

Funding Airport Infrastructure: Federal Options for Solvency

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About the Author

Grant Bennett is a senior in the Civil Engineering Department of the College of Engineering at Colorado State University. This paper is the result of his research conducted during the Washington Internship for Students of Engineering (WISE) Program of 1999. His internship was sponsored by the American Society of Civil Engineers (ASCE). His experience in researching the funding of airport infrastructure has greatly developed his interest in engineering and public policy.

Washington Internships for Students of Engineering

The Washington Internship for Students of Engineering selects up to sixteen students in a nation wide competition to spend ten weeks in a summer internship in Washington, D.C. During their internship they examine a variety of public policy issues through frequent discussions and meeting with government officials and other policy-makers. Through these experiences engineers learn how government officials make decisions on complex technological issues and how engineers can contribute to legislative and regulatory public policy decisions. In addition, each intern researches and completes a policy paper on a current and topical engineering-related public policy issue that is important to the sponsoring society. The students work under the guidance of a nationally prominent engineering professor. For more information about the WISE program, visit the WISE world-wide-web page at <http://www.wise-intern.org>.

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Abstract

Federal funding of airport infrastructure is a very political process. Taxes from aviation are used to support non-aviation programs at the federal level while growth and upkeep of airport infrastructure remain without funding. Political choices undermine the funding of the Federal Aviation Administration's Airport Improvement Program, both internally and externally, blocking increased investment. A link between airport infrastructure need and funding must be established at the federal level to promote and enhance the reliability and effectiveness of airports and the functionality of airport infrastructure.

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Issue Definition

Analysis in this paper discusses how the federal funding of airport infrastructure addresses the needs of aviation and how the funding mechanism could change to make the system more functional. On August 6th the Federal Aviation Administration (FAA) authorization ends, forcing Congress to set future airport funding levels. If Congress and the President do not invest enough funding in airport infrastructure, there could be serious consequences to capacity, reliability, safety and competitiveness in aviation. The current federal funding system lets Capitol Hill make funding tradeoffs between politics and dependable airport infrastructure. Spending more money is not the end-all solution for infrastructure, but guaranteeing a link between airport needs and federal funding removes the political battle from affecting the dependability of our airports.

Airport Infrastructure Cause and Effect

When looking at investments in airports, consider that trends in commercial aviation growth are continuing. Both the FAA and the Airports Council International-North America reported that the 1998 enplanements increased by an average of 2.2%.¹ The FAA long-term forecasts indicate that the enplanement rates are expected to increase by 3.4% annually over the next 12 years. This increase in traffic will continue to wear down infrastructure at a faster rate than current funding levels can support, and increase the demand for airport expansions.

Congress, the President, voters, industry and airports need to know that funding must go towards infrastructure for the upkeep of air travel. The question remains as to how

¹ Federal Aviation Administration, *Aerospace Forecasts 1999-2010* I-3, I-11 (1999).

much and where that money is spent. Airport infrastructure includes runways, taxiways, aprons, terminals, noise abatements, land purchases and equipment for safety, emergency, and snow removal.² Development and improvement of this infrastructure could increase efficiency and reduce costs to airlines by reducing the delay time each aircraft experiences.

The National Civil Aviation Review Commission, established by Congress, reported that negative effects from flight delay will soon lead to gridlock in aviation.³ By increasing funding, improved infrastructure would allow the airports to keep up with current trends in aviation growth. Terminal expansions would also support growth by helping to increase capacity and airline competition at an airport.⁴

Long term investment helps promote reliability in airports and economic stability in airport funding. A General Accounting Office (GAO) report from July 1998 suggests that if pavement rehabilitation projects are not performed in a timely manner, costs can escalate to 2 to 3 times over normal costs.⁵ This type of development issue brings short term versus long term investment strategies to the front of the funding debate. Long term funding reduces the cost to the overall system and promotes reliable resources for air travel.

