

AASHTO Standing Committee on Aviation

FAA Reauthorization Bill Update

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May 4, 2007

Process for the FAA Reauthorization Bill

- **Vision 100 expiring 9/30/2007:** authorization and taxes that fund Airport and Airway Trust Fund both expire.
- **Administration's Proposal, the *Next Generation Air Transportation Financing Reform Act of 2007*** proposed sweeping financial and formula reforms. Congress not enthusiastic about wholesale reform, likely will pick and choose among provisions.
- **House T&I** conducted a series of hearings. Will try and report bill by June.
- **Senate Commerce** has a draft bill completed that will differ significantly from House version. After the two chambers dispose of the bill, House-Senate Conference expected in September.
- **Legislative-Executive** branch negotiations will be required to clear a final bill, especially if controversial labor-oriented provisions are included.

Legislative Update: NASAO, NAC, & AASHTO Priorities

- **Length of Authorization:** Senate 4-years (Administration had proposed 3). *The better the bill the longer the desired authorization period.*
- **AIP Authorization Levels:** Senate \$3.8 - \$4.1 billion. *There is broad congressional support for a strong AIP level. Look for some marginal changes to formulas based on recommendations from FAA.*
- **AIP Funding Guarantee:** Senate retains current language. *While appropriations have not kept pace with Vision 100 authorized levels, AIP has been better protected than F&E. Protections not as good as HTF.*
- **Innovative Finance:** Most likely to be applied in the context of airports assuming greater roles and responsibilities and additional flexibilities for use of local revenue, PFCs or AIP. *Aviation already heavily invested in bonding, innovative structures.*

Legislative Update: NASAO, NAC, & AASHTO Priorities

- **State Apportionments:** Administration's proposal would increase to 10% of AIP and decouple from non-primaries. *If not attached to other proposals, this would be positive for the states, providing additional revenue.*
- **Non-Primary Grant Program/Smaller Airports:** Broad congressional support for current law for the smallest of non-primaries (<10 based aircraft). *Could be some additional support for largest general aviation facilities. Senate bill has 95% federal share for small hub airports and below.*
- **General Fund Contribution to FAA Programs:** Industry united on larger share, but fixing the share at above 20% puts pressure on appropriators with other accounts. *Congress more likely to increase revenue derived from fees and taxes in order to make up for projected shortfalls in revenues.*

