Statement of

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Committee on Transportation and Infrastructure

Subcommittee on Aviation

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Chairman Petri, Ranking Member Costello and members of the Transportation and Infrastructure Subcommittee on Aviation, thank you for inviting me to participate in this hearing on the reauthorization of the Federal Aviation Administration. My name is Kelly Johnson. I am the Airport Director of the Northwest Arkansas Regional Airport and First Vice Chair of the American Association of Airport Executives. AAAE is the world's largest professional organization representing the men and women who manage primary, commercial service, reliever and general aviation airports.

The Northwest Arkansas Regional Airport is a small hub airport that serves five cities and two counties in northwest Arkansas. Last year we had more than 530,000 enplanements, making us the 112th busiest airport in the country. With the corporate headquarters of Walmart, Tyson Foods and other companies in Northwest Arkansas we provide a vital link to their global ability to conduct business and positively impact the economy.

I would like to begin by thanking you and your colleagues who served on this committee in the 111th Congress for all the work you did on H.R. 915, the FAA Reauthorization Act of 2009, which was later inserted into H.R. 1586, the Aviation Safety and Investment Act of 2010. The FAA bill, which the House passed again last year, included a number of key provisions that airport executives strongly support. For instance, the legislation would have raised the federal cap on local Passenger Facility Charges (PFCs) from $4.50 to $7, authorized necessary funding for the Airport Improvement Program (AIP) funding and supported programs that help small communities retain and attract new commercial air service.

It has been over three years since the last FAA reauthorization bill expired. Although the House repeatedly passed its version of the FAA bill, the final legislation stalled on the other side of the Capitol. Unable to pass a multi-year bill, Congress approved seventeen short-term extensions instead. Airports appreciate the successful efforts to extend FAA programs. However, short-term extensions and uncertain funding levels can be very disruptive to airports as they try to plan their construction projects.

It's time for Congress to act. Seventeen short-term extensions are seventeen too many. Every year that goes by without the PFC increase proposed in the House-passed bill costs airports approximately $1.3 billion in foregone revenue. If the $2.50 increase would have been enacted into law three years ago, airports could have invested another $4 billion in airport infrastructure projects at no cost to the federal government. These additional infrastructure funds would have helped airports stimulate the economy by creating and supporting jobs.

Airport executives around the country appreciate the enormous pressure that Congress is under to reduce federal spending. We also realize that there are number of proposals on the table to cut domestic discretionary spending that could impact airports. Before I describe some of our priorities for the FAA bill, I would like to make one point very clear: airports rely mostly on bond issuances, locally-imposed PFCs and funds generated by those who use the aviation system to finance infrastructure projects at their facilities.

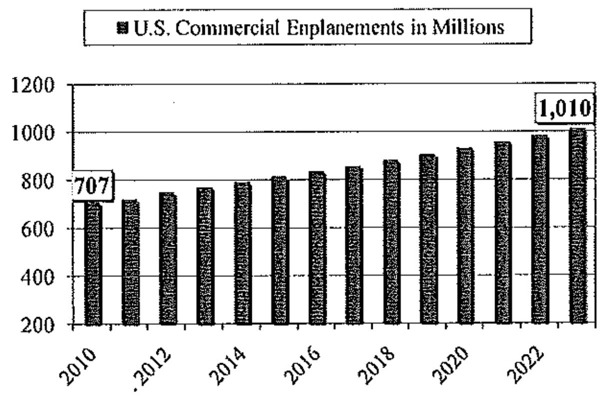
Consequently, airports are not seeking a huge increase in funds from the U.S. Treasury. Instead, airports are seeking your approval for more self-help, some needed tax relief and reasonable federal assistance to ensure that communities have safe and reliable air service that spurs economic development and helps create jobs. Airports around the country urge this committee to quickly pass a multi-year FAA reauthorization bill that removes the federal cap on local PFCs, continues to provide full funding for AIP and retains programs that help small communities.

Rising Demand, Airline Delays and Airport Capital Needs

Passenger Levels Rebounding: Passenger levels declined in 2008 and 2009. However, the FAA's Aerospace Forecast for 2010 to 2030 indicates that the number of passengers flying in the United States will increase by approximately 2.1 percent from 2010 to 2011. The FAA is also predicting that domestic passenger enplanements will increase from approximately 707 million in 2010 to about 933 million in 2020 – almost a 32% increase.

Projected Passenger Levels

(Source: FAA Aerospace Forecast 2010-2030)



Domestic passenger enplanements are expected to reach 1 billion by 2023. Adding three hundred million passengers is the equivalent of adding the entire population of the U.S. to our already-constrained aviation system. Thirteen years may seem like a long time to some. However, airports don't have the luxury of being able to flip a switch and instantly complete a new runway or large capacity project. Airports need to begin preparing now for the inevitable influx of passengers to come.

The fact is that it often takes airports thirteen or more years to build runways and other large capacity-enhancing projects. In its 2009 National Plan of Integrated Airport Systems (NPIAS), the FAA pointed out that **"large scale, long-term programs (i.e. a new runway or a significant runway extension) involving a sequence of planning, environmental analysis, approval, financing, and construction" often take 10 or 15 years to complete.**

In November 2008, the Seattle-Tacoma International Airport opened a new runway that took approximately 20 years to complete due, in part, to a lengthy environmental review process. Gina Marie Lindsey, the former Managing Director at SEA-TAC, who now heads Los Angeles World Airports, described the lengthy process when she testified before this committee in 2003. She pointed out that it took less time to finish the Great Pyramid even though it was built thousands of years ago with 5 million tons of stone.

Airline Delays: Although airlines have improved their on-time arrivals in the past few years, delays continue to plague the aviation industry. According to the Bureau of Transportation Statistics, approximately 20 percent of all flights were delayed, diverted or cancelled during the first 11 months of 2010. Despite recent overall gains, the Aerospace Forecast points out that "delays remained at historically high levels at many U.S. airports" and delays reached record levels at four large hub airports.

