



**Testimony of
Ms. Kelly L. Johnson, A.A.E.
Airport Director,
Northwest Arkansas Regional Airport Authority
and First Vice Chair,
American Association of Airport Executives**

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Before the
Committee on Transportation and Infrastructure
U.S. House of Representatives
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Chairman Oberstar, Ranking Member Mica and members of the Transportation and Infrastructure Committee, thank you for inviting me to participate in this hearing on the American Recovery and Reinvestment Act. My name is Kelly Johnson, A.A.E. I am the Airport Director of the Northwest Arkansas Regional Airport and the First Vice Chair of the American Association of Airport Executives (AAAE). 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, and we are 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.

Mr. Chairman, I would like to begin by thanking Congress for including infrastructure provisions in the American Recovery and Reinvestment Act. The legislation, which Congress passed last year, included funding and bond-related provisions that have helped the Northwest Arkansas Regional Airport and airports around the country construct critical infrastructure projects and stimulate the economy by creating jobs.

I would also like to thank members of the Transportation and Infrastructure Committee for your tireless efforts to pass a multi-year Federal Aviation Administration (FAA) reauthorization bill. As a result of your leadership, the House-passed bill includes a

critically needed increase in the Passenger Facility Charge (PFC) cap and additional Airport Improvement Program (AIP) funds. Both programs provide airports with critical funding to increase safety and stimulate the economy. I realize the bill is currently stalled on the other side of the Capitol. I hope you and your colleagues will continue to work together and pass a multi-year bill before the current extension expires at the end of the year.

American Recovery and Reinvestment Act

Airport Improvement Projects: The Recovery Act included \$1.1 billion for ready-to-go airport construction projects. Large and small airports around the country have been using the additional funding to improve their facilities, enhance aviation safety and stimulate the economy by creating and retaining good-paying jobs.

The FAA indicates that it has already issued 331 grants for 367 airport construction projects at airports around the country for a total of \$1.098 billion. I would like to commend the FAA and the Airports Office for getting grants out the door expeditiously. The agency's prompt actions have allowed the Northwest Arkansas Regional Airport and other airports to build critical infrastructure projects and create jobs in their local communities.

It is my understanding that 268 airport projects are already completed and that construction is currently underway on another 94 projects. Earlier this month, the FAA announced that it had selected an additional five airports to receive a total of \$9 million in Recovery Act funds after more money became made available because of low bids at other airport projects.

Last year, the Northwest Arkansas Regional Airport received two Recovery Act grants totaling approximately \$9.5 million to construct an Alternate Landing Surface – one grant in June and the other in November. We also received approximately \$20 million in AIP discretionary funds for this project. I would like to thank Rep. John Boozman for his help in obtaining the AIP portion of this project. He has been a strong advocate for our airport, and I deeply appreciate all of his assistance.

Our one and only runway (16/34) is rapidly deteriorating due to a condition known as Alkali-Silica Reaction (ASR), a chemical reaction that often causes concrete in runways, highways and bridges to crack and expand. The deterioration has been so bad at our airport 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.

Sometimes it is more cost effective to buy a new car than to continue fixing up an unsafe one with a faulty transmission. That's what we're doing at the Northwest Arkansas Regional Airport. We're constructing an Alternate Landing Surface so that we can close our crumbling runway and begin a major reconstruction project instead of continuing to throw money at dramatically increasing repair costs. By completing the Alternate

Landing Surface first, we can avoid shutting down the entire airport, which would have a significant economic impact on the communities and businesses surrounding the Northwest Arkansas Regional Airport.

I am proud to say that the paving portion of the project is already complete, and we are in the process of finishing the electrical work, asphalt shoulders and installation of navigational aids. We expect to finish the project later this year. Once construction on the Alternate Landing Surface is completed, we plan to use approximately \$30 million in AIP funds to reconstruct our runway.

Without the \$9.5 million in Recovery Act funds we simply would not have been able to proceed with this critical safety project as quickly as we did. We did not have enough AIP funds to pay for all of the Alternate Landing Surface and the runway reconstruction project. Our PFC revenue is already dedicated toward existing projects, and we were unable to issue bonds to finance this particular project. The Recovery Act was our only viable solution.