Airports Council International-North America, *1998 North American Traffic Report* 1 (1998).

² Robert S. Kirk, Congressional Research Service, *Airport Improvement Program* ii (1999) (hereinafter *AIP*).

³ National Civil Aviation Review Commission, *Avoiding Aviation Gridlock* 2 (1997) (hereinafter *Aviation Gridlock*).

⁴ US Department of Transportation, Statement by Secretary Slater, Press Release: *FAA Reauthorization Legislation Statement* (1999).

Robert S. Kirk, Congressional Research Service, *Airport Improvement Program: Airport Finance Issues for Congress* 14 (1999).

⁵ US General Accounting Office, *Airfield Pavement: Keeping Nation's Runways in Good Condition Could Require Substantially Higher Spending* 6 (1998).

Federal Funding Insolvency

The federal funding of airport infrastructure is made through the Airport Improvement Program (AIP). The AIP is appropriated money from the Aviation Trust Fund, which collects a combination of ticket and fuel taxes from the aviation community. Although there is \$11.17 billion in the Trust Fund for fiscal year 1999, not all of that money is going to aviation.⁶ Approximately \$3.41 billion from the Trust Fund will revert back to the federal government's general fund and be spent outside of aviation.⁷ This raises concern for future infrastructure investment, especially when the aviation community is growing.

The American Society of Civil Engineers, along with many key players in the aviation field, support removing the Aviation Trust Fund from the federal government's general fund.⁸ This would establish a direct link between taxes and investments in the aviation system and insure that dedicated user fees go toward their intended use. Infrastructure funding could then become proactive and grow as the aviation field grows.

Scope

Funding problems are the main priorities to address when looking at the future of airport infrastructure. Current political themes driving funding decisions obscure and ignore needed investments. Solutions involve funding options that link investment to airport demand for infrastructure. Only after long-term and dedicated investment is established can the internal FAA priorities on exact funding levels be addressed.

⁶ *AIP, supra*, at 3.

⁷ Executive Office of the President, Office of Management and Budget, Statement of Administration Policy, *H.R. 1000 – Aviation Investment and Reform Act for the 21st Century*, June 15, 1999, at 1 (hereinafter *Administration Policy*).

⁸ American Society of Civil Engineers, Policy Statement: *Airport Improvement Program* (1998) (hereinafter *ASCE Policy*).

Literature Review

Airport Problems and Infrastructure Solutions

The foreseeable future for airport infrastructure is grim. As growth in airline traffic continues, many experts predict that significantly higher spending will be needed for airport infrastructure. The National Civil Aviation Review Commission (NCARC) was established by Congress to review, in part, whether the Federal Aviation Administration (FAA) has the resources it needs to meet critical safety, security and operational activities, and to continue investing in airport capital development. The NCARC reports that the aviation field will soon feel dramatic effects from added flight delays.⁹ The effects of flight delays were quantified when the Air Transport Association reported that the delays in aviation cost carriers \$2.4 billion in 1997.¹⁰

The FAA's National Plan of Integrated Airport Systems (NPIAS) came to the same conclusions regarding added flight delays in the future. It describes the most problematic areas of aviation to be large numbers of people exposed to high noise levels and delays due to congestion.¹¹ NPIAS helps the FAA to coordinate airport development, and includes some 3,344 airports that are "significant to national air transportation." It estimates \$35.1 billion is needed over the next 5 years to meet the need of all segments of commercial and general aviation. The NPIAS suggests major airfield improvements, together with enhanced technology, will be needed to solve the problem.¹²

⁹ *Aviation Gridlock*, supra, at 2.

¹⁰ 145 Cong. Rec. E8 (January 6, 1999) (statement of Rep. Shuster).

¹¹ Federal Aviation Administration, *National Plan of Integrated Airport Systems* 11 (1998) (hereinafter *National Plan*).

¹² Id. at 11.