It shouldn't surprise anyone that airline delays have an adverse impact on our economy. In October 2010, an FAA-funded study indicated that flight delays cost the U.S. economy approximately $33 billion per year. According to the Total Delay Impact Study, which was led by the University of California, Berkeley, flight delays in 2007 cost passengers $16.7 billion.

The recent findings on the impact of airline delays are similar to those contained in a Joint Economic Committee report released in 2008. The congressional report indicated that flight delays in the same year cost the economy approximately $41 billion. Of that amount, airlines were hit with $19 billion in delay-related costs and passengers with another $12 billion in costs.

The 2010 report describes how the Next Generation Air Transportation System (NextGen) could enhance capacity and reduce the costs associated with airline delays. However, the report also points out that **"substantial investments are required in order to modernize and expand our aviation infrastructure so that it can accommodate anticipated growth without large increases in delay."**

The FAA's 2009 Aerospace Forecast similarly indicates that "inadequate" infrastructure could "result in even more congestion and delays" in the future. It's clear from the FAA and the Total Delay Impact Study that airline delays will increase unless airports have the resources they need to increase capacity.

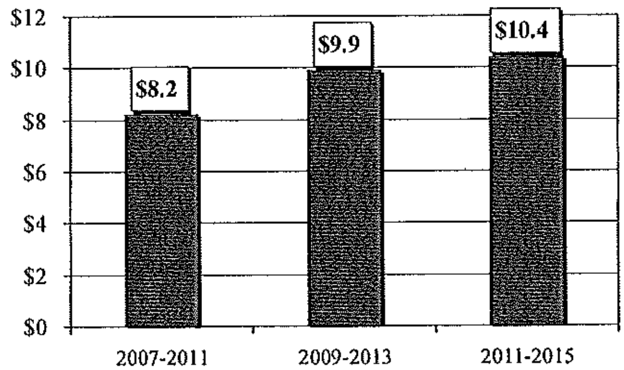
Rising Airport Capital Needs: Airport capital needs are also rising. According to the FAA's NPIAS for 2011 to 2015, there are 3,380 public use airports that are eligible to receive AIP funds. Breaking that number down, there are 503 commercial service airports and more than 2,500 general aviation airports scattered throughout the country.

Airports use AIP funds for a variety of purposes. According to the NPIAS, 29 percent of the planned development is to bring airports up to current design standards such as relocating runways and taxiways to accommodate larger and faster aircraft. Twenty-two percent is used for replacing or rehabilitating airport facilities such as pavement and lighting systems.

The latest NPIAS indicates that there will be $52.2 billion of AIP-eligible projects during the next five years – or an average of more than $10.4 billion per year. That is a 5 percent increase from the $49.7 billion that FAA estimated for AIP-eligible construction projects for 2009 to 2013 and a 27 percent increase from the five-year estimate beginning in 2007.

Average Annual AIP-Eligible Projects

(Source: FAA NPIAS 2011-2015)
(Dollars in Billions)



It is important to note, however, that "the NPIAS only includes planned development that is eligible to receive federal grants under the AIP." It does not include other "necessary but ineligible" infrastructure projects that airports fund with PFCs, bonds and other sources of revenue. So, the chart above represents only a portion of airport capital needs. Total airport financial needs, which include AIP-eligible and non-eligible projects, are significantly higher.

Provide Airports with Resources They Need to Accommodate Rising Demand, Reduce Delays and Keep Up with Inflation

Congress, the administration and aviation stakeholders all agree that implementing NextGen will enhance aviation capacity and help reduce airline delays. While many are understandably focusing on the need to implement a satellite-based navigation system to reduce congestion in the skies, we should not lose sight of the need to increase capacity and reduce congestion on the ground.

According to the FAA, **"new runways and runway extensions provide the most significant capacity increases."** In an effort to be build the infrastructure necessary to accommodate higher passenger levels, to reduce airline delays and to offset the impacts of construction costs, airports are urging Congress to lift the federally-imposed cap on local PFCs, protect AIP funding and permanently eliminate the Alternative Minimum Tax (AMT) penalty on airport private activity bonds.

1. Remove the Federal Cap on Local PFCs

The House-passed FAA bill proposed to raise the PFC cap from $4.50 to $7. Airports are grateful that this committee repeatedly supported that bipartisan proposal. Raising the cap to $7 would be a positive step toward recognizing the needs of airports. However, a

$2.50 increase would not be enough to offset the impact of construction cost inflation. It would not be enough to close the airport funding gap nor enough to provide airports with the revenue they need to meet increasing demand.

Airports will likely be forced to rely on PFCs even more because some are proposing to cut AIP and because airport private activity bonds are again being subject to the AMT. With that in mind, airports are urging Congress to take the next step and completely lift the federal cap on local PFCs.

It's time for the federal government to get out of the business of imposing an arbitrary federal cap on locally-generated funds and return decision making to the local level. State and local governments – not the federal government – should have the authority to decide what is best for them and what the PFC cap should be at their respective airports.

Background: The PFC program has helped airports increase safety, security and capacity and mitigate aircraft noise for 20 years. The Aviation Safety and Capacity and Expansion Act of 1990 included a provision that allowed airports to collect a local fee of up to $3 on passengers boarding aircraft at their facilities.

AIR-21, which Congress passed in 2000, raised the cap to $4.50. Money generated from PFCs augments AIP funding and other sources of revenue that airports use for a variety of purposes including building new runways, taxiways and terminals. Airports also use PFCs to pay for debt service on bonds that they issue to finance infrastructure projects. The FAA estimates that airports collected about $2.8 billion from PFCs last year.

At the Northwest Arkansas Regional Airport, we use PFC's for debt service on bonds that we issued to finance projects at the airport. Being able to impose a higher PFC would allow us to pay the balance on our annual debt obligation and invest in other capital projects at our airport. Of course, investing in additional projects would create jobs and further strengthen the role of the airport as an economic engine in our community.