We estimate that construction on the Alternate Landing Surface has already created approximately 100 direct jobs at the Northwest Arkansas Regional Airport. However, it is important to note that this estimate does not include the number of indirect or induced jobs that have been retained or created as a result of this project. This may be an exaggeration, but after watching all the trucks arriving and leaving the airport in the past year it seemed as though every truck driver in northwest Arkansas was working on our project.

Although it is hard to calculate, we estimate that the economic impact on the local community has been approximately \$8 million. This includes items that you might not normally associate with an airport construction project such as the amount of money spent to house workers in apartments and hotel rooms.

What we haven't calculated is the enormous economic loss that would have occurred if this project hadn't take place and we would have been forced to close our airport to repair our crumbling runway. A shut-down would have impacted Fortune 100 companies including Walmart and Tyson Foods as well as smaller businesses in northwest Arkansas that rely on air service to and from our airport.

Facilities and Equipment Funds: The Recovery Act also included \$200 million for FAA facilities and equipment (F&E) to help modernize and improve our air traffic control system. Of those funds, \$50 million was designated to upgrade FAA power systems; \$50 million for modernizing air traffic control centers; \$80 million to replace air traffic control towers and Terminal Radar Approach Control facilities; and \$20 million to install airport lighting, navigation and landing equipment. According to the FAA, those funds will be used on more than 300 projects at airports around the country.

Alternative Minimum Tax Relief: In addition to the airport grants and F&E funding, two bond-related provisions in the Recovery Act are helping airports stimulate the economy and create jobs. The vast majority of airport bonds are classified 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 Alternative Minimum Tax (AMT), airport bond issuers traditionally have been charged higher interest rates on their borrowing.

The Recovery Act excluded private activity bonds from the AMT for bonds that airports and other state and local government entities issue in 2009 and 2010. The bill also allows airports to current refund bonds issued after 2003 that are refunded in 2009 and 2010. The AMT provisions are helping airports throughout the country create jobs by moving forward with critical infrastructure projects that had been delayed because of the financial crisis and the collapse of the bond market.

The AMT provisions in the Recovery Act have been enormously successful. The FAA estimates that 55 airports have sold almost \$16 billion in bonds since the Recovery Act was enacted into law last year. Approximately 40 of those airports issued more than \$10 billion in bonds that benefited from the temporary AMT provisions. Temporarily providing AMT relief is expected to save airports approximately \$1 billion in reduced financing costs and allows airports to invest those savings in additional infrastructure projects and create even more jobs.

The Northwest Arkansas Regional Airport refinanced more than \$30 million in bonds this year taking advantage of the non-AMT opportunity. The AMT relief has reduced our finance costs and resulted in making our bonds, which remarket weekly, much more attractive to investors.

On behalf of the airports around the country, I would like to thank Rep. Boozman again along with Ranking Member Mica and Rep. Duncan for urging their colleagues on the Ways and Means Committee to include AMT relief for private activity bonds in the economic stimulus package. We truly appreciate their help on this issue.

Build America Bonds: 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.

The House Ways and Means Committee recently reported that “the Build America Bonds program has helped finance more than \$106 billion in domestic infrastructure projects and supported more than 1.9 million jobs nationwide.” Several airports have also utilized the Build America Bonds program to finance infrastructure projects at their facilities. Airports in Chicago, Denver, Los Angeles, Long Beach, Las Vegas and San Diego have issued a total of approximately \$2 billion in Build America Bonds.

For example, the Denver International Airport issued slightly more than \$65 million in Build America Bonds late last year to fund new capital projects. Issuing Build America Bonds instead of tax-exempt bonds will save the airport approximately \$19.4 million in net debt service costs. Earlier this year, Chicago’s O’Hare International Airport issued

\$578 million in Build America Bonds to help finance its Modernization Plan. Last week, the San Diego County Regional Airport Authority issued more than \$200 million in Build America Bonds for its Green Build Terminal 2 expansion program.

Aviation Security Funding: The Recovery Act also included \$1 billion for aviation security projects. The Transportation Security Administration is designating \$734 million of that for the procurement and installation of in-line explosive detection systems (EDS) and \$266 million for checkpoint explosives detection equipment. A number of airports around the country are using these funds to enhance aviation security at their facilities.

Last week, Department of Homeland Security Secretary Janet Napolitano announced that the agency would be awarding \$98 million in Recovery Act funds for the purchase and installation of advanced technology x-ray machines and in-line EDS systems. Last month, the Secretary also announced that the Orlando International Airport would be receiving \$23 million in Recovery Act funding for an in-line EDS system.