Growth in passenger traffic requires increased infrastructure spending at airports. The NPIAS says that due to a 62% increase in passengers, more investment in terminals is necessary to accommodate this growth.¹³ The national plan goes on to say that developing new runways at large and medium hub airports will help to relieve the load. While mentioning alternative solutions like scheduling more flights for off-peak hours, it concludes that congestion pricing to force alternative scheduling will not substitute for capacity enhancement.¹⁴ An *Aviation Week* article states that trading frequency for capacity will not solve the problem. The article emphasizes that improvements like added runways, terminals and gates are the only solutions to the upcoming capacity problems.¹⁵

If investment does not occur now, costs will escalate in the future. The GAO reports that airfield pavement rehabilitation will cost 2 to 3 times more if airports wait to fix the problem.¹⁶ The NPIAS confirms this fact with recommendations that regular maintenance is needed for airfield pavement.¹⁷ Although current pavement conditions are not terrible, the NPIAS credits funding from thousands of local and state agencies for these conditions.¹⁸

In addition to cost savings and flight delays, safety is also addressed by infrastructure funding because federal money requires specific standards be used in airport development. The NPIAS says uniformity, with regards to infrastructure, helps promote

¹³ *Id.* at 30.

¹⁴ *Id.* at 13.

¹⁵ Edward H. Phillips, *Airline Growth Seen Outpacing Airports*, *Aviation Week & Space Technology*, March 10, 1997, at 44, 45.

¹⁶ US General Accounting Office, *Airfield Pavement: Keeping Nation's Runways in Good Condition Could Require Substantially Higher Spending* 6 (1998).

¹⁷ *National Plan*, *supra*, at 18.

¹⁸ *National Plan*, *supra*, at 19.

safety and that federal funds ensure uniformity.¹⁹ Experts throughout aviation argue that new infrastructure funding is necessary to increase capacity and safety, and reduce flight delays.

Federal Funding Role

Funding for the FAA primarily comes from the Aviation Trust Fund. In 1970 the Congress passed the Airport and Airway Revenue Act to establish the Aviation Trust Fund, which allowed the FAA to implement a series of user fees and gas taxes related to aviation as a source of revenue.²⁰ The Aviation Trust Fund then finances the FAA along with help from the general fund of the U.S. government. The appropriations to the FAA for fiscal year 1999 include \$1.6 billion for the Airport Improvement Program, \$1.9 billion for facilities and equipment, \$150 million for research, engineering and development and \$4.1 billion for FAA operations. The federal government general fund contributes approximately 26% of the FAA operations budget.²¹

Airport Improvement Program

The FAA, through the Airport Improvement Program (AIP), addresses infrastructure needs. The AIP was established to promote and enhance safety, security, capacity, noise mitigation and environmental concerns, and to promote the use of existing infrastructure (i.e., using former military airports for civilian use).²² In general, the AIP receives money from the Aviation Trust Fund to address infrastructure and development needs and concerns at airports.

¹⁹ *National Plan*, supra, at 15.

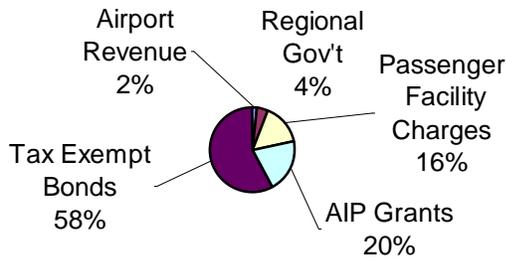
²⁰ *AIP*, supra, at 3.

²¹ *AIP*, supra, at 3.

²² FAA, *Sixteenth Annual Report of Accomplishments Under the Airport Improvement Program 3* (1997).

