STATEMENT OF THE HONORABLE RANDOLPH BABBITT, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION, BEFORE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, U.S. HOUSE OF REPRESENTATIVES, ON IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009. JUNE 25, 2009.

Chairman Oberstar, Ranking Member Mica, and Members of the Committee:

I welcome the opportunity to testify today on the Federal Aviation Administration's (FAA) progress in implementing our responsibilities under the American Recovery and Reinvestment Act of 2009 (ARRA or Recovery Act). It is a pleasure to appear with my fellow modal representatives from the Department of Transportation (DOT) to outline our achievements in meeting the very challenging deadlines that the ARRA established. We believe this is a real success story. Under Secretary LaHood's "Tiger Team" effort, the Department has established a rigorous approach to implementing and overseeing the funds made available by Congress. This morning I will first briefly outline the requirements of the Act for FAA's programs and then provide the Committee with the status of our efforts so far in putting these funds to work on worthwhile airport projects and air traffic facilities and equipment projects that are putting people to work on improving and strengthening the Nation's aviation infrastructure.

Just a little over four months ago, Congress passed and President Obama signed ARRA into law. The Act provides a total of $48.1 billion for DOT's transportation programs. The purposes of the law are clear: to preserve and create jobs; promote economic recovery; and invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits. The Act also makes clear that Congress and the President want strong and tough oversight of the use of the stimulus funds. All Federal agencies are charged with managing and expending economic recovery funds so as to achieve the purposes of the Act, including commencing expenditures and activities as quickly as possible consistent with prudent management.

Of the $48.1 billion appropriated to DOT, the FAA received a total of $1.3 billion for aviation infrastructure improvements. $1.1 billion of that amount was for grants to individual airport owners for airport development such as runways, taxiways, aprons, airfield lighting, terminal buildings and high priority safety or security equipment. The remaining $200 million was provided for the FAA's Facilities and Equipment program to help upgrade FAA's power and navigation systems and modernize air traffic facilities.

Airport Project Funds

Under the FAA's normal Airport Improvement Program (AIP), funding is made available to the FAA from the Airport and Airway Trust Fund and is authorized as contract authority. Much of this funding is distributed through grants based on a statutory formula. A portion of AIP is made available through discretionary grants. AIP grants are subject to various eligibility and program management requirements under title 49, United States Code.

On the other hand, the ARRA funds were made available to FAA from the General Fund, and, while they were not specifically authorized under title 49 for projects under the AIP, the ARRA statute clearly indicated that the stimulus funds for airport purposes were to be administered as discretionary funds and be subject to the requirements applicable to the normal AIP. This means that all normally required grant documentation and filing applies to the administration of ARRA projects; and all normal AIP grant conditions, certifications and assurances apply, including grant assurances related to Disadvantaged Business Enterprises (DBE) participation. The ARRA also contains express Buy American and Federal wage rate requirements. As discretionary grants, the stimulus funding is not subject to AIP formulas, apportionments, or minimum set-asides.

Another noteworthy distinction is that there is a 100% federal share for the ARRA airport grant program, meaning that there is no local match required for airport grants issued under the Act. Under normal AIP, the local match would be 5 to 25% of eligible project cost.

As this Committee is well aware, the Recovery Act sets forward some very specific timelines for award and project completion. For FAA, half of the $1.1 billion made available for airport grants--$550 million--was required to be awarded within 120 days of enactment of the Act, or by last Wednesday, June 17, 2009. On behalf of the President, Secretary LaHood, and the hard-working FAA airport staff, I am very pleased to report that we not only met that milestone, we exceeded it and actually awarded $ 725 million, or 66% by the June 17th deadline. This funding is going directly into the economy now and making a difference both in the short term supporting as many as 7,900 jobs as well as the long term with high value infrastructure improvements.

Under the terms of ARRA, the remaining funds must be awarded within one year of enactment of the Act, or by February 16, 2010. Consistent with the goal of the Recovery Act to put these funds to work as quickly as possible, FAA's internal objective is to have at least 90% of the airport grant funding, or $988 million, awarded before the end of this fiscal year.

The ARRA funds will be generally available through September 30, 2010, for recovery and reobligation. Thereafter any remaining unobligated funds return to the U.S. Treasury.

With regard to how we selected projects for these grant funds, we distributed the ARRA funding to airports under the same, audit-tested criteria as the existing AIP discretionary grant program. We determined the distribution of funds through our existing allocation process and national priority system. The airport community is very familiar with these standards and processes. In contrast to other ARRA transportation funding programs where funds are delivered by formula to States and local governments ahead of actual project selection, our ARRA airport grant program requires that projects be designed and bid before grant awards. While there may be more time upfront required for planning and bidding airport projects before the funding is released, this pays off ultimately because project construction can begin shortly after grant award. This system results in planned, ready-to-go projects of lasting value.

