

FEDERAL-AID AIRPORT POLICY
1938-1970

Background to Federal Involvement, 1926-38*

Federal sponsorship of airport development through grants-in-aid to local airport sponsors is one of the largest and most universally accepted Federal aviation programs in existence today. Fifty-two years ago, however, when the Federal Government first assumed the responsibility of fostering and regulating civil aviation, the prevailing feeling about Federal aid to airports was quite different. Indeed, the Air Commerce Act of 1926 specifically prohibited the Secretary of Commerce, who was charged with carrying out this act's provisions, from establishing, operating, or maintaining airports. This prohibition was to remain the law for 12 years, until Congress passed the Civil Aeronautics Act of 1938.

In drafting the Air Commerce Act, Congress drew heavily on precedents in maritime law. More, specifically, it relied on testimony of such men as Herbert Hoover, the then Secretary of Commerce, and Paul Henderson, the postal official in charge of the U.S. Air Mail Service, who applied maritime precedents within the framework of an analogy between air navigation and water navigation.

Testifying in 1925 before a board headed by financier Dwight Morrow, whom President Coolidge had appointed to study the state of U.S. aviation, Hoover said he saw a complete analogy between air commerce and water commerce. The needs of air navigation, he maintained, paralleled those of water navigation

*For a more detailed analysis of this period see Ellmore A. Champie, The Federal Turnaround on Aid to Airports, 1926-38 (Washington, 1973)

for the kinds of services the latter had been receiving from the Federal Government. Paul Henderson told the same board that "if a landing field should be provided at Chicago, that is either a proper function of some private individual at Chicago or, perhaps, the municipality of Chicago." Railroads, Henderson pointed out to a congressional committee, provided themselves with railway stations and railway yards; steamship companies, with docks and dock facilities.

A special subcommittee of the National Advisory Committee on Aeronautics (NACA), which had been asked by a congressional committee to look into this question, came to the same conclusion. Federal policy toward airports, said the NACA group,

should be analogous to its policy regarding seaports and the encouragement of water navigation. In the latter field the Government makes charts, establishes and maintains lighthouses, dredges channels, furnishes weather forecasts and storm warnings, and provides for inspection and licensing, but leaves to municipal authorities the control of port facilities. In aid of air navigation the Federal Government should chart airways, establish markers, including lights for night flying, establish and maintain emergency landing fields, furnish weather-report service, and provide for inspection and licensing, but leave to municipal authorities the control of airports.

In other words, the airports of air commerce were like the docks of waterborne commerce; and docks, under traditional policy, were provided by private enterprise or municipalities. This maritime precedent, coupled with the fear that airport financing would strain the Federal Treasury, prompted Congress to write into the Air Commerce Act the prohibition against Federal financial involvement in airport development.

The absence of Federal funding did not appear to deter airport development during the 1920's. Spurred by the flying activity created by the Air Mail Act of 1925, the Air Commerce Act, and the aviation boom that followed Lindbergh's flight, private investors and municipalities began building airports at a record pace. Between 1925 and 1927, for example, the number of airports in the United States rose 30 percent. Indeed, the speculative fever that was so prevalent during the 1920's also spread to airport development. Private investors sunk their money in chains of airports that were "all but gold-plated." But the hard truth was that many of these facilities, to aviation men looking back from the vantage point of 1939, never had the slightest chance of making operating expenses, let alone a profit.

With the stock market crash of 1929 and the depression that followed, funds for airport development dwindled and eventually dried up. In 1930, private investors and municipalities spent \$35 million on airport development; in 1931, \$20 million; in 1932, \$5 million; in 1933, a mere \$1 million. In other words, by the time Franklin Roosevelt became President, airport development had come to a virtual standstill.

The Great Depression and the Federal relief and recovery programs it produced worked to undermine the dock concept of the airport. Beginning in 1933, with the creation of the Federal Emergency Relief Administration (FERA), the Public Works Administration (PWA), and the Civil Works Administration (CWA), Roosevelt's New Deal began pumping huge sums into the economy to provide emergency work relief to millions of jobless in an attempt to rejuvenate the country's

faltering industry and trade. Airport development projects received their share of this Federal largess. During the winter of 1933-34, CWA poured \$11.5 million into airport construction, employing 70,000 men at 700 locations.

CWA left little of permanent value. The overriding goal was to create jobs as quickly as possible; hence, there was simply no time to plan substantial projects. CWA airport projects merely required shovel labor to clear, level off, and seed landing strips for small general aviation aircraft. In many cases, the communities at which these facilities were located did not even need them. Of the nearly 1,000 airports developed by CWA, 60 percent soon reverted back to agricultural use or grass.

Beginning in 1935, however, with the creation of the Works Progress Administration (WPA), the New Deal's recovery programs turned to airport development projects of a more permanent character. Many WPA airport projects--notably La Guardia Airport--still stand as a monument to this public works agency. Almost without exception, airports developed in the 1930's that were capable of handling airplanes of the DC-3 class were built with Federal money. As one state aviation official pointed out in 1938, "Had it not been for Works Progress Administration airport work, air traffic in the United States would have been brought to a practical stop by the advent of the [DC-3]." A consequence of these public works projects was the emergence of the Federal Government as the largest airport developer in the United States. During Roosevelt's first six years in office, Federal funds accounted for 76.7 percent of

all funds spent on airport development.

This airport building program was not without its limitations. Its principal shortcoming was that it did not possess an overall aviation orientation or consciousness. Its purpose was to help get the country back on the road to economic recovery; fulfilling aviation needs was secondary. Not surprisingly, therefore, the program lacked coherence, logical development, and orderliness--characteristics that only a national airport program engaged in systematic planning could aspire to.

The lack of these characteristics was a subject on the minds of many people when the Congress, in 1938, began deliberating whether the airport prohibition in the Air Commerce Act should be retained in a new Federal aviation statute, the Civil Aeronautics Act. In the end, Congress decided to drop the prohibition. Since a kind of subterranean airport development program already existed, why prohibit a more systematic program with specific aviation goals?

Congress was also moved by another kind of logic--one that struck directly at the dock theory of airports. In testifying before a Senate committee, Floyd E. Evans, Michigan's Director of Aeronautics, drew a notably different analogy between waterways and airways from that drawn 12 years earlier by Herbert Hoover. "We believe," he said, "an airport is similar in its Federal-local characteristics to our channels, harbors, and docks. The Federal Government makes the waterways safe for the operation of commerce; the local government or private interests build the docks used for the actual loading and unloading of cargo." But whereas the Hoover analogy had compared the

entire airport to the docks of waterborne transport, Evans restricted this comparison to that part of the airport "outside the actual landing area, comprising the hangars, airport offices, depots, repair facilities, and so forth." This part, he said, was surely intrastate in character and should be furnished and maintained by the local community and private interests. On the other hand, he said, "the actual landing area constitutes part of an airway and is surely interstate in character; likewise the field lighting equipment, radio facilities, and traffic control facilities" "A runway is an aid," declared Richard Aldworth, a New Jersey aviation official, before another congressional committee, "and just as necessary as a radio range station." Thus was the dock theory abandoned by Congress, and the airport included by the Civil Aeronautics Act among those air navigation facilities the new Civil Aeronautics Authority could establish.

The Airport Survey and the DLAND/DCLA Programs, 1938-45

Abandoning the dock concept of the airport did not amount to a declaration of policy; hence, Congress did not accompany this change in the law with an airport appropriation. What Congress did, rather, was to require the CAA to conduct a field survey of the nation's airport system and present to the Congress, by early 1939, "definite recommendations (1) as to whether the Federal Government should participate in the construction, improvement, development, operation, or maintenance of a national system of airports, and (2) if Federal participation is recommended, the extent to which, and the manner in which, the Federal

Government shall so participate." Congress would make a policy determination after the completion of the survey and the submission of recommendations.

In March 1939, the CAA submitted to the Congress an 80,000-word report that declared airports to be a "proper object of Federal expenditure," in normal times as well as during economic emergencies. Preference should be given to airports "important to the maintenance of safe and efficient operation of air transportation along the major routes of the Nation," the report declared, and to those "rendering special service to the national defense." General aviation airports were thus virtually excluded from consideration, except as part of public-works projects during economic emergencies. The survey, based on written questionnaires and field investigations conducted by CAA personnel, concluded that over half of the existing airports in the United States were inadequate. Statistics compiled by the survey clearly suggested that the system's most serious lack was for modern, well-equipped airports capable of handling the largest airliners.

The report recommended a CAA airport development program on one of three possible scales. The smallest program would cost \$128 million and provide for the upgrading of airmail-stop airports. A second program would extend "adequate development" to 860 airports at a cost of \$230 million. The ideal program would encompass 3,500 airports at a cost of \$435 million and would place an airport within 30 minutes of every community with a population of over 5,000. As to a modus operandi, the report suggested that Federal airport funds should be funneled through state agencies. The cost of maintenance and operation

should be borne by local governments. National goals would be met by requiring Federal approval of the location and development of any federally funded airport. For starters, the report recommended an immediate appropriation of \$125 million to meet the most pressing civil and defense needs.

Save for Senator Pat McCarran (D-Nev.) and Congressman Carl Vinson (D-Ga.), who introduced a measure looking to a \$235 million program, Congress could work up no enthusiasm for an airport program in 1939. The U.S. Conference of Mayors, which had been in the forefront of the struggle to change Federal policy toward airports, recoiled at the congressional snub; in September, it called upon municipalities to "strike" against spending any more city money for airport development until a permanent Federal-aid airport program was established. Congress was unmoved. In 1939, airport development appeared to lack urgency.

Things were different in 1940. France fell before the German Army in June of that year, and England stood alone against Hitler's onslaught; defense considerations, including airports for military operations, suddenly occupied center stage. In August, at the first meeting of a newly created Interdepartmental Airport Advisory Board made up of representatives from the CAA, Army, Navy, and WPA, CAA Administrator Donald H. Connolly called for a unified national airport plan as a basis for establishing national construction priorities for both military and civil needs. This moved the military, particularly the Army, to crystalize its plans and priorities.

President Roosevelt now took a leading role in encouraging passage of airport development legislation to serve military needs. He called for a \$560 million construction program over a six-year period. Congress responded in October by appropriating \$40 million for the construction, improvement, and repair of up to 250 public airports under a newly created Development of Landing Areas for National Defense Program (DLAND). This action marked the first time that funds for airport development were made directly to the Federal Government's civil aviation agency. Over the next four years, more funds would flow to the CAA under the same program.

According to the DLAND appropriation, funds were to be used only for the "construction, improvement, and repair" of those civil airports that the CAA Administrator, with the approval of the Secretaries of War, Navy, and Commerce determined "to be necessary for national defense." As administered by the CAA, DLAND funds were not expended on airports that had been taken over by the military on terms that might prevent civilian use under civilian control for a substantial part of the life of the improvements; such airport improvements were funded out of military appropriations.

Though the CAA administered DLAND, the responsibility for overseeing the actual construction program was divided among the CAA, the War Department, and the WPA; later, when the United States took the offensive against Japan, the Navy Department oversaw airport construction in the Pacific. The Federal program bore the entire construction cost, while municipalities furnished the land. Local operators, in many cases finding themselves with more airport capacity than traffic justified, bore the brunt of maintaining the improved facilities.