Although the AIP is tasked to support airport infrastructure, the demand for further funding is not met by these federal dollars and the burden is falling on state and regional authorities. The overall capital development by airports in 1998 is shown in the chart below.²³

Funding Sources for Capital Development



The tax-exempt bonds are issued at the regional level, leaving AIP grants as the sole source for federal funding. Even for AIP projects, the nonfederal share of funding is 10% for smaller airports and 25% for large and medium hub airports.²⁴

Passenger Facility Charges

Although the federal government does not fund a majority of infrastructure, the AIP grants and Passenger Facility Charges (PFC's) combined cover over one-third of the development money, and could be increased to cover a larger share. PFC's began in 1992 by allowing airports to collect up to \$3 per boarding passenger for preserving or enhancing airports' safety, security, or capacity; reducing noise; or enhancing airline competition.²⁵ This allows for use of PFC's in development areas similar to AIP use, except with respect to airline competition. PFC's play a crucial role in addressing competition between airlines since regulations require development projects using these

²³ FAA, *Aviation Capacity Enhancement Plan 44* (1998).

²⁴ *AIP*, *supra*, at 7.

²⁵ FAA, US Dept. of Transportation, Leaflet FAA-P-5000-1, *Passenger Facility Charges: Enabling Legislation and Implementing Regulation* (1991).

funds to enhance competition among airline carriers. Congress sets limits on the amounts of these charges, so current legislation to reauthorize the FAA looks to alter PFC levels.

Current Legislation on Capitol Hill

Realizing that airports need more funding for infrastructure, some members of Congress are asking why there is a surplus of money in the Aviation Trust Fund that could go to AIP grants. For 1999, the unexpended balance of the Aviation Trust Fund will be \$3.41 billion. This money, along with unexpended balances from years past, will create a beginning balance in the Aviation Trust Fund of \$12.3 billion for fiscal year 2000.²⁶

Addressing this concern, Rep. Bud Shuster (R-PA), Chairman of the House Committee on Transportation and Infrastructure, pushed H.R.1000 through the House on June 15th, 1999, by a vote of 316-110.²⁷ H.R.1000, the Aviation and Investment Reform Act for the 21st Century (AIR21), proposes AIP spending of \$2.475 billion for FY2000, \$4 billion for FY2001, \$4.1 billion for FY2002, \$4.25 billion for FY2003, and \$4.35 billion for FY2004. Also included in H.R.1000 are proposals to change PFC caps to \$4, \$5, or \$6. The proposed AIP funding levels in H.R.1000 are dramatically increased over current levels because of an AIR21 measure moving the Aviation Trust Fund off budget. Off budget treatment removes the Trust Fund from the Budget Enforcement Act, guaranteeing that all the dollars collected by the Aviation Trust Fund go to FAA programs.²⁸

²⁶ *AIP, supra*, at 3.

²⁷ Jeff Plungis, *Aviation Trust Fund Fight Shifts to Senate As Shuster's Plan Wins in House*, CQ Weekly, June 19, 1999, at I462.

²⁸ *AIP, supra*, at i.

The Senate bill reauthorizing the FAA does not move the Trust Fund off budget. The Air Transportation Improvement Act, S.82, sponsored by Chairman John McCain (R-AZ) of the Senate Committee on Commerce, Science and Transportation, proposes AIP spending of \$2.41 billion for FY1999 and \$2.475 billion for FY2000.²⁹ A conference committee will create the final bill to be passed by both houses of Congress and then to be signed or vetoed by the President. The bills from both the House of Representatives and the Senate increase funding for the AIP, but opposition within Congress and by the President is a problem.

Congressional Opposition to Increased Funding Levels

A key distinction to recognize is that the previously mentioned bills are authorizations. This legislation allows the money to be spent, but a second obstacle facing airport infrastructure and the FAA is the appropriations process in Congress. Appropriators actually give the money to specific programs, and the funding levels authorized are not necessarily the same as the money appropriated.