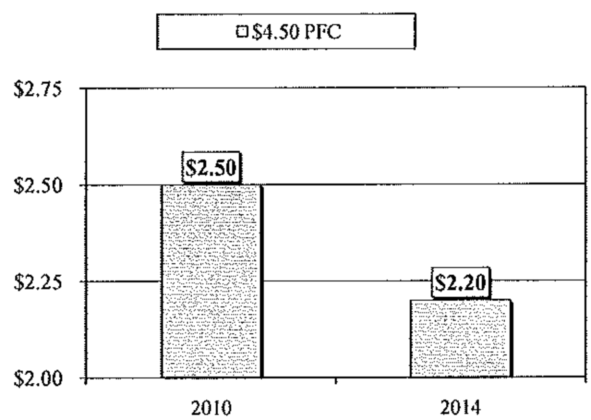
Overall, the FAA has approved 64 large and medium hub airports to collect PFCs. However, large airports are not the only beneficiaries of the PFC program. Small airports also rely on PFC revenue to augment their AIP funding. According to the FAA, more than 300 small hub and smaller airports have been approved to collect PFCs, and 271 small airports collect PFCs at the maximum $4.50 level.

Even small airports that don't collect PFCs benefit from the program. That's because large and medium hub airports that collect PFCs have a portion of their AIP entitlements withheld. For example, large and medium hubs that collect $4.50 PFCs have 75 percent of their entitlements withheld. Current law requires 87.5 percent of those withheld funds be redistributed to small airports through the Small Airport Fund. Small airports receive approximately $500 million from the Small Airport Fund annually.

The Eroding Purchasing Power of PFCs: Airport efforts to prepare for higher passenger levels and reduce delays have been hampered by construction costs, which skyrocketed in recent years. According to the Means Construction Cost Indexes, the average construction costs for 30 major U.S. cities jumped more than 50 percent since 2000 – the last time Congress raised the PFC cap. Despite a slight reprieve in 2009, construction costs increased 10 percent since Congress began considering the FAA bill in early 2007.

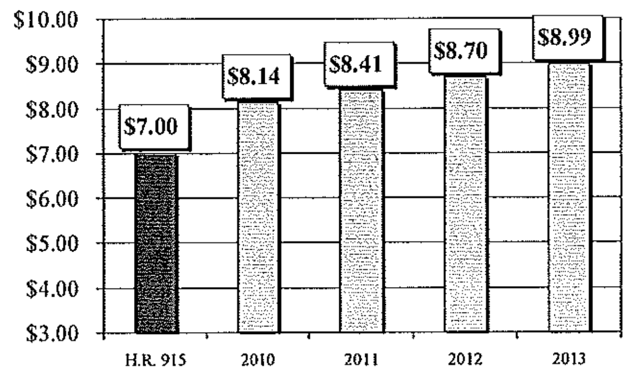
Unfortunately, rising construction costs have eroded the purchasing power of PFCs and AIP funds. For instance, a $4.50 PFC was worth about $2.50 in 2010. Unless corrective action is taken, the value of PFCs will erode even more. By 2014, just a few short years from now, a $4.50 PFC is expected to be worth only about $2.20.

Erosion of PFC Value Due to Construction Cost Inflation



In order to keep up with inflation, it would have been necessary to raise the PFC cap to more than $8 in 2010. By 2013, the cap will likely need to be set at almost $9. Keep in mind that raising the cap to those levels would only allow PFCs to keep up with construction cost inflation. To prevent further erosion of the value of PFCs and to help airports prepare for increasing demand and rising airport capital needs, we are asking you to include a provision in the next FAA reauthorization bill that would remove the federal cap on local PFCs.

Adjusting PFC Cap for Construction Cost Inflation



PFCs Are User Fees – Not Taxes: I expect that some of our airline partners and other PFC opponents will speak out strongly against our proposal to lift the federal cap on local PFCs. I suspect that they will argue that raising or lifting the cap is tantamount to increasing federal taxes. But characterizing PFCs as federal taxes is wrong on two counts.

First, PFCs are not taxes. PFCs are user fees charged to passengers using airport facilities to help defray the costs of building airport infrastructure. Moreover, as I mentioned previously, PFCs are imposed by state and local governments – not the federal government. **PFCs are not collected by the federal government, not spent by the federal government and not deposited into the U.S. treasury. In contrast to taxes, PFCs are collected by the airlines, which receive 11 cents (the costs of handling them) for each PFC collected.**

The basic differences between taxes and user fees are discussed in notes that have accompanied the Rules of the House of Representatives. While a tax is a mandatory charge not limited to users of a specific government service, a user fee is only paid by "a class directly availing itself of, or directly subject to, a government service, program, or activity." The proceeds of the user fee must be "utilized solely to support…the program or activity …and not to finance the cost of Government generally."

Congress has repeatedly considered PFCs and similar charges to be user fees. Under House rules, bills establishing taxes must be referred to the Ways and Means Committee. That is why the Transportation and Infrastructure Committee has jurisdiction over PFCs instead of the Ways and Means Committee.

Congress also decided that the $2.50 fee paid by airline passengers to defray the costs of airport security was a user fee – not a tax. The bill establishing the security fee was similarly referred to the Transportation and Infrastructure Committee – not the tax-writing Ways and Means Committee.

The distinction between a tax and a user fee is important. Those who oppose tax increases should not necessarily oppose an increase in local user fees especially if the fee is needed to increase aviation safety, security and capacity and is paid only by those who use the service. With these considerations in mind, leading conservatives and libertarians have supported eliminating federal cap on PFCs.