Yet another airport program was begun before war's end. As the military draft and the U.S. industrial machine went into high gear, the army of unemployed created by the Great Depression quickly disappeared; indeed, the booming wartime economy soon produced severe, if localized, manpower shortages. In such an atmosphere, the WPA, the bulwark of the New Deal's public works programs, became an anomaly; Congress thus put an end to this relic of the depression era. When the WPA went out of business, it left, among other things, uncompleted civil airport projects. In December 1943, so that the work started by WPA would not go for naught, Congress created a new program--the Development of Civil Landing Areas (DCLA)--and appropriated some \$9 million to the CAA to complete the work left unfinished by WPA.

By war's end, the Federal Government had spent some \$392.5 million on civil airport development under the DLAND and DCLA programs. In all, as the following table indicates, \$785.9 million in Federal funds had gone to civil airports of all kinds since Roosevelt had taken office in 1933.

FEDERAL EXPENDITURES FOR AIRPORT CONSTRUCTION, 1933-1945

<u>Agency</u>	<u>Airports</u>		<u>Total</u>	<u>Expenditures</u>
	<u>New</u>	<u>Improved</u>		
Civil Works Administration	585	386	971	\$ 15,222,372
Federal Emergency Relief Administration	55	888	943	17,649,853
Public Works Administration		35	35	28,849,672
Works Progress Administration	197	367	564	331,584,806
DLAND Program	248	287	535	383,031,875
DCLA Program	(?)	(?)	29	9,513,995
Total	1,085	1,963	3,077	\$785,852,573

By any reckoning, this was an extraordinary expenditure of funds by the Roosevelt administration in a period of 12 years. How extraordinary it was is attested to by the fact that in the previous six years the Federal Government had spent no funds on civil airport construction and in the coming 12 years would allocate to airport development only 40 percent of the total allocated by Roosevelt. But if the figures tell an extraordinary story, they do not tell the whole story. Airport development during Roosevelt's term of office was largely a response to two national emergencies--the Great Depression and World War II. Its overriding purpose had never been to serve the needs of civil aviation. In consequence, though these programs had been critical to the development of civil aviation between 1926 and 1945, they did not serve civil aviation as well as a smaller program, with an explicit aeronautical and civil orientation, might have served. In the early postwar period, Congress began the serious consideration of such a program--the kind of program recommended by the CAA in 1939.

The Federal Airport Act of 1946

Throughout the war years, the CAA kept its airport survey, or plan, reasonably up to date, revising it in light of DLAND construction, population shifts, and other variables. When the allies took the offensive against the Axis Powers and victory seemed only a matter of time, CAA officials began speaking out on the nature and size of American civil airport needs in peacetime. As early as August 1943, CAA Administrator Charles I. Stanton told an aviation conference in St. Paul

that construction of 3,000 new airports, using a Federal-state cost-sharing arrangement such as the highway program employed, would double the number of U.S. civil airports and satisfy the nation's foreseeable requirements. In a radio address soon after, he again advocated a total of 6,000 airports for the postwar United States, a figure he repeated in a speech to the Conference of Mayors in Chicago early in 1944.

In July 1944, the CAA completed its fifth revision of the 1939 plan, incorporating Stanton's proposal for 3,000 new airports. That same month, Congressman Jennings Randolph (D-W.Va.) introduced a bill calling for a 10-year, \$100 million development program that dovetailed with Stanton's goals. Deliberation on the measure was suspended, however, when Clarence Lea (D-Calif.), the House's leading aviation proponent, called on the CAA to formally submit recommendations to the Congress and insisted on the inclusion of U.S. territories and possessions in the overall plan.

The CAA plan, submitted to the Congress in November 1944, contained a strange mixture of postwar optimism, born on the eve of victory, and lingering pessimism, bred by a Great Depression mentality. Civil aviation, according to the report, would grow by leaps and bounds during the postwar period. The number of civil aircraft would jump from 25,000 at the end of 1944 to 400,000 within 10 years of war's end. During the same period, the number of certificated pilots would grow enormously. The CAA counted some 500,000 civilian and military fliers in 1944. In addition, the agency estimated that there were some 5 million people engaged in wartime, aviation-related activities who had developed an

interest in flying. Thus, the pool of "prospective flyers" came to a total of 6 million people. Even if only 1 out of 4 of these people took up flying as a vocation or avocation, there would be 1.5 million airport users in the immediate postwar period.

The existing airport system was incapable of meeting not only this projected growth, but immediate needs. The majority of general aviation airports, the CAA observed, "were located from the standpoints of low development cost rather than convenience to the inhabitants of the communities they serve." New airports needed to be situated near the pilots' "homes or places of business, and near the recreational areas, national parks, and other places to which they might want to fly." Air carrier airports were also grossly inadequate. Among the 286 communities approved for CAB-certificated air carrier service, only 140 possessed airports with "the desirable minimum of 5,000-foot paved runways." Moreover, the CAB had before it route applications to bring air carrier service to an additional 678 communities; only 93 of these communities had suitable airports.

The growth forecast, if taken at face value, spoke for itself; the airport system had to be expanded to accommodate the predicted rise in aviation activity. But the CAA was not satisfied to let the proposed program stand on its own merits. Airport development, the report stated, met all the criteria of public works programs. "Thus," observes one historian of the period, "the [CAA] sought to provide an economic argument in favor of the massive [program] and appeal to fears, very real late in 1944, of a return to mass unemployment when the military

disgorge its hordes of men." Besides helping to prop up the postwar economy, the program would bolster the nation's defense. "The use to which many civil airports are being put by Army and Navy aviation today indicates clearly the place of civil airports in bulwarking our air power," the report held. "They are important in providing not only potential military bases but also training facilities for a reserve of civilian flyers who can be called on in an emergency, just as they were in December 1941."

As to program specifics, the agency proposed to double the number of airports over the next 5 to 10 years by adding 3,050 new facilities to the existing 3,255, for a total system of 6,305. It also proposed to improve 1,625 existing sites. General aviation, which had been neglected by the DLAND and DCLA programs, would get the lion's share of the proposed new airports--1,808 Class I airports (up to 2,700-foot runways) and 1,101 Class II (up to 3,700-foot runways). In contrast, only 101 new Class III airports (up to 4,700-foot runways capable of handling the DC-3), 30 Class IV (up to 5,700-foot runways), and 12 Class V (over 5,700-foot runways) were planned. "Without overlooking the importance of air transport," the report said in justifying this concentration on general aviation, "the sale of personal aircraft offers the brightest hope for a mass market which will maintain even a reasonable fraction of our present \$20,000,000-a-year aircraft manufacturing industry." Communities with a population of 50,000 or less would get the largest portion of development monies, some 83 percent of the proposed program funds.

The CAA also proposed:

- * A \$1.02 billion program for landing-area development and an additional \$230 million for land and airport buildings (excluding hangars), for a total of \$1.25 billion, to be spread over a 5- to 10-year period.
- * That the Federal Government and the states share the cost of this program equally. "A well-established precedent for the principle of cost sharing between the Federal Government and non-Federal public agencies for national development of transportation facilities," the report said, "is seen in the public-roads program, which has operated on a 50-50 basis for many years with great benefit and satisfaction."
- * That each state, in order to participate in the program, establish and empower an official or an official body to conduct its share of the program.
- * That no participating state have a special tax on aviation facilities, fuel, operations or businesses "the proceeds of which are not used entirely for aviation purposes."
- * That any project for which Federal aid is requested meet with the approval of the CAA Administrator "as to scope of development and cost, conform to Civil Aeronautics Administration standards for location, lay-out, grading, drainage, paving, and lighting, and all work thereon be subject to the inspection and approval of the Administrator of Civil Aeronautics and his designated representatives."

- * That Congress immediately appropriate to the CAA \$3 million to plan the program.

There was no time for the 78th Congress to act on the CAA proposal. But in January 1945, with the convening of the 79th Congress, a spate of airport bills were introduced. The most important of these were two House bills introduced by Clarence Lea and Jennings Randolph and two Senate bills introduced by Pat McCarran and Josiah Bailey. Between March 13 and March 23, the Aviation Subcommittee of the Senate Commerce Committee held hearings on the Bailey and McCarran bills.

None of the 34 witnesses called questioned the need for a Federal-aid airport program. Rather, witness after witness concentrated his fire on the inadequacy of the existing airport system. The unsatisfactory condition of the nation's airport system, these people held, was due to a lack of overall national planning, which resulted in the waste of Federal airport dollars. T. P. Wright, the CAA Administrator, took pains to point out that the CAA would have an overall national plan. Thus, hopefully, the poorly conceived system of the past would give way to a coherent airport network based on need and valid economic considerations.

Henry Wallace, the Secretary of Commerce, took the lead in arguing that the airport program would stimulate the national economy. "To produce the desirable changes as early as may be expedient may therefore require the incitement and patronage of government," Wallace said, quoting Alexander Hamilton. Summing up the philosophy behind the bills, the onetime Iowa farmer and former Agriculture Secretary said that their

purpose was "to plant a little Government seed in the hope of getting back a big crop of private enterprise." The program would aid scheduled and nonscheduled air transport, aircraft manufacturers, airport operators, and the construction industry while creating new business opportunities, boosting employment, stimulating private investment, and expanding the national income.

The bills' advocates also contended that the national defense would be greatly enhanced by the enactment of an airport act. The facilities could be used by the Armed Forces in an emergency and for training purposes. They would be a boon to private flying, and thus help to develop a pool of trained pilots for wartime emergency. Major Alexander P. de Seversky offered the clearest statement of this defense argument. "Precisely as the military power of a country on the high seas derived from its sea commerce in the epoch of sea power, the military power of a country in the years ahead will derive from an abundant, healthy, and unlimited commerce of the air, both domestic and foreign," de Seversky said. "Whatever tends to promote air transport, consequently, is a direct contribution to our future security."

Assistant Secretary of Commerce William A. Burden argued that a concerted policy of aid to airports was consistent with a long Federal tradition. He pointed out that the Federal Government had spend \$3 billion on rivers and harbors, including \$500 million appropriated by the 79th Congress. State and Federal aid to railroads surpassed \$800 million, primarily in land grants, whose value had soared. Highways, the most favored transportation form, had already received \$6.5 billion,

and the Federal Highway Act of 1944 provided for another \$1.7 billion over the next three years. State and local aid for highways brought the total funds expended on road building to over \$40 billion. In contrast, Federal expenditures for airports to date were below \$800 million. The significance of these statistics, Burden contended, lay in the fact that they represented outlays whose total had been returned manyfold in economic benefits to the nation. Just as there was no reason to regret the high Federal expenditures for transportation in the past, there was no reason now to fear the continuation of such a policy with regard to airports.

The hearings helped to resolve difference between the McCarran and Bailey bills. Bailey's S.34 envisioned an \$800 million program over a period of 10 years, matched by state and local funds. McCarran proposed only \$500 million in Federal funds, but wanted the program completed in 5 years. The CAA preferred the long-term program, but it was McCarran's program that emerged from the committee.

Harder to resolve was the matter of how city and state portions of the program were to be divided. The CAA plan had proposed dealing exclusively with state agencies. Bailey's bill provided that 75 percent of Federal funds go to state agencies, which would handle programs for Class I, II, and III airports, and the remaining 25 percent to municipal agencies, which would handle major air carrier airports in the Class IV and V categories. McCarran's S.2 proposed a 50-50 split between state and municipal programs and included Class III airports in the urban category. As between the two plans, CAA spokesmen

avored Bailey's and objected to the inclusion of Class III airports under the municipal program. The committee compromised by fixing the municipal share at 35 percent and limiting the urban program to Class IV and V airports. The bill was reported out favorably on April 30. The Senate passed the measure on September 12, but not before cutting the program from \$500 to \$375 million and adopting an amendment offered by Owen Brewster requiring all funds to be channeled through state agencies.

