallin

Director, Colorado Division of Aeronautics
and
Chairman, National Association of State Aviation Officials

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before the

Committee on Transportation and Infrastructure
Subcommittee on Aviation
U.S. House of Representatives

concerning

The Federal Aviation Administration's Financing Proposal for
FAA and the Airport Improvement Program

March 28, 2007

Good morning Chairman Costello, Congressman Petri and Members of the Subcommittee. On behalf of the members of the National Association of State Aviation Officials (NASAO), I thank you for this opportunity to share with you the thoughts of my colleagues on the administration's "Next Generation Air Transportation System Financing Reform Act of 2007" ... and how it could affect our nation's airports.

My name is Travis Vallin and I am the Director of The Division of Aeronautics of Colorado's Department of Transportation. But today, I am speaking to you as the elected Chairman of NASAO.

Founded in 1931, NASAO is one of the most senior aviation organizations in the United States, predating FAA and even its predecessor, the Civil Aeronautics Authority. The states established NASAO to foster and regulate the fledgling aviation industry, to ensure the uniformity of safety measures, to standardize airport regulations and to develop a truly national air transportation system responsive to local, state and regional needs.

For the past 76 years, NASAO has been unique among aviation advocates. Unlike special interest groups or industry lobbyists, NASAO speaks for the men and women, in the state government aviation agencies...*those who serve the public interest* in all 50 states, Guam and Puerto Rico. My colleagues in NASAO are partners with the federal government in the development and maintenance of the safest, largest and most efficient aviation system in the world.

The states invest more than \$800 million annually in planning, operations, infrastructure development, maintenance and navigational aids for our national system of over 3,000 public-use airports. Many states also build, own and operate their own airports...they range from large airports like Thurgood Marshall Baltimore Washington International Airport (BWI) to back-country airstrips which serve emergency and firefighting needs.

Every year state aviation officials conduct safety inspections at thousands of public-use airports. Countless aviation activities including, airport symposiums, pilot safety seminars and aviation education forums are also organized annually by the states.

Although the administration's proposal for FAA and AIP reauthorization was only released last month, **NASAO's 2007 National Legislative Agenda** has been available since March of 2006. Our Legislative Committee and board of directors met again, this January, to review and endorse our whitepaper. I would like to emphasize that this is a consensus document, agreed upon by all of the states. In the wake of the administration's release of its proposal on February 14, the states gathered again to compare our proposal to theirs. We believe so strongly in our thirteen principals that we did not change a single word. I have attached

that document to my written testimony and it is available on our web-site www.nasao.org.

By the way, the American Association of State Highway and Transportation Officials (AASHTO), representing the states' transportation directors, commissioners and secretaries, is in substantial agreement with our views and used our whitepaper as a pattern for a statement of principles that they have issued regarding reauthorization.

Before I address the administration's proposal, I want to assure you that the states fully support and encourage the modernization of the air traffic control (ATC) system. In fact, we believe that "modernization" is too timid a word. We believe that the ATC must be "transformed".

NASAO is actively involved in that transformation - at many levels - from the installation of a state financed multi-lateration system in my home state of Colorado, to state funded pioneer Automatic Dependant Surveillance –Broadcast (ADS-B) systems along the entire Atlantic coast and NASAO's service on the Joint Program and Development Office's (JPDO) National Center for Advanced Technologies' Institute Management Council.

Because of our direct and active involvement in the effort to transform the system, we can tell you that the administration's title for its proposal is entirely misleading. It has much to do with shifting costs between and among aviation interests, but has little to do with the actual Next Generation Air Transportation System (Next Gen).

Now, let me review for you some of the aspects of the administration's proposal that NASAO is inclined to favor...some the issues which concern us greatly... and finally those that we strongly believe must be rejected by Congress.

First, we like the idea of the proposed hard-floor of \$300 million for State Apportionment...below which it would not be allowed to fall. State Apportionment is one of the most valuable investment categories available to state aviation agencies. The safety, efficiency and success of our national system of airports is heavily dependent on a robust investment in State Apportionment.

We also appreciate that the so-called "triggers" have been removed from the AIP program but sadly note that the administration is removing the trigger language from the bill in order to reduce the overall AIP amount to an inadequate \$2.7 billion. **NASAO recommends reauthorizing AIP in 2008 at \$3.8 billion.**

Also, while we have not yet had the opportunity do an in-depth analysis, we are extremely concerned about the way the administration proposes to fund AIP. They would use a formula that depends heavily on international arrival and departure fees as well as a percentage of fuel taxes and a small General Fund

contribution to support AIP. This appears very fragile. For instance, a lengthy downturn in international travel caused by another SARS outbreak is just one factor that could bankrupt the Trust Fund

We agree with the administration that the Automatic Dependant Surveillance-Broadcast (ADS-B) technology, which is the keystone around which the ATC system will be transformed, should be supported by the Aviation Trust Fund.