During a 1999 hearing before the House Transportation and Infrastructure Committee on a previous FAA reauthorization bill, Paul Weyrich, submitted a letter on behalf of the Coalitions for America that urged Congress to remove the cap on PFCs. As most of you probably know, Weyrich was a conservative political activist who co-founded the Heritage Foundation. In the letter Weyrich wrote:

> ...it is good public policy to reduce the role of the Federal Government in favor of more local autonomy whenever possible... Where there is an opportunity to provide local airport operators with more autonomy to raise revenues and manage their facilities we should seize that opportunity...**What would appear to some to be a tax, is in reality the removal of arbitrary federal limitation on local funding prerogatives.**

Robert Poole, the Director of Transportation Policy for the Reason Foundation, took a similar position in an article entitled, "Why Conservatives Should Support Passenger Facility Charges." In the article, which appeared in the January 2011 edition of *Airport Policy News,* Poole said:

> ...the airlines will very likely continue their deceptive campaign to label any PFC cap increase as a 'huge federal tax increase.' Unfortunately my friends at taxpayer organizations like Americans for Tax Reform and the National Taxpayers Union continue to get sucked in by this kind of rhetoric. That's especially unfortunate because the **PFC is exactly the kind of devolution from the feds to local authorities that fiscal conservatives like those now in charge of the House should be supporting.**

Like Weyrich, Poole proceeded to argue that Congress should remove federal cap on local PFCs:

> **...allowing airports to raise a larger fraction of their capital funds themselves, in a decentralized, self-help manner, would not expand federal spending at all, while helping ensure that airports can continue to add needed runways and expand inadequate terminals.** That's exactly the kind of change House Republicans were elected to bring about.

Removing the Federal Cap on Local PFCs Would Create Jobs: According to the Department of Transportation (DOT), every $1 billion invested in transportation infrastructure with a local match supports approximately 35,000 jobs and without a local match supports approximately 28,000 jobs. About one-third of those jobs are direct construction-oriented jobs. The others are in supporting industries or are induced jobs, which include "all of the jobs supported by the consumer expenditures resulting from wages to 'construction oriented' and supporting industries' employment."

According to the FAA, the previous House-passed proposal to raise the PFC cap from \$4.50 to \$7 would generate approximately \$1.3 billion annually for critical safety, security and capacity projects. Airports use some of their PFCs to pay for debt service on bonds, and the leveraging provided by bonds permits airports to finance long-term capital-intensive projects. **Lifting the federal cap on local PFCs would stimulate the economy by supporting more than 150,000 jobs per year without relying on federal funds.**

How Local PFCs Compare to Airline Baggage Fees: Our airline partners argue that raising the cap on PFCs would "raise travel costs, thereby harming both consumers and the travel/tourism industry." However, the airlines apparently do not have similar concerns about the dramatic increase in travel costs from baggage fees and other ancillary fees. For instance, some airlines charge passengers \$25 for the first checked bag, \$35 for the second, \$125 for the third and \$200 for the fourth – far more than the proposed \$2.50 increase in the previous House-passed version of the FAA bill.

Moreover, the amount of money that airports receive from local PFCs is far less than the amount of revenue that airlines have been generating from baggage fees and other ancillary charges. As I pointed out previously, airports collected approximately \$2.8 billion in PFC revenue in 2010. Airlines collected almost three times that amount from ancillary fees in the past year.

In December 2010, DOT reported that airlines collected approximately \$7.9 billion in ancillary fees from the 4th quarter of 2009 through the 3rd quarter of 2010. Of that amount, \$3.3 billion came from baggage fees. The baggage fee revenue is two-and-a-half times the annual amount that would be generated by the House-passed proposal to raise the PFC cap from \$4.50 to \$7.

One carrier alone collected approximately \$2.4 billion from ancillary fees in the past year -- \$1 billion more than the entire airport community would collect annually if Congress had raised the PFC cap to \$7. Unlike revenue from ancillary fees, which helped the network carriers report a 10.5 percent profit in the 3rd quarter of 2010, airports use local PFC revenue to build critical infrastructure projects and create jobs.

The airlines' increased reliance on ancillary fees is also having an adverse impact on the Airport and Airway Trust Fund, which supports aviation system upgrades including airport improvements. Historically, airline tickets have been taxed to help finance the aviation system, but baggage fees and other ancillary revenues are not taxed in the same manner. The shift in the airline pricing model away from ticket price increases to a heavier reliance on ancillary fees effectively shortchanges the Airport and Airway Trust Fund of revenue that would otherwise support airport and aviation system improvements.

In other words, the airlines are opposing airport calls to raise or eliminate the PFC cap while they are simultaneously reducing the amount of funding available for airport infrastructure projects by relying increasingly on untaxed baggage fees and other ancillary charges. I understand that lawmakers have proposed legislation that would tax these fees so that the airlines are no longer allowed to shirk their financial obligations. According to Government Accountability Office, just taxing baggage fees at 7.5 percent would generate approximately $250 million per year.

2. Protect AIP Funding

Airport executives are also urging this committee to continue to provide adequate funding for AIP. **It is important to point out that no general fund revenues are used for AIP grants. As I indicated earlier, the AIP program is supported entirely by users of the aviation system through various taxes and fees that are deposited into the Airport and Airway Trust Fund.**

AIP is an important source of funding for all sizes of airports and especially smaller airports around the country. However, the AIP program is not just for small airports. Large and medium hub airports also depend on AIP funding – particularly money distributed through the Letter of Intent Program – to help pay for large capacity projects.

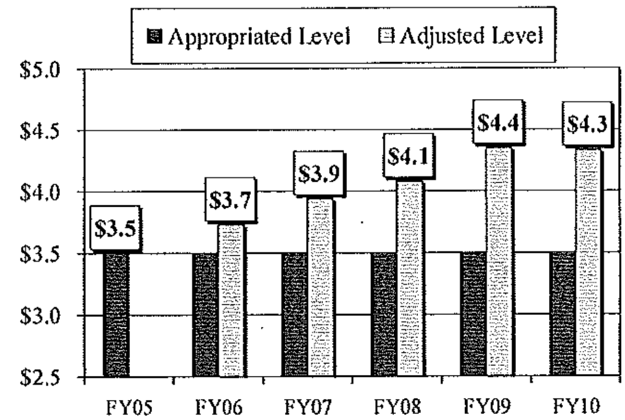
At the Northwest Arkansas Regional Airport we are using AIP entitlements for our 11 gate concourse project. AIP funding for this project is critical because without it we wouldn't be able to go out and issue new debt for this project. The concourse is being constructed on a pay as you go basis. Our airport also received AIP discretionary funds to reconstruct our Alternate Landing Surface.