Many members in Congress from Budget and Appropriations committees want to have oversight of the AIP funding, but they never mention the needs of airport infrastructure in their analysis. The Senate Budget Committee, chaired by Senator Pete Domenici (R-NM), says strong oversight is needed from both authorization and appropriation committees to prevent inappropriate spending.³⁰ Further analysis by the committee states that firewalls around aviation funding will not be sufficient alternatives for moving the Aviation Trust Fund off budget. Firewalls in legislation would allow for earmarking by Congress to specific AIP projects, but force the authorized funding levels

²⁹ *AIP*, *supra*, at i.

³⁰ *A Firewall Will Not Help the Spruce Goose Fly*, *Informed Budgeteer*, July 19, 1999, at 2.

to be spent on aviation. The main theme appearing is one of control and oversight of spending by the congressional committees.

Reasons for wanting these controls do not focus on infrastructure needs, but instead focus on political concerns. Rep. C. W. Bill Young (R-FL), chairman of the House Appropriations Committee, worries that the increased spending from AIR21 will break the current budget caps and postpone income tax cuts for the general public. His main concerns revolve around maintaining fiscal discipline, tax cuts, and protecting social security.³¹ Although Chairman Young warns of effects from moving the Aviation Trust Fund off budget, the Appropriations Committee recommended that \$2.25 billion be spent on the AIP for FY2000, which is \$65 million higher than FY1999 levels.³²

Presidential Politics in Infrastructure Spending

The Clinton Administration, along with the FAA, has released a different proposal, S.545, to set AIP spending at \$1.6 billion (current funding levels) for each fiscal year for FY2000 through FY2004.³³ This proposal also raises the caps on PFC's to \$5 so as to increase nonfederal spending.

The House Appropriations Committee is willing to spend more on AIP than the Clinton administration for FY2000. This is clearly a political conflict, as the FAA reports cited earlier state that increased funding is needed for airport infrastructure. The Executive Office of the President overlooks airport needs, like the appropriators, by saying that H.R.1000 would reduce the federal budget surplus so that there would be no

³¹ Rep. Young, *Dear Colleague letter*, June 11, 1999, www.house.gov/appropriations/air21dc.html.

³² House Appropriation Committee, Appropriations database for FY2000, 106th Cong., 1st Sess., www.house.gov/appropriations/00trans.html.

³³ *AIP*, *supra*, at i.

long-term solvency to Social Security or Medicare.³⁴ Politics are controlling the reauthorization of the FAA, and the previous actions by Congress and the President reflect that theme.

Status Quo Funding Levels

Currently, and in the past, Congress and the President have extended the same funding levels to the FAA for a few months at a time so differences in funding priorities could be worked out. In May, the 1999 Emergency Supplemental Appropriations Act included an extension of the AIP authorization that expires August 6th, 1999.³⁵ As mentioned earlier, this funds the AIP at \$1.6 billion annually. In all likelihood, the August deadline will cause a similar extension of previous funding levels if differences between the Senate and the House are not worked out soon. The effects from this kind of stop-and-go funding could lead to negative effects on airport infrastructure development and upkeep, but these effects fall outside of the scope of this paper.

The Truth in Budgeting Alliance

Whether the status quo is extended for a few more months or new legislation is enacted, changes in the methods of airport infrastructure funding need to be supported. Addressing this concern, the American Society of Civil Engineers supports having the trust fund moved off budget.³⁶ ASCE has joined the Alliance for Truth in Transportation Budgeting, which supports legislation to move all transportation trust funds off budget. Members of the alliance include: Airports Council International, Airports Consultants Council, Air Transport Association, National Air Carrier Association, National

³⁴ *Administration Policy*, supra, at 1.

³⁵ *AIP*, supra, at i.

³⁶ *ASCE Policy*, supra.

Association of State Aviation Officials, American Road and Transportation Builders Association and the U.S. Chamber of Commerce.³⁷ The alliance is advocating that all aviation dollars go to aviation projects, and stands as a strong force in the push for an off budget measure. The alliance supports the permanent extension of user fees to fund the specific areas they tax.