The House passed its own measure a month later. It differed from the Senate bill in four important respects: (1) it authorized \$650 million, as against the \$375 million authorized by the Senate; (2) it provided for a 10-year program, as against the 5-year program provided by the Senate; (3) it set down no formula for apportioning funds among the various categories of airports; (4) it made no distinction between state and other public agencies. Thus, under the House bill, the CAA Administrator was free to apportion funds among general aviation and air carrier airports as he saw fit, and he could make grants to any public agency eligible for airport funds, whether Federal, state, county, or local, indeed, to any appropriate tax-supported organization. It did provide, however, that 75 percent of the funds had to be distributed among the several states in accordance with a population-area formula; the remaining 25 percent could be apportioned at the discretion of the CAA Administrator.

The first three differences were easily compromised in conference. The House-Senate conferees agreed on a \$500 million program to be spread over a 7-year period; the Senate's general aviation-air carrier apportionment provision was dropped.

The channeling question was not so easily resolved. During the House hearings, representatives of the United States Conference of Mayors had argued in favor of channeling airport funds through city agencies, contending that many municipalities were willing and able to finance airport construction in cooperation with the CAA and that to deny them that opportunity would be counterproductive. Fred T. Van Liew, city solicitor of Des Moines, Iowa, noted that the highway program, often cited as a model for the airport legislation, operated on a Federal-state basis, but worked to the great disadvantage of the cities. The states, Van Liew contended, took much greater interest in rural highways than in urban projects. Des Moines, he pointed out, contributed \$1.6 million annually in gasoline taxes and received only \$19,000 in highway construction funds. Van Liew insisted that cities had to control their own projects to prevent their being shortchanged by the states. His arguments had apparently persuaded the House to see matters his way.

The conferees deliberated on the question, on and off, until March 1946, mainly because Brewster and two of his Senate colleagues could not be persuaded to give up on state channeling. McCarran finally broke the stalemate by siding with the House. President Harry S. Truman signed the bill into law on May 13, 1946, a week prior to the 20th anniversary of the enactment of the Air Commerce Act, which had prohibited a Federal-aid airport program by the agency responsible for maintaining the nation's airways.

To recap, the Federal Airport Act of 1946, contained two key provisions. One of these called for the formulation of a National Airport

Plan (NAP) for the development of public airports. In this plan, the CAA Administrator was required to specify in terms of general location and type of development the projects he considered to be necessary to provide a system of public airports adequate to anticipate and meet the needs of civil aviation. The act required that NAP be revised annually.

The other key provision provided for a Federal-aid airport program (FAAP) to establish, in conformity with NAP, an adequate, nationwide system of public airports. At the same time, the act authorized appropriations of \$500 million for the continental United States and \$20 million for Alaska, Hawaii, and Puerto Rico over a period of 7 years, beginning with July 1, 1946. Appropriations for any one fiscal year could not exceed \$100 million; such appropriations, however, if not expended, would remain available to the program until the end of the 7-year period, or to June 30, 1953. Federal allotments to airport sponsors were to be matched by local funds. In the case of the larger, or so-called Class IV and V airports, the Administrator could grant such portion of allowable project costs (not to exceed 50 percent) as he deemed appropriate. In the case of Class III or smaller airports, he was required to grant 50 percent of allowable costs.

The act set down a formula for distributing funds to the several states. Seventy-five percent of available funds had to be apportioned in this manner:

- * One half in the proportion that the population of each state bore to the total population of all the states.
- * One half in the proportion that the land area of each state bore to the total land area of all states.

The remaining 25 percent could be apportioned by the CAA Administrator at his discretion.*

* According to Clarence F. Lea (D-Calif.), the chairman of the House Committee on Interstate and Foreign Commerce, this formula was adopted "in an attempt to assure every State in the country that it would have a reasonable and fair share of the money appropriated for this purpose." The formula was arbitrary and inflexible and was seen as inappropriate by more than one witness testifying on the bill. W. T. Piper, the president of Piper Aircraft, told the Senate that it was "not possible to apportion the sites of such landing facilities solely according to area or population." Such indices as "traffic potentialities," arrived at by the CAA through measurable factors, "rather than area or population, should determine the apportionment of airport projects . . .," he said. James C. Buckley of the Port of New York Authority also attacked the formula and suggested that, at the very least, funds for air carrier airports be determined "in a manner somewhat similar to the determination of rivers and harbors appropriations, so that there will be no decisions particularly on geographical basis in the larger airport programs which affect the national interstate commerce." John Dwight Sullivan, a spokesman for the American Legion, told the House that "all you are going to get out of it in the end is a more or less arbitrary formula. . . . It will work out to some odd dollars and cents to be spent within a given State and it cannot be done [that is, it will not work]." To Sullivan, this was "a whole Nation-wide plan and has nothing to do with State lines." Sensing, however, that there were other considerations for drawing up the formula, Sullivan added, "Maybe you have to do it" Apparently the bill's managers felt the same way; they had to do it to assure support from sparsely populated states that would have gained little if the CAA's airport plan, based on national need, were followed. Predicably, no one in either the House or Senate questioned the wisdom of the formula.

The Federal-Aid Airport Program (FAAP), 1946-70

The Federal Government had thus assumed a major responsibility in the development and expansion of the nation's airport system. The exercising of this responsibility, however, was often reluctant and, at times, ineffective. Over the 25-year life of the Federal Airport Act, Congress appropriated some \$1.2 billion for airport development--or, on the average, \$48 million per year--scarcely enough to meet the growing needs of a rapidly expanding civil aviation industry. But if the airport program under the Federal Airport Act was inadequate to meet the needs of the times, it was, given the temper of the times, the only program attainable. Moreover, though a more effective piece of legislation would have considerably eased aviation's growing pains, it is difficult to conceive how aviation would have grown at all, except, perhaps, in utter chaos, without the presence of the Federal Airport Act. Whatever progress was made in developing and modernizing the nation's airport system in the first quarter century after World War II was largely due to this act.

Beginning with the first FAAP appropriation, a pattern was established that would run virtually throughout the first decade of the program: Congress appropriated less, sometimes substantially less, than the level of funding authorized. For the program to have proceeded according to its authorized level, Congress would have had to appropriate

funds at an average annual rate of \$74.3 million. Congress fell far short of this level. To start the program, Congress appropriated \$42.75 million. This was probably to be expected, since Congress no doubt assumed that it would take some time for the program to pick up a full head of steam. The first block of administrative money, as well as the first block of construction funds, did not become available to the CAA until July 1, 1946. As a result, the agency spent virtually all of fiscal 1947 building up an airport staff and planning the program. No grant funds were expended during the entire fiscal year, and the following year saw the agency expend only \$5.1 million.

Part of the problem was a stipulation in the Federal Airport Act requiring the CAA to give Congress advance notification of plans to develop Class IV and V airports and obtain congressional approval for such plans. Hence, Class IV and V airports were left out of the fiscal 1947 airport plan. Small airports did not possess the ability of the large facilities to raise matching funds; allotments to such airports, therefore, were not exactly snapped up. But even later, when Class IV and V airports were included in the airport plan, the CAA continued to hold large sums in unobligated funds. The allocation system prescribed by the Federal Airport Act contributed to the slow pace. Sparsely populated states with large land areas were being allotted more funds than they could use or raise matching funds for. At the same time, these states insisted that allocated funds be kept in reserve until they could claim them.

Other factors also contributed to the slow pace. The CAA made the program less attractive to large airports than to small. Because a large project, such as Idlewild, could easily absorb the entire annual allotment of a single state, the agency decided that it would match less than 50 percent of the costs of such projects. CAA first proposed that it match only the first \$2 million and then reduce the Federal share by 5 percent for each additional million. At the public hearings held on this proposal, the CAA "caught hell" from representatives of large municipal airports, according to CAA Administrator T. P. Wright. Wright, an enthusiastic proponent of general aviation, remarked that large municipalities "would like us to scoop the money out on the steps of the hall of the city fathers and let them take all they can use." A compromise was reached late in 1946: The CAA would match funds up to \$5 million, then drop the Federal share five percent per million until a floor of 20 percent was reached. The compromise blunted the ability of large projects to monopolize FAAP funds; but it also blunted the CAA's ability to spend the funds at its disposal.

Red tape also impeded progress. The CAA established a grant-administering system that required a staggering amount of paperwork. No fewer than 21 forms had to be filled out before a grant could be processed. According to one source, CAA procedures were so complex and time-consuming that it was cheaper for local sponsors to undertake projects costing under \$20,000 entirely with their own funds, rather than seek Federal assistance. Though the CAA eventually reduced the paperwork and simplified the regulations governing FAAP participation, red tape was a large contributing factor in FAAP's slow start.

Hence, by the end of fiscal 1949, or three years after the program began, the CAA was able to expend only 32.7 percent of the funds appropriated to the program. Noting the accumulation of unexpended funds, Congress continued to appropriate to the program less—indeed, substantially less—than the authorized level. But when the program finally picked up steam and the CAA began to cut into its backlog, Congress continued its parsimonious ways. A number of factors influenced the Congress. The program had been justified in part as a way of heading off a postwar depression. But the economy, fed by wartime savings and pent-up demand for consumer goods, easily absorbed returning servicemen and showed no sign of faltering. Thus, maintaining FAAP as a depression hedge now seemed superfluous. Moreover, the postwar boom in general aviation predicted by the 1944 airport plan never materialized, and the program lost additional appeal.* Then, in 1950, came Korea, precipitating a cut in domestic programs, including CAA activities. As in World War II, Congress spent lavishly on military airports; at the same time, it cut the FAAP budget to a bare minimum. As the following table shows, Congress never came close to appropriating the \$100 million annual maximum over the program's first seven years; indeed, the first appropriation, \$42.75 million, proved to be the largest.

<u>Year</u>	<u>Appropriation</u>	<u>Year</u>	<u>Appropriation</u>
1948	30,479,672	1951	21,200,000
1949	37,000,000	1952	15,850,000
1950	36,500,000	1953	10,281,554

*The CAA's 1944 airport plan had been grossly overoptimistic about civil aviation's prospects. Ten years after the war, in 1955, there were only 85,320 certificated civil aircraft (as against 400,000 forecasted) and 643,201 certificated airmen (as against 1.5 million forecasted).

By the fall of 1950, Congress could readily see that the \$520 million dollar program would not be completed in seven years; it thus extended its life an additional five years, to June 30, 1958.

In 1952, airports became the focus of a Presidential commission. The commission, headed by James H. Doolittle, had been appointed by President Truman after a series of four takeoff or landing accidents in the New York Metropolitan Area claimed the lives of 115 people, including 9 on the ground, within the space of ^{two} five months.* The commission found that, on the whole, major municipal airports were substandard facilities. To bring these facilities up to acceptable standards, the commission recommended an expanded Federal-aid airport program that would give top priority to improving and extending runways at major terminals. It put no price tag on the expanded program; it merely recommended that FAAP be funded at a level sufficient to match available local funds. The present FAAP program, besides being underfinanced by Congress, was out of sync. "This program has lagged," the commission said in its report to Truman, "because of inability to synchronize the availability of Federal and local funds."