Our one and only runway (16/34) is rapidly deteriorating due to a condition known as Alkali-Silica Reaction, a chemical reaction that often causes concrete in runways, highways and bridges to crack and expand. The deterioration has been so bad that we spent approximately $750,000 in the past two years repairing the pavement to prevent Foreign Object Debris, which can damage aircraft and – if left unchecked – jeopardize safety.

Airports have been hit hard on two fronts as it relates to AIP funding. First, AIP funding has been stagnant in the past several years. Despite this committee's support for slightly higher funding levels, Congress has appropriated approximately $3.5 billion for AIP every year since FY05. Like PFCs, the value of AIP has declined due to construction cost inflation, which I described earlier. In order to keep up with inflation since FY05, AIP would need to be funded at $4.3 billion today.

Adjusting AIP for Construction Cost Inflation

(Dollars in Billions)



The administration's FY12 budget request will likely recommend cutting AIP funding by $1.1 billion and eliminating grants to large- and medium-hub airports. If enacted into law, funding cuts of that magnitude would obviously have an impact on airports of sizes and in all parts of the country.

The co-chairs of the National Commission on Fiscal Responsibility and Reform also proposed a similar recommendation late last year. Their proposal, which was not included in the commission's final report, suggested that "federal grants to airports merely substitute for funds that large and medium-sized airports would otherwise raise from private sources such as investments and passenger fees."

It is important to note, however, that federal policy severely restricts the amount of funds that airports can raise from "private sources." The most obvious example is the federal cap on local PFCs. In our view, Congress would need to raise the cap much higher than $4.50 or preferably remove it altogether to offset a $1.1 billion cut in AIP funding and to ensure that airports have the non-federal resources they need to accommodate increasing demand.

Moreover, the ability of airports to raise funding through bonds is also hampered by unfair tax policy that traditionally subjects private activity bonds to the AMT. Despite a temporary reprieve in the Recovery Act, Congress still needs to pass a permanent AMT fix that would lower airport financing costs and increase the amount of revenue that airports could generate from issuing private activity bonds.

The FAA reauthorization bill that the House approved last year would have authorized $4.1 billion for AIP in FY11 and $4.2 billion in FY12. AIP funding has a long history of bipartisan support. We hope that you will retain those adequate funding levels for the user-supported AIP program in the next version of the bill and reject proposals that would drastically cut funding for safety, security and capacity projects.

Again, DOT estimates that every $1 billion in infrastructure investment coupled with a 20 percent local match creates or supports approximately 35,000 jobs. **Based on that general formula, $4 billion in AIP funding could stimulate the economy by supporting as many as 140,000 jobs annually. However, the reverse is also true. A $1 billion cut in AIP funding could negatively impact as many as 35,000 jobs in congressional districts and states around the country per year.**

3. Eliminate AMT Penalty on Airport Bonds

I know that this isn't under the Transportation and Infrastructure Committee's direct jurisdiction, but I urge you to work with your colleagues on the Ways and Means Committee to provide tax relief for airports by eliminating the AMT penalty on airport private activity bonds. Doing so would reduce airport financing costs and allow airports to invest more funds into other critical infrastructure projects. We appreciate the previous support of Chairman Mica and his staff on this issue.

AAAE has long argued that federal tax law unfairly classifies the vast majority of bonds that airports use as private activity even though they are used to finance runways, taxiways and other facilities that benefit the public. Since private activity bonds are subject to the AMT, airport bond issuers traditionally have been charged higher interest rates on their borrowing.

The Recovery Act, which Congress passed in 2009, included temporary relief by excluding private activity bonds from the AMT for bonds that airports and other state and local government entities issued in 2009 and 2010. The bill also allowed airports to current refund bonds issued after 2003 that were refunded in 2009 and 2010.

The temporary tax relief helped airports move forward with critical infrastructure projects that had been delayed because of the financial crisis and the collapse of the bond market. Based on a draft report from November 2010, the FAA estimates 70 airports issued more than $14.5 billion in bonds that benefited from the temporary AMT provisions in the Recovery Act.

According to the FAA, the temporary AMT relief provided airports with approximately $1.1 billion in present value savings and $1.8 billion in gross savings. The reduced financing costs gave airports the opportunity to invest in additional infrastructure projects and stimulate the economy by supporting even more jobs.

The Recovery Act also created the Build America Bonds program to help state and local governments reduce their financing costs and build infrastructure projects. Instead of being fully tax-exempt like governmental bonds, these new bonds allow state and local governments to receive a direct payment from the federal government in an amount equal to 35% of the interest payment on the bonds.

According to the FAA, airports issued more than $2 billion in Build America Bonds. The new bonds provided airports with approximately $141 million in present value savings and $280 million in gross savings. Unfortunately, the AMT provisions and Build America Bonds program expired at the end of 2010.

Including a permanent AMT fix in the FAA bill or other legislation with a tax component would help airports save more money, allow them to invest in more infrastructure projects and create even more jobs. Moreover, it would reflect the fact that airports use private activity bonds on projects that benefit the traveling public and should not be subject to the AMT in the first place.

Reject Proposals that Would Impose Unnecessary New Costs on Airports

The FAA bill that the House approved last year included a provision that would set up an unfair and biased rulemaking process that could result in airports being forced to comply with excessive National Fire Protection Association (NFPA) standards. If enacted into law, the provision could dramatically increase staffing, training, infrastructure and equipment requirements for airports of all sizes and ultimately jeopardize commercial air service to small communities.

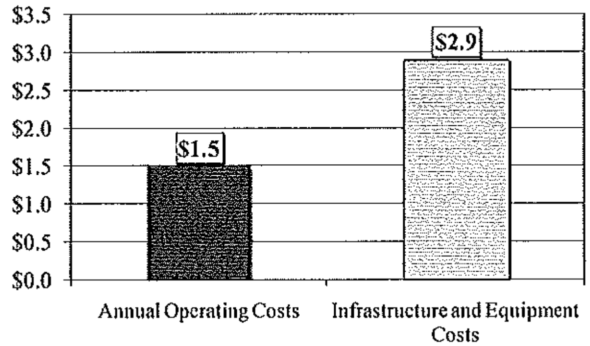
Safety is by far the top priority for airports around the country, and airport operators devote a significant amount of time, effort and resources to continue to improve safety at their facilities. As part of that commitment to safety, airport operators follow strict Aircraft Rescue and Fire Fighting (ARFF) requirements and work closely with fire fighters. However, the proposed NFPA standards would unnecessarily increase staffing, training, infrastructure and equipment requirements for airports of all sizes.