NASAO also believes that the administration is going in the right direction on Passenger Facility Charges (PFC) – but that it does not go far enough. Because of inflation since the inception of the PFC program and rapidly rising construction costs, we know that state owned and operated airports, such as Maryland's BWI...Rhode Island's T. F. Green...Connecticut's Bradley International...and Hawaii's Honolulu International, and other **major hubs, need and deserve a PFC of \$7.50**. They also should have much more flexibility in using PFC derived funds. This is one of many areas in which NASAO is in agreement with our friends at the Airports Council International – North America (ACI-NA) and the American Association of Airport Executives (AAAE).

General Aviation (GA) airports are a vital and important component of the national system. Today, as you know, all of the Non-Primary airports in the National Plan of the Integrated Airport Systems (NPIAS) are eligible for a minimum entitlement of \$150,000. We are seriously concerned about the administration's attempt to place these facilities into *four* Non-Primary Entitlement (NPE) categories divided by the number of fixed-wing aircraft based at the airport. (Helicopters are not counted).

On a sliding scale, the administration would make those with 100 or more based aircraft eligible for an annual \$400,000 entitlement at one end of the spectrum and zero entitlement for those at the other end with fewer than 10 based aircraft.

While the simplicity of the plan may seem attractive, it could be grossly unfair. Airports which have more than 100 based aircraft are already very competitive for FAA grants, State Apportionment and discretionary funding. Is it good public policy to simply hand them an annual check for \$400,000 while potentially ignoring smaller airports that require financial support to serve a public need?

Why eliminate those airports with fewer than 10 aircraft from the NPE program? Is that good public policy? Some of those airports may be at "destinations" which attract a great deal of transient air traffic. They may be training sites with many students, but with few locally based aircraft. They may be essential to bringing emergency medical relief to remote communities. They may provide necessary portals for emergency relief during natural disasters.

Further, because each state's airport system is, naturally, different and unique, the administration's NPE proposal turns some states into huge winners and

others into equally enormous losers. NASAO cannot support the wide-spread funding disparity this proposal would create.

In an effort to assure fair and appropriate funding for all of our GA airports, NASAO is currently actively engaged in discussing the administration's proposed NPE program with the FAA Headquarters Airports Office staff. But, unless or until we are able to modify the administration's view of the NPE program, **we stand by our support of the existing NPE program and strongly encourage Congress to continue it.**

As I said earlier, there is also much in this proposal which NASAO and I find objectionable. It is my understanding, Mr. Chairman, that at a hearing last week you said that you did not believe that the administration's proposal is in the public interest. NASAO's members, as public servants, agree with you! It seems to us that this bill is a solution in search of a problem.

Because you have already held a series of hearings and have assembled a great deal of expert witness testimony, some of the rest of my presentation may seem familiar to you.

The Essential Air Service (EAS) program is a lifeline to many small and often isolated communities across the nation. Those of you who have such communities in your states know how important EAS is to the health and welfare of your constituents. Over the years since deregulation, Congress has modified the program several times. But, the administration's bill would eliminate more than 60 communities from the program and slash the budget to \$50 million. NASAO does not believe this is in the public interest. **NASAO recommends that Congress continue the EAS program and fund it at a minimum of \$127 million.**

NASAO is pleased to associate itself with the comments of Dr. Gerald Dillingham of the Government Accountability Office, current Department Of Transportation Inspector General Calvin Scovel and former DOT Inspector General Ken Mead...all of whom have said, essentially, that *the system is not broken*...that the present excise tax structure works well and that it will adequately fund FAA and the transformation of ATC. I also recall the testimony of the Congressional Budget Office (CBO) before this committee last September. Acting CBO Director Donald Marron predicted, at that time, that the current system is sufficient to handle FAA's future expenses *and* the transformation of the system to Next Gen...essentially predicting the availability of a \$19 billion surplus.

All Americans reap the significant benefits generated by our national aviation system. It provides safe and efficient air travel for both airline and General Aviation users while supporting the national defense, homeland security, postal and cargo delivery, emergency medical evacuation and disaster relief. It has become the foundation of our national economy. NASAO believes that the

administration is short-changing the FAA and AIP when it caps the General Fund contribution at 19%. **NASAO recommends a 30% General Fund share.**

For the past 30 years we have had a funding system that has worked and that have served both FAA and AIP well. In the past decade, Congress wisely passed AIR – 21 and Vision – 100...the two most important infrastructure investment bills in the history of aviation. **Throwing away 30 years of wise, tested and successful public policy for a radically different user fee based system that would actually collect less revenue than we enjoy today and which would likely cause great damage to the General Aviation community is not in the public interest. NASAO adamantly oppose any new user fees for GA.**

Just last spring, NASAO played a role in a formal, ground breaking, academic study of General Aviation's contribution to the U. S. economy...which was sponsored by the General Aviation Manufacturers Association.