Doolittle noted with some annoyance that more than \$75 million in local funds for "desirable" projects were awaiting Federal matching funds; yet Congress was considering a fiscal 1953 FAAP budget of less than \$15 million. What Doolittle failed to note was that local demand for FAAP money to finance major projects was not an accurate barometer

* Yet another accident occurred in New York City while the Doolittle commission was in session, claiming the lives of three crewmembers and four people on the ground.

of actual need; need, in this case, exceeded demand. This state of affairs could be traced to two facts: the belief of local officials that Federal administrative requirements were too complex and the uncertainty created by an unreliable appropriations process. Airport sponsors complained that they could simply not rely on Federal funds being available. Because of the time required to raise local funds, sponsors were forced to plan airport development two to three years in advance of Federal funding. That done, they found in many cases that Federal grants could not be secured. In some instances local public agencies had gone so far as to sell general obligation bonds and then found that Federal matching funds were unavailable. This kind of experience, due almost entirely to declining annual appropriations, discouraged many a community from planning a new airport or improving an existing one.

Milton W. Arnold, writing to CAA Administrator Charles F. Horne in June 1951, said that "the problem of airport design and airport capacity has been largely ignored to the point where today the nation is unable to take full advantage of the capacity now available in the Federal Airways System" Airports, Arnold asserted, represented "the next big obstacle" to civil aviation's progress. Clearly, by January 1953, FAAP had failed to fulfill its original promise, and if it continued to struggle along on a \$10 million budget, it would never fulfill it. As one Federal official remarked at the time, Federal airport funds going into many states were "about equal the sum one of its large cities might have to spend for the removal of an unexpected April snow." "No one can reasonably maintain," he continued, "that a Federal airport program

of that scope could make a significant impact upon the Nation's airport development" Doolittle had noted that FAAP might as well be discontinued if it was to remain a token program; then local jurisdictions "will realize that they must bear the full costs of airport construction and improvement."

FAAP was at its nadir in January 1953 when Dwight D. Eisenhower was sworn in as President. By this time, the Doolittle report had been lost in the shuffle of administrations. Moreover, Eisenhower took over the Federal helm bent on reducing Government expenditures. One target of the new administration's cost-cutting program was FAAP. The Truman administration had requested a \$30 million FAAP appropriation in the fiscal 1954 budget. Eisenhower promptly cut the FAAP request out of the budget and initiated a "resurvey and reanalysis" of the program. On May 1, 1953, a special advisory panel composed of Federal, state, municipal, and aviation industry representatives was appointed to determine whether Federal assistance to airport development should be continued.

The airport panel report, submitted to the Secretary of Commerce in the fall of 1953, included the following three findings:

- * Both the number and functional adequacy of present civil airport facilities were inadequate to meet the needs of civil aviation either for the present or the future.
- * The investment required to provide the nation with an adequate airport system could not be borne alone by state and municipal agencies.

- * The Federal Government should provide financial assistance to local sponsors in developing airports that serve "the national interest."

Despite the recommendations of this panel, the Eisenhower administration did not provide for FAAP in the fiscal 1955 budget. Meanwhile, in his State of the Union message, the President endorsed Federal aid for highway development, giving aviation proponents in the Congress and around the country a strong justification in calling for a parallel program for airports. Shortly thereafter the airport panel's study was publicly released, and FAAP proponents had additional ammunition with which to support a continuation of airport aid.

It appears likely that the Eisenhower administration's original intention was to scuttle FAAP. Besides feeling that the program had been ineffective, the new administration believed that airport development was properly a state and local function. But the recommendations of its own airports panel, coupled with the strong support for FAAP in Congress and among aviation interests, forced the administration to admit, in the words of Under Secretary of Commerce Robert B. Murray, that "some continued Federal participation in the financing of airport development is desirable at the present time." Thus, a supplemental to the fiscal 1955 budget contained a FAAP request of \$22 million.

The administration, however, had no desire to continue the program without change. It wanted no Federal funds going to airport terminal building construction; only runways, lighting, and other safety-related airport facilities should receive Federal aid. The administration

also wished to limit aid to specific types of airports—those with "the highest degree of essentiality from a broad national standpoint." Airports with a preponderance of intrastate traffic would not be included in the national airport plan. Finally, the administration looked askance at the inflexible geographic formula, which apportioned funds to states irrespective of need, with the result that some states were starved for funds while others left their allocations virtually untouched. To correct this imbalance, the administration proposed to increase the CAA Administrator's discretionary fund from 25 to 50 percent. An administration bill containing these proposed amendments to the Federal Airport Act went to Congress in the spring of 1954.

Congress rejected these proposals. A large part of FAAP's appeal in the Congress stemmed from the fact that the program spread its money around; it gave something to everybody, to large and small states, to densely populated and sparsely populated states. Even with the Air Transport Association and such large airport sponsors as the New York Port Authority behind the measure, it failed to clear committee. Nevertheless, the administration still had some room to maneuver. Though it would have to live with the 25 percent discretionary fund, the CAA possessed enough general authority under the Federal Airport Act to deny funds to terminal buildings and to include in the airport plan only such projects as it believed were "in the national interest." The CAA adopted such criteria for the fiscal 1955 program.

The \$22 million supplemental appropriation met a better fate, passing both houses by comfortable margins. But the size of the appropriation raised serious questions about the administration's commitment to the program. The 1954 airport plan, for example, had listed more than 2,000 airports with serious deficiencies. The cost of planned improvements at Idlewild International alone came to 10 times more than the entire appropriation. FAAP was not coming close to meeting the nation's airport needs.

If airport-aid proponents viewed the fiscal 1955 appropriation as grossly inadequate, they saw the administration's fiscal 1956 FAAP request of \$11 million as an outrage. Faced once again with the prospect of further delays in accomplishing badly needed airport development and financial losses from wasted planning, public airport officials, individually and through their national associations, converged on the Congress. Congress did two things: First, it passed a FAAP appropriation twice the size requested by the administration; then, in August 1955, it amended the Federal Airport Act in order to increase its effectiveness.

The amending legislation provided FAAP with the funding stability that it so obviously lacked in the past by establishing a new four-year program, running through June 30, 1959, with contract authorizations amounting to \$63 million per year for each of the three fiscal years between 1957 and 1959. For fiscal 1956, it authorized \$42.5 million, which, when combined with the earlier fiscal 1956 appropriation of \$20 million, brought the fiscal 1956 total to 62.5 million. A key provision of the amending legislation gave the CAA advance contracting authority. At the beginning of each fiscal year, the agency could obligate up to \$63 million

in new money irrespective of whether Congress had appropriated the funds as yet. The knowledge that the CAA would have a certain number of dollars to obligate on a certain date was a tremendous stabilizing factor that facilitated planning both on the Federal and local levels. And this time Congress was as good as its word. It appropriated for the entire length of the four-year program at the authorized level. Thus, after 10 years of erratic, unreliable funding, FAAP finally entered a period of stability--and effectiveness.

As the end of the four-year program approached, the Eisenhower administration submitted a bill to Congress proposing another four-year program, this one at a lower level of funding--\$200 million in the aggregate, or \$50 million per year for the next four years. This four-year program, the administration recommended, should be the last and should constitute a four-year period of "orderly withdrawal" from airport aid.

This proposal, looking to the eventual dismantling of Federal airport aid, was not unexpected. Two years earlier, in May 1957, Edward P. Curtis, a Presidential special assistant in aviation matters, had proposed such a course in a widely hailed report on aviation facility planning. "The primary responsibility for constructing, maintaining and operating civil airports has always rested with local governments," Curtis wrote. This was sound and logical because airports primarily benefited the residents and shippers of the communities they served. Curtis also recognized a national interest, particularly a military interest, in civil airport development, and found the continuation of

FAAP as a means of furthering that interest justifiable. FAAP had permitted local communities "to accomplish needed airport improvements more completely or more rapidly than would otherwise have been possible." But there would come a time in the future, Curtis pointed out, "when more and more airports will become capable of self-support." "Consistent with the progress toward self-sufficiency," Curtis wrote, "the Federal Government should reasonably look forward to the eventual curtailment of direct financial participation in airport construction." When that day comes, Curtis said, the Federal Government would limit its civil airport role to financing facilities expressly established for military use and to serving as "a focal point for the national coordination of airport planning." The Eisenhower administration, in submitting its new program to Congress, apparently believed that the time had come to implement the Curtis recommendation.

Aviation proponents in the Congress, particularly Senator A. S. Mike Monroney, besides disagreeing with the premise of "orderly withdrawal," believed the administration's four-year program to be inadequate. In the previous congressional session, Monroney had steered through Congress a bill extending FAAP another four years and calling for an annual appropriation of \$100 million, only to have Eisenhower exercise a pocket veto. Early in 1959, Monroney was back again with another bill, this one carrying an authorization of \$475 million over four years.

By this time, the Federal Aviation Agency had been created, and the task of beating back the Monroney proposal fell on the shoulders of FAA's first Administrator, Elwood R. Quesada. In a forceful

presentation before a congressional committee, Quesada attacked FAAP's known deficiencies and shortcomings. Monroney's bill, like past FAAP legislation, Quesada contended, would divert funds into locales that did not need airports and into such frivolous projects as passenger lounges and game rooms that were designed solely for public comfort. "The Federal Government's role is to provide public safety to a person who leaves Maine and goes to Tampa . . . ," Quesada told the committee. "Since he goes through many states, this is a Federal role This money should not be used to keep him dry or warm when he gets to Tampa or before he left Maine." He then attacked the apportionment formula. More than a dozen states, Quesada noted, had money that had been allocated to them five years ago "still lying there idle," Monroney's bill was defeated, and with it went any hope of boosting the FAAP appropriation to a substantially higher level. In the end, Congress passed a stopgap measure extending the current \$63 million annual authorization for two more years, until the end of June 1961. Terminal building facilities were still eligible for aid.

FAAP's fortunes improved with the Kennedy administration in 1961. As the old administration prepared to leave office, it proposed a fiscal 1962 appropriation of \$40 million. This the Kennedy administration judged to be insufficient. "If . . . we are to meet the rising needs of civil and military aviation," wrote N. E. Halaby, the new FAA Administrator, "the Federal Government must increase rather than reduce its participation in the funding of airport construction." A bill extending FAAP another five years, authorizing an annual appropriation of \$75 million, and

permitting the FAA Administrator to continue the practice of obligating funds in advance of appropriations went to the Congress in April 1961.

But the Kennedy administration, like its predecessor, also had some serious reservations about the effectiveness of FAAP. As the Eisenhower administration had been pointing out for years, apportioning 75 percent of FAAP funds according to the population-area formula was resulting in the misallocation of funds. Under the proposed \$75-million-a-year program, for example, Alaska, which had a population of 226,000 and no city with 50,000 people, would be apportioned \$4 million; a state the size of Texas, with a population 40 times as large as Alaska's and with five cities each having more people than all of Alaska, was apportioned \$3.1 million. Populous eastern states such as New York, Pennsylvania, and Ohio got even less. And while Alaska, with a land area of 586,000 square miles, had its special brand of transportation problems and was perceived as a special case, no sound system of priorities could justify Alaska's receiving the largest allocation among the 50 states. Similarly, Montana, with a population of 675,000 and only five cities of 20,000 or more and none over 55,000, was allocated more money than Georgia (5 million population) or Virginia (4 million), each of which had at least four metropolitan areas with a population in excess of 100,000. As Clarence Lea had remarked in 1945, when the House adopted the area-population formula, "This particular formula to a certain extent is an abstract one. It does not with absolute accuracy reflect the purpose of the bill to provide airports where needed" Indeed, it did not; the formula was too inflexible and did not distribute funds according to national needs and priorities.