Overview

The growth of aviation and the needs of airports bring infrastructure spending to the forefront of the aviation debate. Political concerns block the path for dedicated funding of airport infrastructure. As the deadline approaches for the FAA reauthorization, analysis of the problems within infrastructure funding must be addressed to remedy the current situation.

Pressing Conflicts and Long Term Concerns

Airport infrastructure funding problems start with an increased need for money due to growth in aviation. The next obstacle to be faced involves supplying proactive funding to airports. These two concerns can only be addressed if problems within current funding mechanism at the federal level are solved. Once necessary funding is linked to airport infrastructure needs, the long term concerns for federal oversight and control can be addressed.

Link Funding to Infrastructure

As infrastructure needs more money for upkeep and growth, experts in aviation point to additional funding to solve current airport problems and to stay even with the growth

³⁷ Advertisement: *The Alliance for Truth in Transportation Budgeting*, Roll Call, June 7, 1999, at 2.

in aviation. Federal funding needs to be linked to changes in the aviation system. Ideas like moving the Aviation Trust Fund off budget support the concept that dedicated user fees should be going back into the system they came from. As aviation gets larger the taxes collected and funding spent on infrastructure should reflect the growth in system size. Even if forecasts for growth and need are wrong, a link between system changes and spending are still not in place. To implement a strong funding mechanism, loopholes in the system must be overcome.

Internal Conflicts within the FAA

The FAA is essentially reporting limited needs with the presidential budget request in mind. The airport funding proposal the FAA submits to the President has an overall need value based on desired funding levels, giving a false picture of real needs.³⁸ To determine which AIP projects are at the top of the funding list, the FAA uses the National Priority System (NPS). The NPS ranks projects according to criteria vital to the National Plan of Integrated Airport Systems (NPIAS).³⁹ This false sense of need looks at what legislation will address and not at what aviation demand actually requires. This internal conflict of actual demand versus presidential requests clearly presents problems for determining how much funding is really needed.

Nonfederal Funding Role

Increasing PFC's for a large infrastructure burden could have significant negative effects on the NPIAS and small airports. A Congressional Budget Office report states that large airports could succeed without federal aid if caps on PFC's were raised or eliminated. This method would leave smaller airports in a difficult spot to finance capital

³⁸ Interview with Dennis Walsh, FAA Office of Airport Planning and Programming (July 16, 1999).

³⁹ Federal Aviation Administration, *Program Guidance Letter 98-2 2* (1998).

investment since PFC's help large airports the most.⁴⁰ The report states that small airports' finances are not all the same, but the federal role of funding is still important. The AIP, with a mission complementary and contrasting to PFC's purpose, stands to help the national aviation system instead of PFC's helping individual airports. The federal role in funding airport infrastructure needs to be resolved before system philosophies can be debated.

Politics in the System

Congressional and presidential control of funding has political themes overpowering the effects of poor infrastructure in the current funding debate. As the benefits from increased investment in airports are proven, the federal surplus, created in part by the Aviation Trust Fund, allows lawmakers to address larger social programs. The political benefits of promoting social security, Medicare and tax cuts limit the solvency of the funding mechanism in the current era. Pushing for strong infrastructure funding will move the fight in the right direction, but the political realm is in the way.

Concerns for Federal Oversight and Control

Assuming that airport infrastructure funding can be linked to growth in aviation demand, long-term concerns for functionality of the system will arise. Immediately funding the entire demand of aviation is not reasonable and the current funding available through the Aviation Trust Fund is not necessarily the right amount.

There are no exact figures for infrastructure funding levels that will ensure functionality of the airport system. The concern that the Trust Fund might not have enough money for infrastructure opens debate for altering the revenue. Altering PFC's or

⁴⁰ Congressional Budget Office, *Financing Small Commercial Service Airports: Federal Policies and Options* 1,2 (1999).

taxation levels could remedy the problem, but the Trust Fund is split among the many needs of the FAA and not on infrastructure alone. The lack of knowledge regarding total needs opens the door for checks and balances in the funding system.