With FAA's grant process as the guiding beacon, FAA identified a candidate pool of the highest priority projects by region, and distributed a tentative funding allocation to the nine FAA Regions to allow each Region to initiate the four-step grant process described above. Additionally, FAA took specific action to assure that ARRA funds were directed to the highest priority projects that could meet the time schedule and "readiness standards" required, as noted above.

First, within the existing statutory priorities, preference was given to those projects that demonstrated they had or were able to meet all statutory requirements necessary to proceed, i.e. that they were truly "ready-to-go". For purposes of ARRA administration, "ready-to-go" was defined as a project that:

- had an environmental determination;
- had received all requisite airspace approvals;
- appeared on the candidate Airport's approved Airport Layout Plan;
- if required, had a completed FAA-approved benefit-cost analysis;
- had design substantially complete;
- would be bid prior to the time of grant award;
- would be able to issue a "Notice to Proceed" to the contractor within 30 calendar days of a Grant Offer;
- had the airport sponsor's respective certifications as to bid and anticipated Notice to Proceed; and
- was expected to be completed in two years, or no later than February 16, 2011.

Next, project selection for ARRA funds was based upon existing statutory priorities as detailed within our normal AIP criteria, known as the National Priority Rating (NPR) System. The NPR system is a numerical model that is one of several tools we use to prioritize airport development. The values generated by the model serve to categorize airport development in accordance with agency goals and objectives. The model generates values between 0 and 100 with 100 generally being the most consistent with agency goals. In general, in order to ensure that ARRA funding benefited the highest priority needs quickly, we considered funding only those projects scoring a 62 or higher on this scale (compared to the regular AIP where funding can be directed to projects scoring lower on the scale).

As a result, the vast majority of the funding allocations, over 80%, are for enduring, high quality, high priority airside infrastructure to preserve the nation's airports' runways taxiways and aprons necessary for the landing, take-off and surface movement of the country's civil aircraft fleet. The balance of the ARRA funding is for renovation or replacement of aging terminal buildings at smaller commercial airports, new airport construction, safety and security projects, and various high priority obstruction removal, lighting and guidance signage installation projects.

We did not provide ARRA funding to any project that was planned for funding in Fiscal Year 2009. These projects were not considered for Recovery Act funding because the legislation requires that economic recovery funds **supplement** and **not supplant** planned expenditures from regular AIP grants, airport-generated revenues or from other State and local sources for airport development activities. The Recovery Act also directed that priority be given to projects that could be completed within two years of the date of enactment of the Act, or Feb 17, 2011. FAA interprets the term "completed" as when construction or acquisition of equipment is finished as determined by a final project inspection.

In addition to time deadlines, "supplement and not supplant" criteria**,** and the NPR model, and in keeping with the intent of the law to create jobs throughout the United States, FAA was mindful of one final consideration. FAA monitored the allocation of ARRA funding to guide the distribution so as to attempt to reflect historical patterns of regular AIP grants, including sensitivity to geographical distribution and by types of airports (general aviation versus commercial service). In fact, the announced projects represent ARRA funding in every State for airport grants.

Finally, FAA targeted airports with projects that addressed airport safety and security, preserving aging infrastructure, reducing runway incursions, increasing capacity, and mitigating environmental impact of aviation. The FAA also targeted several special emphasis investments that will greatly benefit local communities such as Runway Safety Areas (RSA), airfield pavement rehabilitation projects, and non-hub terminal projects that represent aging facilities in smaller markets that are difficult to fund through local fees and charges.

For example, we are providing ARRA funding to:

- Improve the Runway Safety Areas at Pauls Valley Municipal Airport in the City of Pauls Valley, Oklahoma. This project will enhance safety at the airport and is expected to create or sustain 18 jobs.
- Sound attenuate educational areas within the Hitch Elementary School in Chicago, Illinois. This project will improve the learning environment of students by reducing aircraft noise inside the school and is expected to create or sustain 65 jobs.
- Construct a new airport that will primarily serve air ambulances and medical aircraft that support the Rosebud Indian Heal Service Hospital in Mission Sioux, South Dakota. This project is expected to create or sustain 45 jobs.
- Construct a replacement passenger terminal at MBS International Airport in Saginaw Michigan to replace the existing terminal that has outlived its useful life and has become extremely costly to maintain. The ARRA funding provided is expected to create or sustain 138 jobs.

Facilities and Equipment Funds

As noted at the outset, in addition to the $1.1 billion for airport projects, the Recovery Act made available an additional $200 million for FAA's Facilities and Equipment (F&E) program to support FAA infrastructure modernization and sustainment. F&E projects represent the necessary facilities and equipment, as the name implies, to support air traffic operations. The funding is being used to replace airport traffic control towers**,** improve air route traffic control center buildings, replace and improve power systems and implement navigation and landing system components. Specific examples include: replacement of elevators and exterior structural walls at many of our en-route centers, installation of instrument landing and runway lighting systems, replacement of components such as lamp monitoring equipment, fuel storage tank replacements, installation of equipment for grounding, bonding, and lightning protection, replacement of engine generator and power supply systems, and replacement of heating/ventilation/air conditioning systems for unmanned navigation equipment shelters. These projects save the agency money because of the increased energy efficiency and decreased maintenance and repair costs.