Though Congress had refused in the past to increase the Administrator's discretionary fund to 50 percent, it had granted a small measure of

flexibility. In 1955, it had provided that 25 percent of all apportioned funds remaining unobligated for two years would go automatically into the discretionary fund. (The remaining 75 percent would be reapportioned according to the geographic formula.) Knowing that Congress would balk at increasing the discretionary fund to 50 percent, Kennedy now proposed to liberalize the reapportionment provision. He asked that all apportioned funds remaining unobligated for one year go automatically into the discretionary fund.

Kennedy sought additional flexibility by proposing yet another change in the Federal Airport Act--the earmarking of \$7 million annually for general aviation airports, particularly those general aviation airports that could relieve overused air carrier airports of some of their traffic. The fund would be discretionary and thus distributed without regard to the geographic formula. The exceptionally rapid growth of aviation in the 1950's, and its continued growth into the sixties, had created a critical need for reliever airports in large metropolitan areas. It was a need, however, that FAA had difficulty dealing with. As Halaby noted before a Senate committee, "The need [for reliever airports] usually exists at the localities where air carrier needs are also heavy, which means that the need exists in those areas where there is the highest demand for apportioned funds for other airport needs." If the need was to be met, Halaby went on, "we must have the flexibility to provide for it by other than apportioned funds."

Finally, the Kennedy administration dusted off and inserted in its bill an old Eisenhower administration proposal: the elimination of Federal aid for terminal building development. The rationale for this proposed

reform was well known, but Kennedy's emphasis was slightly different from Eisenhower's; rather than arguing in terms of local and Federal responsibilities, Kennedy concentrated on the more prosaic matter of safety. The construction of terminal buildings and other airport amenities, he argued, was taking money that could go to runway development and other safety-related airport projects. Indeed, the need for some airport safety-related facilities was so great, he contended, that the Federal share for such airport landing aids as light systems and distance markers should be increased to 75 percent.

This time Congress responded favorably to the demands of the Executive branch; it adopted, with some modifications, all of the administration's key amendments to the Federal ~~airport~~ Act. One congressional modification that should be noted was the changing from one to two years the period apportioned funds must remain unobligated before going into the discretionary fund; otherwise, the administration's proposals were adopted virtually intact.

But Congress did deny the Executive an important power that it had possessed since 1955--advance contracting. Dubbed "backdoor" financing by a number of influential Congressmen, advance contracting authority never had a chance of clearing committee in the House, despite the insistence of Halaby and other administration spokesmen that it was this device that had made FAAP an effective program. "There is a lot of strong feeling in Congress against backdoor financing," declared John Jarman (D-Okla.), a member of the House Subcommittee on Transportation and Aeronautics. "We feel we are abdicating our own jurisdiction and responsibilities if we do not go through the regular Appropriations Committee channels for

consideration every year." The Senate felt otherwise, deciding that advance contracting should be continued. The House would not budge in conference. After a lengthy deadlock, the Senate conferees yielded, though not before persuading their House colleagues to accept a three-year instead of a five-year program at \$75 million a year. Though both House and Senate had originally provided for a five-year program, the Senate now preferred the shorter program in order not to freeze FAAP in place for such a long period of time without advance contracting.

The denial of advance contracting authority in the authorization act did not hurt the program, for both the House and Senate Appropriations Committees took a different view of the matter from the Aviation Subcommittees and came to FAAP's rescue. Throughout the three-year program, they maintained two-year forward funding at the fully authorized level of \$75 million a year.

In 1963, the administration was back again with another three-year extension at \$75 million per year and another parcel of recommended changes in the law. By far the most important proposals were (1) increasing the discretionary fund from 25 to 50 percent, (2) granting authority to make planning grants, and (3) requiring compatible land use through proper land zoning as a condition of Federal aid. Congress again balked at increasing the discretionary fund at the expense of state apportionment. But it readily agreed to the other administration proposals, and the legislation would have sailed through both Houses had it not become entangled with the issue of civil rights. Smarting from recent Justice Department actions against civil rights violations in his state,

Congressman John Bell Williams (D-Miss.) tacked an amendment to the House bill prohibiting the cutting off of FAAP funds from airports practicing racial discrimination. The amendment kept the bill bottled up in the legislative process for months; only the direct intervention of Lyndon B. Johnson, who had succeeded to the Presidency on Kennedy's death, dislodged the bill. Johnson persuaded Williams to withdraw his amendment, permitting the bill to go to passage a full year after it was introduced.

In 1966, Congress passed one more FAAP authorization bill, extending the program through June 30, 1970, at the same \$75 million annual level. By this time, however, events had overtaken the 20-year-old Federal Airport Act--events that made it abundantly clear to discerning aviation observers that a fresh approach to airport aid was required if the nation was to accommodate the air traffic of the 1970's.

Congestion, Vietnam, and Austerity

Senator Mike Monroney had never believed that the level of FAAP appropriations was sufficient to meet the airport needs of the 1960's and 1970's. Since 1958 he had striven, to no avail, to raise the annual FAAP appropriation to \$100 million. Eisenhower's strong opposition had stopped him in the 1950's; in the 1960's, his hand had been stayed by the assurances of the Kennedy and Johnson administrations that maintaining an annual funding level of \$75 million was adequate and represented a reasonable allocation of Federal resources.

Considering other demands on the Federal purse, the FAAP funding level probably did represent a reasonable allocation of Federal resources

to airport development; but whether this level was adequate is another question. The administration's judgment of adequacy was based largely on FAA forecasts of aviation activity. As it turned out, FAA forecasters (along with forecasters in the industry) grossly underestimated aviation's growth rate in the 1960's. "Industry and the government had underestimated this growth by fifteen-twenty percent," recalled General William F. McKee. Actually, they had missed the target by an even wider margin.

During the six-year period between December 1962 and December 1968, the number of aircraft using the airways increased from 83,747 to 125,503, or 50 percent (as against a forecasted rise of 20 percent, to 100,750). Over the same period, the number of people holding active pilot certificates rose from 365,971 to 691,695, or 89 percent. The increase in activity was reflected by the mounting burden on FAA facilities. In 1962, air traffic control towers handled 28,200,000 operations (takeoffs and landings); for the 12 months ending December 31, 1968, these operations had risen to 55,300,000, or 96 percent over 1962 (as against a forecasted increase of 26 percent, to 35,500,000).

The number of air carrier aircraft increased only 21 percent over the six-year period,* but this figure is deceiving. At the end of 1962, air carriers had an equipment mix of 1,368 piston-powered aircraft and 659 turbine-powered aircraft (jets and turboprops); at the end of 1968,

*FAA had actually forecasted a drop in the number of air carrier aircraft between 1962 and 1968, reasoning that the faster and larger-capacity jets would permit the carriers to reduce their fleets.

they had only 331 pistons and 2,239 turbines. The new jets were better workhorses than the old props—capable of moving more people over greater distances at faster speeds. Thus, despite a modest increase in the size of their fleets, U.S. domestic air carriers increased their revenue passenger-miles flown from 33 billion to 87.5 billion, or 165 percent. (The forecasted increase had been only 42 percent.) At the same time, in 1968, 162,181,000 passengers were enplaned by certificated route air carriers in scheduled service—more than two and a half times the number enplaned in 1962.

This growth in air carrier operations was not evenly distributed over the country. It was concentrated at major transportation hubs like New York, Chicago, Los Angeles, and Washington, D.C. For example, while air carrier operations rose 16 percent nationally between 1963 and 1967, they climbed 29 percent at the 10 largest terminals. La Guardia Airport led the way with a whopping 96 percent increase. Adding to the impact of more airline operations on these terminals was the peaking phenomenon of airline schedules. In an effort to obtain the largest number of passengers, carriers scheduled most of their flights during convenient times of the day for travelers. Like urban freeways during rush hour, the taxiways and runways of the major terminals were pressed to the limit. The result was obvious to anyone who had to fight the automobile traffic that clogged the airport access roads or make his way through the lines in the passenger terminal only to wait in the aircraft as it took its turn on the taxiway. Air transportation was choking on its own prosperity.

Air carriers were not alone in straining airport capacity. For every air carrier aircraft flying in 1968 there were 61 general aviation aircraft; for every air carrier pilot there were 24 general aviation pilots. Indeed, if air carrier growth has been rapid, general aviation growth had been phenomenal. The general aviation flying boom, long awaited since the end of World War II, had finally materialized in the prosperous decade of the 1960's. The number of general aviation aircraft increased by 50 percent between 1962 and 1968, while itinerant general aviation aircraft operations doubled and local aircraft operations nearly tripled.

The surge in general aviation traffic added to the pressures on the major aviation hubs. General aviation aircraft had just about unrestricted use of the airspace around major hubs as well as the runways and taxiways. According to Port of New York Authority figures, 51 percent of the traffic at La Guardia Airport and 52 percent at Newark Airport during the busiest hours of 1967 consisted of general aviation movements. A small air taxi occupied a runway just as fully as a 100-passenger air transport and used it for an equivalent period of time. This further strained the capacity of the large airports during their peak hours. It also increased the dangers inherent in mixing different kinds of air traffic in the terminal airspace. With their differences in navigational aids, communications equipment, flying speeds, and handling capabilities, air carrier and general aviation aircraft using the same terminal airspace made for a dangerous mix.

General William F. McKee, who succeeded N. E. Halaby as FAA Administrator in July 1965, had been in office nearly a year before he realized that the nation's airport development program was in need

of a major financial transfusion. By this time, aviation's accelerating growth trend had become obvious to everyone, and FAA planners, revising their earlier, conservative forecasts, predicted no significant abatement in this trend. It had also become obvious by this time that aviation's rapid growth was putting a severe strain not only on airport capacity, but also on the capacity of the air traffic control system. FAA, which had not increased the size of its air traffic controller force in three years, suddenly found itself in desperate need of more of these specialists. The agency also needed to speed up substantially its program to introduce modern automation techniques in the National Airspace System. With both the airport and airway systems under pressure, the question of airport development inevitably became intertwined with that of airway development and modernization.

The 1965 National Airport Survey, conducted by the Airport Operators Council, indicated that the nation required an outlay of \$2 billion in airport development funds (including funds for terminal facilities ineligible for Federal aid) over the next five years. FAA's own National Airport Plan for 1966, in estimating the airport development needs for the same five-year period, listed projects costing, in the aggregate, \$1.2 billion (excluding terminal-building facilities). The system's greatest needs were (1) increasing the capacity of ~~ma~~ major airports, (2) developing more general aviation reliever airports, and (3) lengthening and strengthening the runways and taxiways of some 234 airports around the nation to accommodate jet service.

An annual \$75 million FAAP appropriation could not begin to meet these needs. At the congressional hearings on the 1966 FAAP extension

bill, witness after witness pointed to this fact. Representatives of the Airport Operators Council, the American Association of Airport Executives, the Municipal and Airport Division of the American Road Builders Association, and the National Association of State Aviation Officials, citing the National Airport Survey and the National Airport Plan, urged Congress to extend FAAP for five years and increase the annual appropriation to \$150 million, or double the administration-proposed authorization. The Air Line Pilots Association and the Air Transport Association asked for a 33 percent increase, to \$100 million annually.