That study, which used very conservative models, concluded that the GA sector contributed at least \$150 billion to national output in 2005 and, directly or indirectly, employed more than 1,265,000 people whose collective earnings exceeded \$53 billion.

Because the states often work very closely with GA operators and airports, we believe that, contrary to the administration's assertions, increasing fuel taxes by about 250% percent would have a very negative effect on the number of hours flown by General Aviation and thus would decrease the administration's projected revenues. That would inevitably lead to a new round of tax increases and a constant erosion of a significant portion of that community.

NASAO's members are particularly concerned that the administration's proposal would protect any and all of the user fees and increased fuel taxes from judicial review. That is definitely not in the public interest.

While we are somewhat sympathetic to the administration's desire to make the system more "equitable", we agree with our GA colleagues at the Aircraft Owners and Pilots Association (AOPA), the Experimental Aircraft Association (EAA), General Aviation Manufacturers Association (GAMA), National Air Transportation Association (NATA) and the National Business Aviation Association (NBAA) that the present ATC system was designed for the airlines and that the administration's cost allocation figures overestimate GA's genuine use of the system. We find some compelling evidence in the fact that GA's top-twenty airports and the commercial airline's top-twenty airports are on totally different lists. We are further persuaded by the fact that while GA has been essentially banned from Ronald Reagan Washington National Airport, FAA's workload and budget at the airport have not diminished.

NASAO is puzzled by the administration's efforts to eliminate the ticket tax. Although I regularly fly the commercial airlines and actively work in the aviation sector, I must admit that I have never heard passengers complain about the current 7.5 percent ticket tax. As you well know, these taxes are paid by the traveler not the airlines. Both ticket prices and passenger traffic are increasing (ticket prices were raised ten times in 2006 alone) and that too will help boost revenues flowing into the trust fund.

So, if much of the administration's proposal is not in the public interest, how does Congress reauthorize FAA and AIP before the September 30, 2007 expiration of the program and the taxes?

NASAO respectfully suggests that you have an excellent template at your disposal...VISION – 100. NASAO encourages you legislate a 5 year FAA and AIP program and authorize the foundational taxing mechanisms for ten years using the VISION – 100 pattern. In the past month, you have gathered ideas, facts and figures from the full spectrum of the aviation industry. If you can remove the administration's divisive and onerous user fee/outrageous tax hike proposal from the equation, we can all focus on the same goal – transforming the present ATC into Next Gen...which will benefit all Americans.

In conclusion, let me say that NASAO recognizes, with appreciation, those of you in Congress who provide the national system with fair, stable and predictable funding and appropriate oversight. We are irrevocably opposed to the administration's attempt to impose a new board of directors on the FAA. **FAA already has a board of directors and it is called the United States Congress.**

That concludes my statement, Mr. Chairman. Thank you, again, for inviting NASAO to participate in this hearing and this legislative process. I would be happy to answer any questions you may have.

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- Kansas
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- Louisiana
- Maine
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- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Puerto Rico
- Rhode Island
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Vermont
- Virginia
- Washington
- West Virginia
- Wisconsin
- Wyoming

REAUTHORIZATION PROVIDES CONGRESS WITH AN OPPORTUNITY TO STRENGTHEN AMERICA'S AIR TRANSPORTATION SYSTEM

Together, the federal and state governments and aviation professionals in both the public and private sector have carefully built the safest, strongest and most efficient transportation network in history. All Americans derive the significant benefits of this system which has become a foundation of our national economy. It provides efficient air travel for both airline and general aviation users while supporting the national defense, homeland security, postal and cargo delivery, emergency medical transportation and disaster relief. We must continue prudently investing in our national aviation infrastructure, while preparing for a three-fold increase in demand over the next twenty years.

NASAO encourages Congress to reauthorize a five year FAA and AIP program and reauthorize the underlying taxing mechanisms for ten years. This pattern has worked very well historically and a five-year funding program is highly appropriate since most airports develop and maintain five-year Capital Improvement Programs. It also permits Congress to perform timely course corrections when needed

NASAO recommends reauthorizing AIP at \$3.8 billion for FY 2008. Since infrastructure maintenance and development programs are often planned for many years and there are approximately \$14 Billion dollars in needs annually, NASAO recommends continuing the AIR – 21 and VISION – 100 patterns of increasing investments each year to \$ 3.9 billion in AIP for FY 2009, \$4.0 billion for FY 2010, \$4.1 billion in 2011, and \$4.2 billion in 2012. This would provide states and airports a stable and predictable planning horizon.