According to an independent Transportation Research Board (TRB) report released in 2009, NFPA standards would increase airport operating costs between $1 billion to $1.5 billion per year. Increased operating costs would impact airports of all sizes and would be particularly devastating to small airports that are struggling to maintain and attract new commercial air service. In fact, the cost per enplaned passenger at some smaller airports would rise by approximately $28 – almost a 40% increase.

The TRB report also indicated that NFPA standards would increase airport infrastructure and equipment costs by about $2.9 billion – practically an entire year's worth of AIP funding at current levels. These infrastructure and equipment requirements would force airports to divert scarce funds away from legitimate safety, security and capacity projects at a time when the overall AIP funding is being threatened.

Costs of Complying with NPFA Standards

(Dollars in Billions)



Despite the enormous costs associated with implementing NFPA standards, the proposed fire fighting requirements would have a negligible impact on aviation safety. The authors of the TRB report examined fatal air carrier accidents that occurred between January 1, 1997 and December 31, 2007. They concluded that the NFPA standards "may have prevented only one fatality" during that 11-year period.

Airports urge you to exclude this unnecessary and costly provision form the next FAA reauthorization bill.

Continue to Provide Necessary Assistance to Small Communities

Mr. Chairman, in several instances airports are seeking self-help as opposed to additional assistance from the U.S. Treasury to finance their infrastructure projects. However, airports are seeking reasonable federal assistance to ensure that small communities continue to have access to commercial air service. Continued investment in these programs helps to stimulate the economy and create jobs.

Maintain Higher Federal Match for Small Airports: Vision 100 included a helpful provision that increased the federal share for small hub and smaller airports from 90 percent to 95 percent through FY07. The short-term extensions that Congress passed since the FAA reauthorization expired extended that provision.

In these challenging economic times, small communities around the country are finding it very difficult to come up with a 5 percent local matching share. Increasing the amount to 10 percent could prevent certain small airports from moving forward with planned construction projects. We urge you to retain a provision in the next version of the FAA reauthorization bill that would allow small airports to continue to pay a 5 percent match.

Preserve Essential Air Service Program: Small airports around the country are grateful that the House-passed FAA bill proposed a total of $200 million per year for Essential Air Service (EAS) Program. Of that amount, $50 million would come from overflight fees. Congress created the EAS program in 1978 to ensure that small communities would continue to have scheduled service. Today, more than 100 communities in approximately 35 states participate in the EAS program.

The EAS program allows people who live in rural and less populated areas to have access to our national aviation system. Commercial air service is not just a matter of convenience. It is also critical to economic development efforts in communities around the country. Without commercial air service made possible by the EAS program, it would be difficult for many small communities to retain and attract businesses that create jobs.

We encourage Congress to continue to invest in the EAS program and take steps to improve this critical program as you did in the previous FAA bill.

Maintain Funding for Small Community Air Service Development Program: AAAE has been a long-time proponent of the Small Community Air Service Development Program. Since Congress created the program in 2000, it has helped numerous small communities around the country suffering from insufficient air service or unreasonably high fares.

Airports are grateful that the FAA reauthorization bills that the House and Senate approved last year included $35 million per year for this critical program – the same amount included Vision 100. We also recommend that small airports be allowed to reduce their operating costs by using small community grants for ground handling services.

Invest in FAA's Contract Tower Program: I would also like to express my sincere appreciation to the committee for its long-standing support for the Contract Tower Program. This program has been in place since 1982 and currently provides for the efficient and cost-effective operation of air traffic control towers at 246 smaller airports in 46 states. The Northwest Arkansas Regional Airport is proud to participate in this program. Without the Contract Tower Program many airports simply would not have any air traffic control services at their facilities.

By all measures, the program continues to be one of FAA's most successful and cost effective industry partnerships. To illustrate the significant cost savings to taxpayers of this critical air traffic safety program for smaller airports, FAA contract towers handled 26 percent of all U.S. tower operations in FY10. But they accounted for just 9 percent of the FAA's overall budget allotted to air traffic control tower operations.

AIR-21 included a provision that created the Contract Tower Cost Share Program, which currently allows 16 airports in 12 states to participate in the program if they provide local funds. We recommend that this subcommittee authorize $10 million for the Contract

Tower Cost Share Program in FY11 – the same amount included in the previous House-passed bill. This funding level would allow existing towers to continue to participate in this cost-effective program.

Streamlining and Regulations

Mr. Chairman, I commend you for agreeing to review "policies, programs and procedures to seek ways to streamline the processes and eliminate wasteful programs and overly burdensome regulations." I am cautiously optimistic that you will find bipartisan support for some of these initiatives based on the President's plan to "seek out regulations that are not worth the cost, or that are just plain dumb."

I already described our strong opposition to a proposal that could force airports to comply with costly and unnecessary NFPA standards. If enacted into law, that plan could set the stage for burdensome regulations and a new unfunded federal mandate being imposed on airports. The following includes a few examples of ways to streamline processes and new regulations that could have severe cost implications for airports.

Streamline PFC Review and Approval Process: Airports supported the previous administration's proposal to streamline the PFC application and approval process. At the time, the FAA pointed out that "current law requires an application and approval of each PFC project (or amendment to a project) that sometimes involves prolonged reviews and delays." We completely agree with the FAA's assessment and strongly support streamlining the PFC process, which currently takes several months to complete.

Airports work closely with our airline partners to reach consensus on PFC-funded projects and would continue to do so if Congress endorses PFC streamlining. However, airports should be allowed to impose a new PFC earlier in the process, avoid months in unnecessary delays and create jobs more quickly. We hope that you will consider including PFC streamlining provisions in your FAA reauthorization legislation.