In terms of meeting need, the program advocated by industry spokesmen was obviously more realistic than the administration's; but, considering the political realities of the mid-1960's, their program was patently unattainable. There were too many other demands being imposed on the Federal budget, primarily by the costly war in Vietnam and the newly legislated Great Society programs, for the administration to entertain a doubling of the FAAP authorization. Indeed, so serious was the squeeze on the budget, that the administration was looking in the opposite direction. Unwilling to ask for a tax rise in order to finance the war and reluctant to scuttle or defer the Great Society, President Johnson was forced to cut back traditional domestic programs, including FAA's. Thus, emerging airport crisis or no, Johnson proposed to chop the fiscal 1967 FAAP appropriation to \$50 million. Congress restored the cut, but could do little to counter his next move. As part of a general budgetary retrenchment, Johnson imposed on FAA a \$71 million deferment in obligational authority. This forced FAA to delay the announcement of its FAAP grants for months.

The effect of the delay, according to Thomas Burnard of the Airport Operators Council, was that "we will lose a whole construction season."

General McKee did his best to keep up appearances in public.

Confronted with the facts in his own airport plan, he argued before a congressional committee that it was never the intent of FAAP to meet all of the nation's airport development needs. "After all," he declared, "we think that the primary responsibility for the building of airports and their improvement should rest with the State and local governments" FAAP's primary purpose, he pointed out, was to serve as an incentive to local communities to modernize their facilities. The \$75 million authorization level served this function adequately.

McKee was not nearly so sanguine in private or when dealing with administration officials. He recognized an airport-airway crisis was emerging and he minced no words in conveying this message to the Bureau of the Budget and the White House. "We fought, bled and died for every nickel . . . ," he later said of his dealings with the Budget Bureau. When first confronted with the deferment in obligational authority, he let Budget Director Charles L. Schultze know that the "reductions in program levels in the magnitude set forth in your letter would involve paring back safety and air traffic services to a dangerous degree." Later, he wrote in a letter to Johnson: "Mr. President, the growth of aviation is so rapid that it threatens to overwhelm the ability of the Agency to keep up. I cannot, therefore, out of obligation to you and the public concur with the reductions proposed by the Director of the Bureau of the Budget"

McKee knew, of course, that going to the mat with the Budget Director was no more than a holding action. Given the President's determination to hold the line on taxes and inflation, prosecute the war, and go forward with new social programs, he could not hope to win in the long run--at least not so long as he made demands for more money out of the general revenues of the Treasury. Obviously, fresh approaches were needed to deal both with airport development as well as with other major spending programs.

"The problem of airport congestion is real and tough," wrote White House staffer Lawrence E. Levinson to Presidential assistant Joseph A. Califano, Jr., in September 1966. "It cries out for a solution. To help, McKee is pushing hard for an outside commission to develop recommendations and 'follow-on' proposals for a national airport policy." Though sympathizing with McKee, Levinson nevertheless recommended that an airport-policy study be postponed until the new Department of Transportation was in place early the following spring.

Two months later, in November, Charles S. Murphy, Chairman of the CAB, revived the idea in a memorandum to Califano. Airport development, Murphy said, "is of such great importance in its effect upon our operations [that] I urge that the President make it a major item in his legislative program" Airports, Murphy continued, were the "greatest problem" facing air transportation. In his judgment "the greatest danger" of a breakdown in air transportation lay in the prospect of an inadequate airport system. What was required was a drastically new approach to

airport financing--an approach that "will not only make new resources available for airport development, but also greatly improve the comprehensive planning for the development of airports as an integrated part of a national and international air transportation system."

This time Johnson decided not to wait for the establishment of the Department of Transportation. Within three days of Murphy's memo to Califano, on November 17, 1966, the President approved the formation of a task force, chaired jointly by Murphy and Alan S. Boyd, the Under Secretary of Commerce for Transportation, to look for new approaches to financing airport development. Eleven additional task force members were chosen, including General McKee and representatives from industry and aviation associations.* The task force began its work in March 1967 and submitted its proposals to the President in May.

FAA staff studies on the needs of the airport system, the kinds of programs that were feasible, and how the cost of paying for airport improvements was to be allocated formed the basis of discussions in the early meetings. The FAA staff reports isolated three classes of airports requiring attention: the large hub airports facing severe congestion problems; smaller airports serviced by air carriers and in need of major improvements to accommodate a changeover to jets; reliever

*In addition to Boyd, Murphy, and McKee, the task force included Joseph P. Adams of the Association of Local Transport Airlines, William E. Downes, Jr., of the Illinois Department of Aviation, Francis T. Fox of the Los Angeles Department of Airports, Robert P. Graham of the First National City Bank of New York, Charles M. Haar of HUD, Karl G. Haar, Jr., of the Aerospace Industries Association, J. B. Hartranft, Jr., of AOPA, A. B. McMullen of the National Association of State Aviation Officials, Charles Ruby of ALPA, and Stuart Tipton of ATA.

airports to draw general aviation users away from the hub terminals. Each presented its own special problem in terms of financing. The hub airports could generate revenues to finance needed improvements, but local authorities were often frustrated by municipal, county, or state laws that prevented them from extending their level of indebtedness in the bond market. Local politics often blocked the development of new hub airports because of fears of noise and pollution and the intense competition for land use in the big cities. The FAA studies proposed a Federal loan and loan-guarantee program to meet the financial needs of this category. In cases where local disputes created a roadblock to progress, they proposed that the Federal Government be permitted to step in and build and operate the needed facilities.

Smaller air carrier airports often lacked the financial capacity to pay for necessary improvements to accommodate the changeover to jets. FAA felt that they might also benefit by a Federal loan program if it was flexible enough in recognizing varying abilities to pay back the loans. But reliever airports and airports serving air carriers subsidized by the CAB would have to rely on the traditional means of support, the Federal-aid airport program, which would have to be expanded.

To handle the new loan program, FAA proposed a Federal Airport Corporation headed by the Secretary of Transportation and a board of directors. To finance the expanded grant program, FAA proposed the enactment of user taxes that would be earmarked in a trust fund.

Among the groups represented on the task force, the Air Transport Association took the position closest to that initially presented by

paying for airport development on the user would tax the general aviation flier out of the skies. Its opposition helped kill the user tax proposal. AOPA did advocate, however, an expanded Federal grant program, with a greater share of the money being channeled into general aviation airports.

The final version of the task force report recommended to the President

- * That legislation be proposed to establish a Federal Airport Corporation within the Department of Transportation with the authority to (1) make loans for airport development; (2) guarantee private loans for airport development; (3) construct, operate, and maintain airports where necessary or desirable to meet the needs of air commerce. The corporation would be managed by a board of directors whose actions would be subject to the approval of the Secretary of Transportation.
- * That an initial appropriation of \$500 million be sought for the loan program.
- * That FAAP be extended for a five-year period and, by implication, that its annual authorization be raised above the current \$75 million level.
- * That the Secretary of Transportation undertake a study looking to ways of improving airport planning.

The task force report did not receive a good reception at the White House. One can only speculate precisely what Johnson expected to achieve by appointing the task force in the first place or what kind of program he expected the group to recommend; it is clear, however, that the President was not about to accept a program that made additional,

immediate demands on the general revenue resources of the Treasury.

Among the President's close advisors, Charles Schultze found the report most objectionable. In dissecting the report for the President, Schultze admitted that the rapid growth in air travel required a major expansion of airport facilities—facilities that local communities would be unable to finance without some Federal assistance. The report, however, raised a number of questions that should be resolved before adopting its recommendations, the Budget Director said. The basic question, Schultze argued, was "the extent to which the highly successful aviation industry—primarily serving middle and upper income groups—should pay for the airport costs of the next decade." Commercial aviation, according to Schultze, was now a healthy, mature industry that "should be in an increasingly strong position to finance some of its airport facility requirements." As for general aviation, its needs "seem to be predicated on the premise that the Government should underwrite the cost of allowing all private pilots to fly anywhere, at any time." Private and business aircraft, Schultze wrote, paid little of the air navigation and airport costs they created; each business aircraft, for example, required about \$5,000 a year in Federal subsidy. A new look at the Federal interest in promoting general aviation was needed, Schultze informed the President. And any new program "should require that these aircraft pay their own way."

Schultze also had problems with the financing arrangements recommended by the task force, arrangements which he believed were contrary to Treasury Department policies. In any event, "a more efficient financing scheme can be devised." He also attacked the provision permitting the Federal Government to construct and operate airports as a "completely

unnecessary intrusion of the Federal Government into areas of local responsibility." The report's biggest weakness, according to Schultze, was its failure to lay down "a sensible policy for aviation to pay its own way" through user taxes. A more explicit consideration of user taxes was needed; with that, he recommended--and the President accepted--that the Bureau of the Budget be assigned the job of exploring the user tax question and developing "a legislative program for possible submission to the next session of Congress." For all practical purposes, Johnson had shelved the report.

User Taxes and the Johnson Legislative Proposal

There the situation remained until July 19, 1967, when a Piedmont Airlines Boeing 727 and a Cessna 310 collided in midair over Hendersonville, N.C., killing all 82 people aboard the two aircraft, including Secretary of the Navy-Designate John T. McNaughton. This collision, following closely on the heels of a midair disaster over Urbana, Ohio, in March, which took the lives of 26 people, prompted the House Committee on Interstate and Foreign Commerce, headed by Representative Harley O. Staggers (D-W.Va.), to schedule hearings on the status of aviation safety. Though conditions at the nation's airports in no way contributed to these disasters, the hearings inevitably probed the interrelationship between the airport system and the ATC system and its impact on safety. The exploration of this question by this committee and shortly thereafter by a Senate committee headed by Mike Monroney revealed publicly for the first time the schism within the administration over airport policy.

The policy rift, though in large part determined by the budgetary squeeze, was also based on differing views of the airport. General McKee stated the case of FAA and others who believed a link existed between the airport and aviation safety when he told the Staggers committee: "I think we have to recognize . . . that the airport is a part of the air traffic control system, just as radar, communications, and all the rest of it. We can't divorce the airport from this problem. I think in the whole air traffic control system, the major bottleneck is the airport."

McKee's linking the airport question with safety and the ATC system was not what the administration wanted to hear. The administration had been maintaining all along that the airport question was unrelated to safety. Joseph Califano began worrying about the task force report being in deep freeze. "My concern," Califano told the President, "is that the press may play this up and make people think that the White House is suppressing a document dealing with air safety (a crucial issue after the McNaughton crash) even though the report deals not with safety but with . . . expanding airport terminals"

The Monroney hearings, held a month later, gave the administration more pause. Once again McKee stated his position, though less forcefully, that a portion of the airport was part of the air traffic control system. After emphasizing the inadequacy of FAAP in meeting pressing airport needs and stressing "the lack of unified planning," he seemed to go out of his way to make what must have appeared to some committee members as an elementary distinction. Airports should be separated into two different problems, he said, One was the problem of the

terminals, the access roads, parking areas, and other matters that have nothing to do with flying safety. The responsibility for these matters rested with the local communities. The other problem had to do with runways, taxiways, navigation aids, and other aspects of airport operations that were part of the air traffic control system and, therefore, a Federal responsibility. Though McKee went on to assure everyone that congestion had not created unsafe conditions, because FAA would not permit any aircraft to operate out of unsafe airports, the implication of his remarks was clear: failing to expand the nation's airport system would adversely affect air safety as much as efficiency.