NASAO encourages Congressional oversight to ensure that FAA continues the current formula and fully funds state apportionment. State apportionment has always been an important part of efficient funding system for the nation's smaller airports.

NASAO recommends that Congress continue the non-primary airport grant program. Created by AIR - 21 (\$150,000 per eligible General Aviation airport), this program has been successful in assisting the nation's smaller but equally valuable General Aviation airports. These airports relieve traffic at the largest airports while providing all Americans with access to the national air transportation system.

NASAO joins with other leading aviation organizations in calling for a robust investment in FAA funding from the General Fund and recommends a 30% General Fund share. Since all Americans benefit by the national air transportation system, all Americans should have a financial stake in it. As designed by Congress, the AIP Trust Fund was not originally intended to fund FAA salaries and operations; it was designed to invest only in airport infrastructure development and maintenance. A 30% General Fund contribution is highly appropriate.

The Essential Air Service program is important to many rural areas and Congress should continue to fund this program with a minimum of \$127 million. The US DOT should also be able to adjust subsidies to reflect cost increases, or decreases, for the airlines.

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(OVER)

NASAO asks congress to preserve the efficient network of more than 3,000 airports of all sizes, across the nation, by continuing their AIP eligibility. NASAO notes that the airline industry has called for eliminating AIP funding for airports that the airlines do not currently serve. These airports provide all Americans with access to goods, services and travel options only available through a truly national network of airports.

NASAO encourages Congress to continue to fund the Joint Planning and Development Office. NASAO is proud to serve on the JPDO's Next Generation Air Transportation System Institute Management Council (JPDO-NGATS-IMC). Since the inception of the JPDO and Congress' investment in NGATS, NASAO has supported NGATS as the best and most appropriate vehicle to shape a bright future for our nation's air transportation system.

NASAO strongly urges Congress to repeal the provision of the 2005 "Transportation Equity Act: a Legacy for Users" which diverts jet fuel tax revenue from The Airport and Airway Trust Fund and into the Highway Trust Fund. Congress may want to consider holding hearings on this issue – separate and apart from reauthorization hearings.

NASAO advocates raising the cap on Passenger Facility Charges to \$7.50 and providing airports more flexibility in the use of these funds. Several NASAO members operate large airports such as Baltimore Washington International Thurgood Marshall Airport. These airports, which enjoy the support of PFCs, have found their value waning in recent years because the charges are fixed at \$4.50 and have been outpaced by rapidly increasing construction costs.

NASAO strongly urges Congress to resist calls by the administration and the airline industry to scrap the existing aviation tax system. Contrary to their campaign, the system is not broken. The excise tax on airline tickets continues to flow into the trust fund. Both ticket prices and passenger traffic are increasing. (Ticket prices were raised ten times in 2006 alone). If truly necessary, the current 7.5% excise tax could be raised (in the past it was 10%) or indexed.

In testimony before Congress, the Congressional Budget Office has stated that the existing system is adequate for modernizing the air traffic control system. While the airlines and the administration have repeatedly called for a "new, stable and predictable" funding system for FAA and AIP, NASAO notes that Congress, for more than a decade, has provided the national air transportation system with funding that has been both predictable and stable and that funding has generally increased in each succeeding year. NASAO prefers the present, proven, system over any of the recently floated proposals.

NASAO is opposed to any new user fees for General Aviation. Today's General Aviation fuel tax is elegant in its simplicity. General Aviation pays its taxes at the fuel pump. Larger General Aviation aircraft use more fuel and pay more into the system. Frequent General Aviation flyers use more fuel and pay more taxes. There is no need to build an expensive and inefficient new bureaucracy to calculate and collect new user fees. NASAO observes that General Aviation represents only 3% of the traffic at the nation's largest airports. Further, while the airline industry and some in the administration would have you believe that General Aviation adds to air traffic delays, it is abundantly clear that the top 20 airports served by commercial airlines and the top 20 airports served by General Aviation are two totally different lists.

NASAO recognizes, with appreciation, Congress as providing the national aviation system with fair, stable and predictable funding and appropriate oversight. The final responsibility of this wide ranging and diverse system rightly rests with Congress. **NASAO stands in opposition to any new scheme which would remove this governance responsibility from the United States Congress.**

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