Safety Management Systems: In October 2010, the FAA published a Notice of Proposed Rulemaking that would require all Part 139 airports to establish a Safety Management System (SMS) for their airfield and ramp areas. According to the FAA, SMS will consist of a "set of decision-making tools that airport management can use to improve safety." Although the FAA has not issued a final rule yet, the recordkeeping and training functions could be enormously costly as it is currently written. Airports are concerned that there may not be federal funds available to pay for the operations-related costs associated with SMS, and we would like to keep you apprised as this process unfolds.

Effluent Limitations Guidelines: Airports are also concerned about the final outcome of the Environmental Protection Agency's proposed Effluent Limitations Guidelines rulemaking on deicing fluids, which is expected to be announced in April. Airports are concerned that the EPA did not accurately calculate how much it will cost to comply with the proposed rule and that airports will be forced to absorb much of the expense.

Cost Benefit Analysis: Many of my airport colleagues have expressed concerns that the regulatory process is often conducted without regard for the complexities that exist within the operational environment at airports or without adequate cost/benefit analyses. I would encourage this committee to ensure that DOT and other federal agencies use meaningful and thorough cost-benefit analyses as they propose regulations that impact airports. Now, more than ever, it is critical that all departments carefully consider whether new regulations would impact federal spending and increase costs at the local level.

Other Recommendations

Land Acquired for Noise Compatibility Purposes: The House- and Senate-passed versions of the FAA reauthorization bill included provisions that would have made a grant assurance change regarding the sale of land that an airport initially acquired for a noise compatibility purpose but not longer needs. Current law requires that the proceeds proportional to the federal government's share of the land acquisition be returned to the aviation trust fund.

The two FAA bills would have allowed DOT to reinvest the government's share of the proceeds in another project at that airport or another airport. However, when an airport leases land that it initially acquired for a noise compatibility purpose, the FAA considers that to be a disposal and requires the airport to return the federal funds it received to purchase the land.

Airports would like to be able to retain control of the land they acquired for noise compatibility purposes through leasing so they are not forced to sell land that they may need at a later date when that same parcel of land may be selling at a higher price (and at a greater cost to the federal government and the airport) or may not be available to purchase at all. We would like to continue to work with this subcommittee to achieve that goal.

Phase Out Stage Two Aircraft: The House-passed FAA bill included a welcome provision calling for the phase out of Stage 2 aircraft with a maximum weight of 75,000 pounds by December 31, 2013. We encourage you to retain the provision in next version of the FAA reauthorization bill.

Conclusion

Chairman Petri, Ranking Member Costello and members of Aviation Subcommittee, thank you again for inviting me to appear before this committee to discuss the FAA reauthorization bill. I would like to close with one final point about the need to invest in aviation infrastructure projects and programs that help small communities.

In an op-ed that appeared in *Aviation Daily* last year, AAAE President Charles Barclay emphasized the difference between federal spending on consumption and investment. Mr. Barclay pointed out that "it is wrong for one generation to pass along debt to future generations just because they find it convenient to consume more than they produce." However, he also argued that "it would be equally irresponsible to pass along no debt and a crumbled infrastructure of roads, bridges, airports and air traffic control systems that would take decades for future generations to rebuild no matter their resources."

I completely agree with Mr. Barclay's assessment. We need to continue to invest in worthy infrastructure projects and programs that improve safety, stimulate the economy by creating jobs and lay the groundwork for future generations. We can make those wise investments, in part, by removing the federal cap on local PFCs, continuing to provide adequate funding levels for AIP and retaining programs that ensure small communities have access to reliable commercial air service.

As I mentioned at the beginning of my statement, airports are grateful to this committee for including a number of key airport provisions in the FAA reauthorization bill that the House approved last year. We look forward to continuing to work together as you resume consideration of the FAA bill this year.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name: Kelly Lynne Johnson, A.A.E.

(2) Other than yourself, name of entity you are representing:
American Association of Airport Executives
Northwest Arkansas Regional Airport Authority

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

YES **If yes, please provide the information requested below and attach your curriculum vitae.**

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

Grants list and curriculum vitae attached.

Signature

2/07/11
Date

Schedule of Federal Grants
Northwest Arkansas Regional Airport

Aug 6, 2010 Grant No. 3-05-0021-039 $5,091,697.00
Expand Terminal Building (Phase 3)

June 9, 2010 Grant No. 3-05-0021-038 $2,082,468.00
Construct Taxiway A (Phase 7 – Complete Installation of Navigational Aids)

March 11, 2010 Grant No. 3-05-0021-037 $5,091,697.00
Expand Terminal Building (Phase-2)

March 11, 2010 Grant No. 3-05-0021-036 $10,000,000.00
Construct Taxiway A [Phase 6]

November 12, 2009 ARRA Grant No. 3-05-0021-035 $821,682.00
Construct Alternate Landing Surface (From Station 221+80 to Station 232+00)
Amendment #1 $123,297.00
Closed

September 23, 2009 Grant No. 3-05-0021-034 $1,195,094.00
Construct Taxiway A (Phase 5 – Acquire Approach Light Equipment)
Construct Taxiway A (Phase 5 – Begin Installation of Navigational Aids)
Amendment #1 (Description of work)
Open

September 15, 2009 Grant No. 3-05-0021-033 $420,520.00
Construct Airport Data for Geographic Information System; Wildlife Hazard Assessment
Open

June 10, 2009 ARRA Grant No. 3-05-0021-032 $8,488,108.00
Construct Alternate Landing Surface (From Station 172+00 to Station 214+60) and
Construct Taxiway F (From Station 12+50 to Station 15+33.33)
Amendment #1 $48,052.00
Closed

February 18, 2009 Grant No. 3-05-0021-031 $10,000,000.00
Construct Taxiway A (Phase 3- Site Preparation and Phase 4-Initial Paving Phase
Open

DHS/TSA OTA #HSTS04-09-H-CT1164
$765,700.00
In-Line Checked Baggage Inspection System Project CT-80 Installation
Open

Kelly L. Johnson, A.A.E.
[redacted]

CAREER OBJECTIVE:
Senior level aviation management position with a commercial service airport facility

EXPERIENCE:

11/96 to Present

Airport Director, Northwest Arkansas Regional Airport Authority, Benton County, Arkansas

Direct responsibility for the development and implementation of all airport operational programs, air carrier and concession agreements, development of a staffing program, airport policies and procedures and operational and capital budgets. Responsible for the oversight and direction of consulting firms working on the design, development and construction of a new and growing airport.