Alan Boyd, now the Secretary of Transportation, had led off the administration's testimony and readily admitted the inadequacy of FAAP and the need for doing something. But he told the subcommittee that expanding FAAP was not a realistic possibility--indeed, it was not even an appropriate solution. "Airport development is only one of many pressing national problems which require expenditure of large amounts of money," he said. "Important as it is, however, it is simply not the top priority program at either the Federal, State, or local level." His solution was for the users--the passengers, the shippers, and the aircraft operators--to begin assuming "a much greater share" of airport construction costs. He stopped short, however, of proposing a plan of action.

It fell to Charles Murphy, who, as head of an agency with quasi-legislative powers, was freer to depart from the administration's policy line than McKee or Boyd, to make the most ringing statement for Federal action. Airport inadequacy, he said, was already acting as a constraint

on air transport growth in some cities. And airports would become even more inadequate if something was not done. He did not believe, however, that a solution would be found "until the Federal Government accepts the primary responsibility for getting the job done." Airports were more than a local problem or a series of local problems. Airports--and he included terminals and access roads--had to be considered as an integral part of the nation's air transport system and developed on the basis of comprehensive systems planning. The total requirements of a transportation service had to be kept in view, not just the needs of any one location. Only the Federal Government was in a position to do this. As for other matters, he, too, favored increased user taxes.

The administration was being forced to face up to the airport-airway problem, by McKee (who now demanded a \$135 million supplemental appropriation and some 2,900 new controller positions), Murphy, and aviation proponents on the Hill--by these people and out of fear that another midair collision would have grave political consequences. Two days before the Monroney hearings, Boyd had issued a warning to the President: "It is clear . . . that another major aircraft accident this year, particularly a mid-air collision, will cause the roof to fall in on you, McKee, and me." And though Boyd expressed the opinion that more money now would "not prevent another accident this year," the White House was getting the message.

While the White House was contemplating these developments, the news of McKee's plea for more funds leaked to the press. On September 18, the New York Times carried a front page article linking the request to safety in the air. "If a denial of the request were to be followed by

a major accident . . . , the safety issue could be catapulted into a political controversy," the article said after relating previous unsuccessful efforts by FAA to bolster its budget.

Schultze, suspecting that someone in FAA had planted the story, was incensed. "By arguing his case on safety grounds," Schultze told Johnson, "McKee is trying to 'put the monkey' on your back, Boyd's and mine." Schultze argued that McKee could maintain safety with the funds he had "by instituting appropriate flight rules and regulations." These rules might cause additional delays in air travel, but they would keep the airways safe. "Since we are in a real budget squeeze," the Budget Director argued, "aviation must take its lumps along with space, education and all the rest—even if this means greater delays."

But Schultze was forced to temper his cold financial logic with the political risk of doing nothing. He therefore recommended to the President that McKee be given a token increase in spending authority and that Boyd be put to work once again in developing a plan to finance airway development through user taxes. Thus, on September 20, 1967, Johnson wrote Alan Boyd that "it is apparent that the rapid growth of commercial and private flying is creating demands for substantial expansion and improvement in the Nation's air traffic control system." It was also apparent that the people who would benefit most from improvements would be the users--the aviation industry and the flying public. These people, therefore, "should pay their fair share of the costs of the system needed to handle the increase in air traffic" He asked Boyd for two things: (1) a long-range plan setting forth what facilities, equipment, and personnel would be required to meet aviation's

needs; (2) a proposal for financing the needed improvements through a system of user taxes.

The proposition that the burden of developing and maintaining the nation's airport and airway system should be transferred from the general taxpayer to the specific users and beneficiaries of these systems was, by 1967, an old theme, having been the subject of discussion between the Congress, the Executive, and the aviation industry at least since 1945. In February of that year, members of the House Appropriations Committee, noticing the steady rise in the cost of maintaining the airways, raised the possibility of the CAA charging for the services it rendered. Senator Kenneth McKellar (D-Tenn.) took a personal interest in the question and prompted the CAA into undertaking a user charge study.

The CAA report, entitled "Charging for Federal Airways Services," was submitted to Congress in January 1947. It explored a variety of revenue collecting devices including an aviation gasoline tax (in addition to the 1.5-cent tax already collected on all gasoline), an aircraft registration tax, a gross revenue tax, a tax on revenue miles flown, and a transportation tax; it also assessed the impact that the imposition of these taxes would have on air transportation. Though the report stopped short of recommending a precise taxing method, it did caution that the Federal Government would do well to withhold imposing user taxes during aviation's developmental period.

A month later, in testifying before the House Appropriations Committee, Assistant Secretary of Commerce William A. Burden, while agreeing that the

Federal Government should ultimately recover from all civilian airway users their proportional share of the annual cost of the system, told the committee that "it is obvious that the aviation industry is in no position to assume any further costs and is unlikely to be in such a position for some time to come." President Truman, in his fiscal 1948 budget message, also paid lip service to the user-charge concept. "As the rapid growth of aviation continues," he told Congress, "I believe it is unwise to place the entire burden of expanding, improving, and maintaining the airways upon the general taxpayer. Instead, civil aviation should bear a reasonable share." But in the absence of specific executive branch proposals, and with both the CAA and the CAB recommending caution lest aviation growth be stifled, Congress did not act during the 1940's.

Congressional interest in user charges or taxes to defray the cost of aviation facilities and a broad spectrum of other Federal services continued into the 1950's. Title V of the Independent Offices Appropriations Act for fiscal 1952 gave a clear indication that Congress wanted user charges for Federal services to be imposed wherever feasible:

It is the sense of the Congress that any work, service, publication, report, document . . . , permit, certificate, registration, or similar thing of value . . . performed, furnished, provided, granted, prepared, or issued by any Federal agency . . . to any person . . . shall be self-sustaining to the full extent possible, and the head of each Federal agency is authorized by regulation . . . to prescribe therefor such fee, charge, or price, if any, as he shall determine . . . and any amount so determined . . . shall be collected and paid into the Treasury

The act seemed to give every Federal agency broad authority to impose a system of administrative user charges. But the CAA, viewing

the imposition of direct administrative charges contemplated by Title V as a complex and cumbersome procedure and favoring a simpler, less direct method of recouping costs, failed to act; it would be preferable, the agency maintained, "for the Congress to give specific and detailed consideration to the problem and to fix the appropriate charges."

Moreover, the CAA held, congressional action would give "the affected user groups . . . an opportunity to present their views . . . on all phases of the proposed program." Thus, matters appeared stalemated, giving rise to increasing impatience and frustration on Capitol Hill--an attitude reflected in the report of the House Appropriations Committee on the Department of Commerce fiscal 1954 budget;

This committee has year after year called attention to the fact that the Federal Government is providing huge sums for airway facilities and operations without reimbursement from the aviation industry. The committee does not propose to continue indefinitely making recommendations for such large appropriations unless some system of airway user charges is placed in effect which will return a substantial sum to the Federal Treasury. Action and not mere promises is what is needed and expected.

In 1953, the CAA again undertook a study of the question. This time the agency was not so cautious in recommending action. It found that "the great bulk of the airway users have progressed to the point where they no longer require the free provision of airways services." The report did recommend, however, that the first phase of any user charge or tax program "provide for less than full cost recovery, in order that domestic civil aviation may assume these additional costs with a minimum degree of difficulty and without seriously hampering its future growth." It also recommended that international aviation be entirely exempted from the first phase of the tax program.

These recommendations could readily be accepted by nearly everyone interested in the question--the Executive, the Congress, and most segments of the aviation industry. It was the report's proposed tax program that posed problems. Dismissing a system of direct charges because the operational and administrative problems inherent in such a system "appear to preclude their serious consideration for the federal airways system," the report strongly supported a system of indirect charges based on an aviation fuel tax. The chief merit of this system was its equity and administrative simplicity. "The amount of fuel consumed by an aircraft is proportionate to its weight, power and distance traveled," the report stated. Thus, the amount of gasoline consumed "would measure both the use made of [airway] facilities and the benefits derived from them." The machinery for collecting this tax, moreover, was in place, since gasoline taxes were already being collected at the refinery level. A gasoline tax had other things to recommend it: it was the type of charge to which users had become accustomed. Furthermore, it was a pay-as-you-go system and would impose no recordkeeping burdens on the users.

The problem with this recommendation is that it ran completely counter to the fiscal policy of the Treasury Department. User charges, according to Treasury, "related to a specific service rendered by a governmental agency to persons or groups who can readily be identified"--in other words, user charges were direct, not indirect, charges. They were, moreover, in Treasury's view, "outside the field of taxation." While Treasury favored the imposition of user charges wherever practicable, it did not favor "the use of the Federal tax system to collect revenues

which shall be labeled 'user charges.'" Thus, in Treasury's view, gasoline taxes were excises, not user charges.

The Federal gasoline tax had been introduced in 1932 as part of an emergency omnibus tax measure, containing many new excises, to raise some badly needed revenue for a Depression-depleted Federal treasury. Originally set at 1 cent per gallon, it was raised to 1.5 cents (in 1941) and then to 2 cents (in 1951), where it stood at the time of the CAA report. There were other transportation taxes. Excises of one form or another were levied on tires, lubricating oils, trucks, buses, and new automobiles. A transportation tax was also levied on users of public transportation--tacked on to every ticket purchased by a bus, rail, boat, or air passenger. When first imposed by Congress in 1941, the tax charge amounted to 5 percent of the price of the ticket; it was raised to 10 percent in 1942 and, as a wartime measure, to 15 percent in 1944, where it remained for 10 years before being cut back to 10 percent.

Annual receipts from these taxes regularly exceeded the total annual expenditures by highway and airway programs.* Thus, while it had not been Congress's intent when it first levied these excises to raise funds for highway and airway development, the highway and aviation industries soon began to link them, particularly the gasoline tax, with the level of Federal aid going to their industries. Treasury, of course, refused to entertain any suggestion that these excises constituted user charges.

On the state level there was a true linkage between state gasoline taxes and funds going to highway development. In 1953, 44 states and the District of Columbia earmarked revenues collected from motor-fuel taxes and motor-vehicle fees for highway purposes. State highway officials favored this approach because it assured them a predictable source of income on which they could plan their programs.

*The revenues generated by the excises on gasoline and lubricating oil were more than enough to cover the highway program and the entire CAA budget. In the 10-year period 1946-55, the Bureau of Public Roads distributed some \$4.35 billion in Federal matching funds to the several states; at the same time, Congress appropriated to the CAA some \$1.25 billion. This came to a grand total of \$5.6 billion for Federal highway and aviation programs. During the same period, the Internal Revenue Service collected \$7.1 billion in revenues from gas and lubricating oil taxes.

The success of this approach on the state level prompted the American Association of State Highway Officials, in December 1952, to request Congress to appropriate to the Federal-aid highway program the full amount yielded by the Federal excise on gasoline. In a sense, these officials were asking Congress to earmark these revenues for one purpose and one purpose only—highway development. Again, this ran counter to Treasury policy. "The earmarking of revenues for specific purposes . . . represents a discredited fiscal practice," the Treasury held. What disturbed the Treasury about earmarking the gasoline excise tax was the loss of more than \$700 million annually in general revenues—with a resultant loss in fiscal flexibility. Not to be outdone, in 1953, the Air Transport Association advanced the proposition that, since Federal and state gasoline taxes paid by motor-vehicle users were publicly regarded as charges to users to defray the costs of highway programs, the tax on aviation gasoline was also a user charge and should be considered as an "offset" to the cost of airway development and maintenance. The Treasury's position on user charges and earmarking, under increasing attack by the transportation industry, was slowly but surely being undermined.