Improve Aviation Safety and Stimulate the Economy

Mr. Chairman, the Recovery Act has helped airports around the country move forward with key infrastructure projects, reduce their financing costs and enhance aviation safety and security. I would like to take a moment to discuss some other steps that Congress can take to help airports create jobs and stimulate the economy.

Pass a Multi-Year FAA Reauthorization Bill and Raising the PFC Cap: Congress can help airports and stimulate the economy by sending a multi-year FAA reauthorization bill to the President's desk that raises the PFC cap and increases AIP funding. It has been three years since Vision 100 – the last FAA reauthorization bill – expired. Since Congress has been unable to pass a multi-year FAA reauthorization bill, lawmakers have approved a series of short-term extensions instead.

Airports appreciate the successful efforts to extend FAA programs and prevent lapses in aviation excise taxes. However, extensions and uncertain funding levels can be very disruptive to airports as they try to plan their construction projects. Moreover, every month that goes by without the PFC increase proposed in the House-passed versions of the bill cost airports approximately \$100 million – funds that could be used to improve airports and create jobs around the country

As members of this Committee know, airports have been urging Congress to raise the PFC cap from \$4.50 to \$7.50 and index it for construction cost inflation. We are grateful that the House-passed version of the bill proposes to raise the PFC cap to \$7.00. We hope that you will continue to push for this increase as debate on the multi-year bill continues. If enacted into law, the additional \$2.50 would generate more than \$1 billion per year for critical safety, security and capacity projects at airports around the country.

Airport executives are also pleased that the House- and Senate-passed versions of the bill proposed to increase AIP funding by \$100 million per year. AIP funding is key source of revenue for airports of all sizes, and it is particularly critical to smaller airports around the country. Raising the PFC cap and increasing AIP funding would help stimulate the economy by creating tens of thousands of good-paying jobs every year.

Permanently Eliminate AMT Penalty on Airport Private Activity Bonds: I know that this isn't under the jurisdiction of the Transportation and Infrastructure Committee, but I urge you to work with your colleagues on the Ways and Means Committee to permanently eliminate 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.

The Recovery Act took a step in the right direction by temporarily eliminating the AMT penalty on airport private activity bonds. But those provisions are set to expire at the end of the year. A permanent AMT fix 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.

The San Francisco International Airport estimates that the temporary AMT provisions in the Recovery Act will save the airport approximately \$175 million over the life of their bonds. A permanent AMT fix would lower the airport's debt service costs by more than \$650 million over the life of the bonds. Considering the potential savings at just one airport, it is not unreasonable to expect that a permanent AMT fix could save airports billions of dollars in lower financing costs, allowing for more investment activities that create significant job levels.

Extend Build America Bonds: Like the AMT provisions, the Build America Bonds program expires at the end of next year. The AMT provisions have had a much larger financial impact on many more airports than the Build America Bonds. Permanently eliminating the AMT penalty on airport private activity bonds continues to be our top tax-related priority. However, Build America Bonds are another tool that some airports can use to reduce their financing costs. Consequently, we encourage Congress to extend Build America Bonds beyond FY10.

Provide Additional Funding for Airport Infrastructure Projects: As members of this Committee are well aware, President Obama recently unveiled a "comprehensive infrastructure plan to expand and renew our nation's roads, railways and runways." The plan calls for the rehabilitation or reconstruction of 150 miles of runway while putting in place a Next Generation Air Transportation System that will reduce travel time and delays.

I realize that many have raised questions about the President's proposal and that the details still need to be worked out. However, as an Airport Director in northwest Arkansas, I can attest to the continuing need to invest in infrastructure projects and the

positive impact that it can have on our economy. In response to the President's plan, AAAE President Charles Barclay emphasized the difference between federal spending on consumption and investment.

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 his assessment. We need to continue to invest in worthy infrastructure projects that improve safety, stimulate the economy and lay the groundwork for future generations.

Conclusion

Chairman Oberstar, Ranking Member Mica and members of the House Transportation and Infrastructure Subcommittee, thank you again for inviting me to appear before your committee to discuss the American Recovery and Reinvestment Act. I look forward to continuing to work with you as examine the Recovery Act, consider other infrastructure proposals and continue debate on the FAA reauthorization bill.