- Establish a staffing program, which includes job descriptions, application and evaluation forms. Development of an employee handbook, interview questionnaire and the staffing, training and motivation of an entire new work force for the Airport's overall operation.
- Evaluation of outsourcing of specific services and the development of RFP/RFQ documents to solicit firms and services. This includes the determination of applicable law and the drafting of contract documents.
- Development of FAA required programs. This includes DBE Programs, Airport Security Programs, Airport Certification Programs and ancillary inspection programs.
- Funding of Airport Development by the use of available Grant Programs and sale of Bonds. This includes seeking Grant funds and working with potential bond buyers and financial consultants for the issuance of debt.
- Establishment and update of a five year Capital Improvement Program, air carrier cost center program to determine rate making basis, creation of the airport's Annual Budget and an Airport Safety Committee which included the development of an Airport Orientation Program for all airport employees.
- Finance functions include the successful development and approval of all annual expenditure, revenue, and capital budgets, state and federal grant programs, grant accounting and audit work papers.

11/86 to 11/96

Assistant Airport Manager, Fayetteville Municipal Airport, Fayetteville, Arkansas

Responsibilities include all operational and administrative duties required at an FAR Part 139 airport.

- Establishment and update of a five year Capital Improvement Program air carrier cost center program to determine ratemaking basis, creation of the airport's Annual Budget and an Airport Safety Committee, which included the development of an Airport Orientation Program for all airport employees.
- Finance functions include the successful development and approval of all annual expenditure, revenue and capital budgets, state and federal grant programs, grant accounting and audit work papers.
- Create and prepare necessary revisions for: Airport Certification Manual, Disadvantage Business Enterprise Program, Disadvantaged Business Enterprise Concession Program, Airport Security Programs, Airport Safety Manual, and Airport Emergency Programs. Recruit, negotiate and draft agreements with air carriers. Market for new destinations and service.
- Perform human resource duties. This includes the review of applications and resumes, conducting interviews, annual evaluations and disciplinary functions.
- While seeking funds and administering Grant Programs and during Certification and Security Inspections work closely with Federal Aviation Administration personnel from carious branches of the FAA's southwest region.
- Manage various airfield construction/maintenance projects; conduct snow removal and fuel inspection programs.
- Increase operational funds through the attainment of additional revenues and concession leases. Examples include: tripling advertising unit leases, increasing telephone revenues from two to twenty percent, and changes to car rental and parking concession agreements resulting in thirty to fifty percent increases in airport revenues.
- Management of a lease program which includes ninety plus contracts and conducting tenant negotiations.
- Compile data for special reports; write bid specifications, requests for proposals/qualifications, draft leases and contracts for the airport.

- Represent the airport and its positions before various local, state and federal groups.
- Preparation of grant applications/requests for funding from the state and the Federal Aviation Administration.
- Aided in the preparation of the application for Passenger Facility Charges and provide regulatory compliance monitoring of the program
- Perform public relations functions, examples and national presentations for various professional associations.

EDUCATION:

- Enrolled as a degree-seeking student with Embry-Riddle Aeronautical University's Independent Studies Program maintaining a 3.9 GPA.
- Attend four aviation seminars/conferences annually to stay abreast of current industry trends
- CEU's received from Embry-Riddle's Aviation Financial and Economic Conferences, 1987 through 2009
- Achieved professional accreditation status (A.A.E.) April 1991
- Graduate of FAA's FAR Part 139 Supervisor Line Training Course, 1988 and 1989
- Graduated from Harrison High School, Harrison Arkansas, 1974

PROFESSIONAL AFFILIATIONS:

- Past president of the Southeast Chapter of the American Association of Airport Executives (1994). Formerly served as an "at large" director and held all officer positions prior to becoming president.
- Served on the Board of Directors of the American Association of Airport Executives, three terms (6 years).
- Past president, Arkansas Airport Operators Association (AAOA). Previously held several board and committee positions with AAOA.
- Have served on numerous conference committees for AAAE, SAMA/SEC, AAOA and Altrusa.
- Bentonville/Bella Vista Chamber of Commerce Board of Directors (2002-2004) serving as Chairman in 2008.
- Northwest Community College Aviation Advisory Board of Directors (2001-2009).
- IAAE Board of Directors (1999-current).
- Board of Directors, Barbara Mashburn Scholarship Foundation (2002-current).
- Serving as Vice Chair of the American Association of Airport Executives (2010-2011).

TECHNICAL EXPERTISE:

- Private pilot
- PC Based computer systems/software and all standard office equipment
- Familiarity with various airfield lighting systems and navigational aids
- Posses valid Arkansas state drivers license and can operate vehicles, dump trucks, light tractors and snow plows
- Certified Part-Time II Law Enforcement Officer

MEMBERSHIPS:

- American Association of Airport Executives
- Southeast Chapter, AAAE
- Altrusa International, Inc.
- Five local Chambers of Commerce

HONORS:

- Business and Professional Women's Club (Fayetteville, Arkansas)-Young Career Woman of the Year, 1987.
- Certificate of Appreciation, Federal Women's Week, 1987.
- Certificate of Appreciation, Fayetteville Fire Department, for organizing two statewide training schools.
- Southeast Chapter Corporate Award of Excellence, 1999.
- Numerous local civic club awards.
- Outstanding Airport of the Year-Arkansas Oklahoma ADO/FAA Southwest Region, 1999.
- Arkansas Airport of the Year-State Aeronautics Commission/Arkansas Airport Operators Association, 1999.

References and letters of recommendation available on request.