In accordance with the allocation of the F&E funding set out in the Recovery Act, the distribution of the $200 million will be as follows:

o Power Systems	$50 Million	90 Sites
o ATCT/TRACON Facilities	$80 Million	3 Towers being replaced
o ARTCC Modernization	$50 Million	18 Centers
o Navigation/Landing Facilities	$20 Million	145 Sites

For F&E, we do not have specific requirements that are applicable to the airport grant funds (i.e. the requirement to obligate 50% within 120 days). However, F&E obligations using ARRA funds through June 17, 2009 were $47.9 million. We project an additional $30.2 million by the end of this month and our plan calls for total obligations of $129.47 million by September 2009, $158.16 million by March 2010, and $200 million by July 2010.

All of these projects are work that the agency had planned. That is, they were part of our corporate work plan; the ARRA funding allows us to accelerate the plan. We are using many existing FAA contracts that were originally competitively awarded, to accomplish the work and begin the projects quickly. The major advantage of having Recovery Act funds for F&E is that we are able to accelerate needed improvements to our facilities or start replacement projects sooner. We look forward to reaping the benefits of such projects, including greater energy efficiency and cost savings resulting from the extension of the operating life of our facilities.

Transparency Is Paramount

All funds issued under this Act are subject to extraordinary scrutiny with strict reporting requirements. Under our oversight system and schedule, airport project grant recipients must submit periodic reports to the FAA on the use of Recovery Act funds no later than 90 days (5/18/09), 180 days (8/16/09), one year (2/17/10), two years (2/17/11), and three years (2/17/12) after the date of enactment of the Recovery Act. These reports will be collected and compiled by the FAA and transmitted through the Department to Congress and include the following:

- the amount of Recovery Act funds appropriated, allocated, obligated, and outlayed;
- the number of projects that have been put out to bid and have been awarded;
- where work has begun and been completed;
- the amount of Recovery Act funds associated with such projects;
- estimates of jobs created or sustained, including job years created and the total increase in employment since the date of enactment;
- actual expenditures by each grant recipient from economic recovery funding; and
- actual expenditures as compared to the level of expenditures that were planned to occur during such time as of the date of enactment of the Act.

Currently, FAA is making all ARRA program information publicly available by posting the information on the FAA Recovery Act website as updated project information becomes available for both airport and Facilities & Equipment projects. The information available for the public includes the amount of Recovery Act funds received, expended, and obligated, on a project basis.

In addition, the Office of Management and Budget (OMB) has recently issued guidance for ARRA recipient reporting data that must be submitted to OMB each quarter. The first cycle for this recipient reporting will begin in October 2009. The reporting requirements include a detailed list of all projects for which Recovery Act funds were expended or obligated, and detailed information on subcontracts or subgrants awarded by the recipient. FAA has ensured that the provisions for outreach and education, and data collection associated with those requirements were put in place.

To ensure that the grantees were aware of these additional reporting requirements and to ensure compliance, FAA included special conditions within each grant and contract requiring this reporting as a condition of acceptance. Similarly, the Facilities and Equipment prime contractors have been directed to complete a Monthly Prime and Subcontractor Employment Report for each project location. This guidance was incorporated into FAA's Acquisition Management System (AMS) on March 31, 2009. Each existing contract and future contract that uses ARRA funding contains the AMS job reporting requirements.

Finally, before issuing the first grant, FAA conducted proactive outreach to external stakeholders and the Office of the Inspector General through meetings and conferences throughout the country to ensure all parties were committed to the processes necessary to meet the ARRA objectives of timely, high priority and transparent project development. As a result, FAA published specific written guidance for airports and the public that detailed how FAA intended to implement the effective administration of ARRA grants.

Conclusion

In slightly over 120 days since the FAA received its $1.1 billion allotment of ARRA funds for airport infrastructure improvements, FAA has identified and announced tentative funding (subject to timely receipt of construction bids) for nearly all of the funding available by ARRA. Because of the long lead time associated with constructing complex airport infrastructure projects, the vast majority of the highest priority, ready-to-go projects had already been identified in FAA's 3-5 year Airport Capital Improvement Plan. This reflects well on the long history of project planning coordination between individual airport sponsors and the FAA.

The FAA also continues to proceed rapidly with deploying the Recovery Act's facilities and equipment funding to accelerate projects that will generate environmental improvements, cost savings, and improved facility conditions for our employees. We are doing all of this transparently, and cognizant of ARRA's primary short-term goal: to put people back to work across the country.

Mr. Chairman, the FAA is proud of what we have accomplished to date. We are in the midst of millions of dollars of bids being received daily. The bidding process is robust and the savings resulting from excellent bid results is allowing us to stretch the dollars--to fund even more ARRA projects then originally expected. We thank you for your support in this effort and will continue to keep you informed about our progress.

That concludes my prepared statement. I would be happy to answer any questions you and the Members of the Committee may have.