A lack of congressional and presidential oversight could lead to unnecessary and unreasonable spending. The NPIAS looks to aviation demand, but does not consider cost-benefit analysis when evaluating growth for projects under \$5 million.⁴¹ Review of benefits versus costs for smaller AIP projects could help resolve this issue. Oversight that does not affect funding levels politically could also help. Firewalls that protect funding levels or controls for the taxes taken into the Trust Fund are ideas for oversight and control, but this debate is a long way off when looking at the current situation.

Political themes engulf the current reauthorization of the FAA. If a consensus can be made to link infrastructure funding to the aviation system, then internal battles involving aviation priorities and philosophies can begin. Changing the funding mechanism will start the process in the right direction.

⁴¹ *National Plan*, supra, at vi.

Policy Alternatives

The first set of policy alternatives address changing the airport infrastructure funding process. Once a link is made at the federal level between airport infrastructure needs and funding then options for a more effective funding system can be considered. The second set of policy alternatives looks to do exactly that by creating a more functional funding mechanism.

Policies to Alter the Funding Process

I. Link federal funding levels to changes in aviation demand by moving the Aviation Trust Fund off budget.

An off budget measure would guarantee that dedicated funding goes to the Federal Aviation Administration. Although funding would be linked to the system, this solution opens two internal debates. One debate asks how much money is necessary for long-term functionality of airport infrastructure, and is addressed by the second set of policy alternatives. A second concern looks at how to divide the dedicated funding among the four areas of the FAA.

While this solution proposes benefits for the aviation field as a whole, the costs fall to programs outside of aviation, which are now using the surplus of the Aviation Trust Fund. Although costs to social programs and other areas are not fully addressed, the removal of the Aviation Trust Fund would have an effect on current governmental spending outside of aviation.

An off budget measure, being very applicable to the problem at hand, has both champions and strong opposition for implementation within current legislation. While Rep. Shuster pushes for an off budget Trust Fund, the opposition from appropriators and

budget hawks on Capitol Hill stands to block this alternative due to political concerns for social programs.

II. Allow infrastructure funding to become more self-sufficient at airports by increasing or eliminating the caps set on Passenger Facility Charges.

This alternative sends money to airport infrastructure, but undermines the federal oversight in aviation and ignores the Aviation Trust Fund surplus. PFC's should be used in conjunction with AIP grants, since competition and capacity enhancement are well served by PFC's.

The FAA's role of oversight and development is hurt if PFC's are allowed to become a primary funding source for airport infrastructure development. The National Plan of Integrated Airport Systems is not addressed by PFC's and will suffer if these charges take the main funding role.

The benefits clearly fall to large airports with high numbers of passengers. Smaller airports will be hurt, affecting regional aviation that depends on smaller airports. Passengers will also feel this cost since using PFC's, especially higher ones, creates a double jeopardy that taxes users of the system twice.

Increasing PFC's on a large scale ignores the surplus of the Aviation Trust Fund and drives development to regional authorities, undermining the role of the FAA. This option avoids the real problems on Capitol Hill and should only be used moderately in conjunction with the AIP.

Implementing this solution will not be a problem since current legislation looks to do exactly what is described above. The main point in promoting this option should be to

realize that it is not addressing the real problem in the federal funding link between airport infrastructure needs and investment.

III. Ensure base levels of funding to airport infrastructure by setting firewalls in legislation.

Firewalls would set an exact amount of money to go to infrastructure development. This solution can only work for short-term intervals since changes in aviation will drive the costs of infrastructure up in the future.

There are both economic benefits and risks with firewalls, since a set level of funding will be in the legislation. If funding levels are set high enough, infrastructure can receive huge benefits in the short-term, even though long-term need may be larger than the set values.

Firewalls create an inflexible option for funding infrastructure. This solution is not beneficial to solvency in the future, but will relieve the funding problems for now.