Legislative Update: NASAO, NAC, & AASHTO Priorities

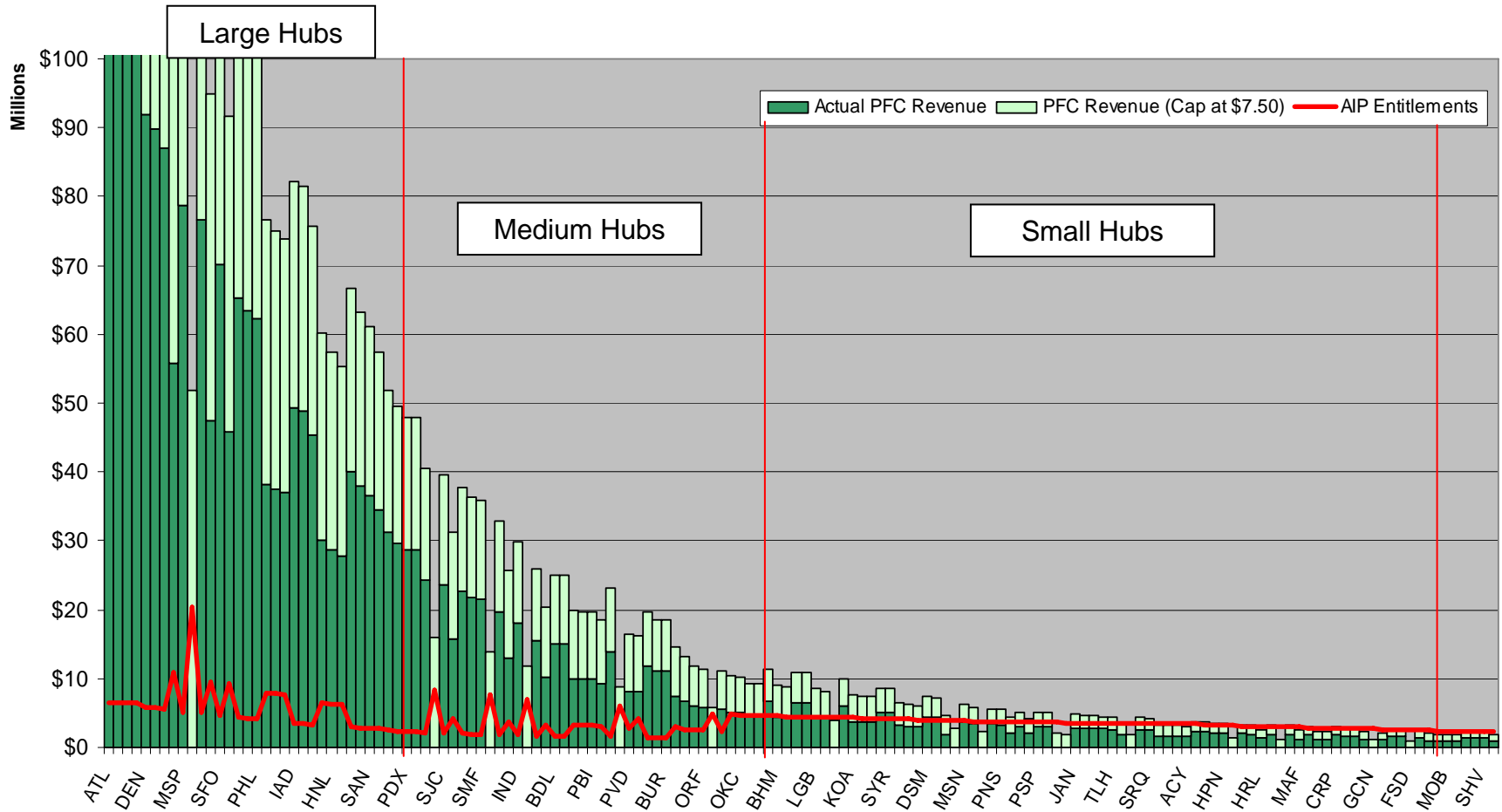
- **Essential Air Service:** Senate bill continues and modestly expands funding for the *program*. *Broad congressional support for continuing program and committee leadership determined.*
- **Small Community Air Service Development Program:** Senate bill reauthorizes program through 2011 @ \$35 million. *There is congressional support for the program, but appropriators have not fully funded program.*
- **JPDO/Air Traffic Modernization Oversight Boards:** Coordinating mechanisms for overseeing modernization and better coordinating air traffic control research and development. *Congressional confusion over existing roles of ATO/FAA and JPDO likely will be clarified in the bill—roles may be changed to focus on implementation, industry involvement broadened.*
- **Aviation Tax System:** Reform of SAFETEA-LU issue. *Little public attention to issue at this point.*

Legislative Update: NASAO, NAC, & AASHTO Priorities

- **Aviation User Fees/Excise Taxes:** While the House has been dismissive of user fees, the Senate bill has \$25 fee for filing flight plan (piston aircraft exempted and reportedly will increase fuel tax for general aviation and phase out for commercial carriers*). In addition, parts of Congress are sympathetic to realigning contributions (especially for business aviation) and raising more money through fuels tax.
- **PFCs:** Senate bill has no increase (except for a 6-airport pilot program where airports collect the PFCs—no limit). House T&I signaling intent of a \$6.00 PFC, possibly with indexing. *Big issues for the larger airports—perceived as part of a balanced program with AIP increase—as well as for smaller airports who often use the PFC for their match.*
- **PFC Flexibility/Streamlining:** Congress generally unsympathetic to additional flexibility, unclear if it will be more supportive of streamlining application process. *Key issue likely to boil down to carrier consultation for controversial projects.*

* Note: Senate Finance title for FAA Bill not yet available, fuel tax based on reports

Importance of Existing PFC Revenue and \$7.50 PFC Revenue Relative to Current AIP Receipts



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- **Safety and Security:** Congress likely to address current safety issues such as runway incursions and pilot fatigue through FAA reporting and prioritization of discretionary funding.
- **Environmental Process Improvements:** One of the areas from Vision 100 that was strong. Administration and Senate bill have additional eligibilities for AIP for beneficial flight procedures. *Note: (1) Administration and Senate have changed funding set-aside of environmental projects to stabilize amount (\$300 m. in Senate bill, 8% of overall AIP in House bill), and broaden eligibility to include water mitigation projects part of a ROD. (2) Other than an early draft of the Administration bill, no progress yet on improving sponsor access to the FAA EIS process.*

Bottom Line: The Road Ahead for the FAA Bill

- **House-Senate-Executive priority differences make this a fluid process.** Stakeholders (i.e., airports, airlines, general aviation, and governments) disagree significantly on major issues making the process more challenging.
- **House-Senate Conference Committee** will be the key arena given the possible bicameral disagreements. Absent strong committee leadership, there is a significant risk of not getting a multi-year bill before September 30.
- **What we do know now:** Congress will protect AIP, attempt to put more money into air traffic modernization, and will face big disagreements over how system needs will be funded.
- **AASHTO** will have to periodically assess their interests as the process proceeds.