Current legislation focuses on moving the Aviation Trust Fund off budget, leaving little discussion for firewalls. If a deal is to be made in Congress between champions and opposition, the firewall solution may be a middle ground for both sides.

Policies to Ensure Functionality in Spending with a Linked Fiscal Policy

Assuming that federal funding has a dedicated link to airport infrastructure demands, certain internal conflicts arise regarding exact funding levels and oversight within the system. The following two alternatives can be used in conjunction with a linked-funding mechanism.

I. Address system needs by continuing federal control over Aviation Trust Fund taxation and fee levels.

With the Aviation Trust Fund being used for its intended purpose, the concern is that not enough money will be present in the Aviation Trust Fund to support the FAA.

Airport infrastructure is but one of many areas within the FAA, and the exact funding need for this one program is not known.

Allowing Congressional and Presidential control over Aviation Trust Fund tax and fee levels would allow for necessary funding to be brought into the system, especially if current levels in the Trust Fund are not enough to cover the costs.

The federal government could then have oversight in developing our nation's airports without letting political concerns withhold funding from vital areas. Clearly this is a far off thought from the current state of affairs, but the federal government should have oversight of the national airport system.

The federal government already oversees control of these taxes, so changing the levels could be done with little hassle. This measure would clearly address the problems at hand, but a link between infrastructure need and federal funding is necessary first.

II. Integrate more cost-benefit analysis into the National Plan of Integrated Airport Systems and Airport Improvement Program grants.

Dedicated funding does not fully address oversight within a system. Controlled growth must be looked at for developing and improving our airports. Increased cost-benefit review will allow for insight into development that may be wasteful. Although not all infrastructure projects can be measured on such a scale, the process should look at maximizing benefits when issuing AIP grants.

This proposal stands to benefit aviation as well as taxpayers. The aviation community should not undermine its own effectiveness with hassles like unneeded development. At the same time infrastructure promotes the aviation economy and should be developed within reason. Cost-benefit review would also benefit taxpayers since controls on growth also affect the revenue needed for that growth.

Applying this measure would be both sound and feasible with direction from the federal government. Concerns about waste would be addressed, and rules set by Congress and the President would ensure that frugality oversees development.

Recommendations

The American Society of Civil Engineers plays a unique role when analyzing airport infrastructure needs. Engineering demands that solutions for problems address not only solvency but also practicality. The only way to ensure dedicated airport infrastructure funding is by taking a practical approach that looks at the concerns outside of traditional engineering. Cost-benefit and economic analyses combined with “Truth in Budgeting” will make an even stronger argument when lobbying Congress.

Recommendations for ASCE:

- I.** Continue to work with the Alliance for Truth in Transportation Budgeting to move the Aviation Trust Fund off budget, but lobby with more than “Truth in Budgeting” in mind. Additional benefits from moving the Aviation Trust Fund off budget, like capacity enhancement, make the alliance stronger when persuading lawmakers and the public.
- II.** Expand the Alliance for Truth in Transportation Budgeting to include organizations outside of aviation to promote additional benefits of moving the Aviation Trust Fund off budget. Examples include societies with experts in economic studies, safety, and fiscal policy that agree with the principles of the alliance.
- III.** Support increasing Passenger Facility Charges on a limited basis. Understand that only in conjunction with AIP grants can infrastructure development be fully functional for a national aviation system.
- IV.** Continue to push grass-roots support for legislation through state and local leaders. If lawmakers see enough support from constituents, the push to move the Aviation Trust Fund off budget will become a reality.

List of Abbreviations

AIP – Airport Improvement Program

AIR21- Aviation Investment and Reform Act for the 21st Century
Sponsored by Rep. Bud Shuster (R-PA), a.k.a. H.R.1000

ASCE – American Society of Civil Engineers

FAA – Federal Aviation Administration

NCARC – National Civil Aviation Review Commission

NPIAS - National Plan of Integrated Airport Systems

NPS – National Priority System

PFC's – Passenger Facility Charges