The big policy change came in 1956, when Congress passed the Federal-Aid Highway and Revenue Acts. In these measures, Congress not only recognized the tax on gasoline and a variety of other highway-related excises as user charges, but earmarked the revenues generated by them for highway purposes. Specifically, these revenues

would go into a newly created Highway Trust Fund. Federal-aid highway programs would be financed solely by revenues in this fund. The Highway Revenue Act, incidentally, increased the tax on gasoline to 3 cents (it would be raised to 4 cents in 1959); moreover, the entire revenue raised by the tax, whether from motor-vehicle or aviation gasoline,* went into the highway fund, which, if nothing else, served as a reminder that aviation's user-charge question still remained to be resolved. But the ultimate resolution, though still some time off, would be profoundly influenced by the example set by the Federal-Aid Highway and Revenue Acts of 1956.

In 1957, Edward P. Curtis, who had been asked by Eisenhower to assess the nation's aviation facility needs, gave renewed endorsement to the principle that the users of aviation facilities should bear a reasonable portion of their cost. As a first step in applying this principle, Curtis advocated the prompt enactment of legislation giving "official recognition to the existing 2¢ tax on aviation gasoline and other excise taxes as a user charge." Curtis also urged that consideration be given to an "orderly increase" of the existing "user charge" on aviation gasoline. Curtis was saying, in effect, that the same principles that had been applied to the highway industry should be applied to aviation; that the aviation user was already paying a user tax; and, in order to bring the costs borne by the user closer to the true cost of maintaining aviation facilities, this tax should be increased.

* Jet fuel was not taxed and would not be taxed for some years to come.

Later in 1957, the Bureau of the Budget, following a joint inter-departmental review of the overall user charge problem, issued BOB Bulletin 58-3, which, among other things, directed Federal agencies to prepare legislative proposals for user charges in all areas where a Federal service provided special benefits to individuals or groups. The upshot was a recommendation by Eisenhower in his 1958, 1959, and 1960 fiscal year budgets to levy a tax on all aviation fuels (including jet fuel). Congress, however, failed to act on the proposal.

The Kennedy administration came into office seemingly determined to resolve the issue of aviation user charges. It did believe, however, that the tax of 4.5 cents a gallon proposed by Eisenhower would probably work an immediate hardship on air carriers. An FAA study of the question and high level meetings between FAA Administrator Halaby, CAB Chairman Alan Boyd, and Treasury and Budget Bureau officials produced a simple three-point program, which Kennedy submitted to Congress in a special tax message on April 20, 1961. Kennedy recommended--

- * That the existing net 2-cent rate on aviation gasoline be extended to jet fuels, through fiscal 1962.
- * That beginning with fiscal 1963 this rate be increased by an annual increment of 1/2 cent, "until the portion of the cost of the airways properly allocable to civil aviation is substantially recovered by this tax."
- * That revenues from aviation fuel taxes be retained in the general fund rather than diverted to the Highway Trust Fund.

The proposal got nowhere, and Kennedy was back again, in his fiscal 1963 budget message, with another user-tax proposal. This time he asked for (1) the repeal of the 10 percent transportation tax; (2) enactment of a 5 percent tax on airline tickets and airfreight waybills; (3) a 2-cent-a-gallon tax on all fuels used in commercial aviation; (4) a 3-cent-a-gallon tax on all fuels used in general aviation. This time Congress adopted part of his proposal; it enacted a temporary 5 percent tax on airline tickets, effective November 15, 1962. Subsequent efforts by the Johnson administration to dislodge the aviation fuel tax proposal out of the House Ways and Means Committee proved unavailing; the administration's task was made more difficult by attacks on the fuel tax by the general aviation community, which were expected, and by the ATA, which were unexpected. After favoring the fuel tax as an equitable measure, the ATA suddenly changed its position; it now held that the airlines were already contributing their fare share of costs through existing excises, particularly the 5 percent ticket tax.

Meanwhile, the administration began to explore other ways of recovering the cost of financing the airways. In March 1964, the General Accounting Office revived the issue of administrative user charges by citing FAA for its failure to follow prescribed Federal policies in assessing user charges to recover the cost of issuing aircraft, aircraft-component, and other certificates. Halaby, in reacting to the GAO charge, told Kermit Gordon that "the important action to be taken for the recovery of a portion of the costs of the Agency's activities was the enactment of proposed aviation fuel tax legislation" To impose administrative charges on certification activities, Halaby held, "would jeopardize the passage of fuel tax legislation."

Alan Dean, the FAA Associate Administrator for Administration, correctly discerned that FAA would not be able to maintain this "dubious" position for long. The agency was clearly "in violation of the letter and spirit" of Title V of the 1952 Independent Offices Appropriations Act and BOB Circular A-25. "The GAO is obviously unconvinced by our position," Dean wrote, "and I am really surprised that the Bureau of the Budget has let us get away with it as long as it has." Dean counseled Halaby to move toward imposing administrative charges.

Later in the year, when the Bureau of the Budget asked all Federal agencies to plan program reforms that would release funds for Great Society programs, Halaby submitted a proposal, among others, "to develop and impose a charge on the recipients of various certificates issued by FAA" The level of the charges, Halaby said, "would be designed to recover the costs of Agency inspections and tests leading to the issuance of the certificate." Two notices of proposed rulemaking, establishing fees ranging from \$1.00 for a student pilot certificate to as much as \$244,000 for an aircraft type certificate were drawn up. But the issuance of the notices was deferred until Congress acted on a fiscal 1967 proposal by Johnson to establish a system of indirect charges (i.e., fuel taxes), which would yield \$280 million annually compared to \$4.7 million by the direct charges. When Johnson's proposal again failed to clear the House Ways and Means Committee, FAA finally issued the proposed rules, on April 18, 1967. The response was overwhelmingly against the proposals. More than 99 percent of the comments, coming largely from the general aviation community, expressed opposition. Meanwhile, the issue remained in abeyance, overtaken by Johnson's letter of September 20, 1967, to Alan Boyd.

The initial task of carrying out the charge in the President's letter was delegated to FAA. A task force headed by Oscar Bakke, the FAA Associate Administrator for Plans, was established to formulate a program. On the Office of the Secretary level, M. Cecil Mackey, the Assistant Secretary for Policy Development, had the ultimate responsibility for presenting a plan satisfactory to the Secretary and the White House.

By the turn of the year, the FAA task force had put together a lengthy and detailed blueprint for the future, which would soon become known informally as the Bakke plan. Bakke had interpreted his mandate broadly. Though the President's letter had made no mention of airports, Bakke had followed McKee's thinking and included them as part of the ATC system. Besides airports, the task force fixed its attention on three other major areas: airway facilities, research and development, and financing.

The expected increase in air traffic over the next 10 years, the task force report noted, would inevitably work to make the nation's navigable airspace a dwindling resource. It was necessary, therefore, to make the most efficient and practicable use of this resource. To do this, FAA must increasingly rely on technology—on en route and terminal automation, on flexible high precision navigation systems, on more reliable high-speed communication systems, on larger-capacity surveillance systems. To effectively prosecute programs in all of these areas, the task force estimated that FAA would require something of the order of \$255 million annually just for airway development (i.e., F & E capital expenditures).

The task force also saw the need for heightened R & D activity in order to maintain a sound technological base. It proposed raising FAA's research and development budget to the level of \$50 million per year (about double the fiscal 1958 appropriation) and keeping it there, or slightly above, over the next 10 years.

Turning to airports, the task force declared that these facilities were "the greatest limitation upon the capacity of the air traffic system" They were inadequate in number, deficient in design, and lacking in proper location. Over the next decade, the nation would require \$7 billion in Federal, state, and local funds for airport construction. FAAP funds were presently meeting only 20 percent of current demand. The task force proposed that FAAP be expanded from its present level of \$75 million to \$200 million annually.

Altogether, the task force estimated that FAA would require over the next five years:

- * \$1 billion for airway development (\$1.74 billion over the next 10).
- * \$245 million for R & D (\$575 million over the next 10).
- * \$1 billion for airports (\$2.25 billion over the next 10).
- * \$4.3 billion for operations and maintenance (\$9.6 billion over the next 10).

This came to a grand total of \$6.6 billion over the next five years and \$14 billion over the next 10. This contrasted with the \$3.6 billion FAA had received in the five years between fiscal 1964 and fiscal 1968 (\$2.8 billion for operations, \$282 million for F & E, \$366 million for FAAP, and \$173 million for R & D).

As to financing, the task force offered a refined version of the user tax proposals that had been tossed about by the Executive branch over the last five years. Approximately 25 percent of these requirements would be charged to Defense needs and come out of general revenues. The remaining 75 percent would eventually come from user taxes—but not in the near future. "The immediate assumption of the entire cost of these programs by civil aviation would have a deleterious impact on the industry and would require a system of user charges that appears prohibitive," the task force held. Full cost recovery was a long-term goal; as for the near term, the Government should seek a substantial increase in user-tax receipts, while making up the shortfall by dipping into the general fund.

Specifically, the task force proposed--

- * Increasing to 8 percent the existing 5 percent tax on air-passenger tickets.
- * Imposing a new tax of 8 percent on air-freight waybills.
- * Increasing the existing tax on general aviation gasoline from 2 cents (net)* to 7 cents per gallon and imposing a new tax of 7 cents per gallon on jet fuel used in general aviation.

The task force, as the above indicates, had gone along with the Air Transport Association's position that fuel taxes should not be assessed against air carriers.

Such avenues of revenue raising as passenger head taxes, aircraft registration fees, landing and parking fees, space rentals, and

*The tax on gasoline was 4 cents a gallon, but half was refunded to the aviation user.

concession charges were purposely avoided. For one thing, they had a local orientation. For another, the task force wanted to leave some form of taxation exclusively to state and local governments, which they could employ to finance their end of airport development. The task force proposed, however, that FAA be given the power to regulate local assessments and local operating restrictions on aircraft in order to insure reasonable uniformity throughout the national airport system.

Finally, the task force proposed that an aviation trust fund, modeled after the highway trust fund, be established. All revenues generated by the proposed user taxes would go into the fund, as would all FAA appropriations from the general fund. "All capital expenditures by the Federal Government for airway and airport facilities, the associated research and development, and all airway maintenance and operating costs would be handled through the trust fund . . . ," the report proposed. "Thus, the objective would be to make the trust fund the sole source of money for the Federal airport and airway programs."

Over the next five years, the proposed user-tax program would contribute approximately \$3.065 billion to the trust fund; the military would contribute \$1.1 billion via congressional appropriations. This left an additional \$2.395 billion allocable to civil aviation for Congress to appropriate from the general fund to meet the proposed 5-year, \$6.56 billion spending program. But with the expected growth in aviation (and with a possible raising of the tax rates after the first five years), the general fund share would gradually get smaller. The task force estimated that by 1978 user taxes would cover all costs,

both capital and operating, allocable to civil aviation. Hence, from that year forward, Congress would be required to pay into the trust fund only the costs allocable to Government and military aviation, and those costs allocable to international aviation, which would pay no user taxes.

The task force found much merit in the trust fund approach. It was impressed with how well the device worked for the Federal Highway Administration. In addition, the task force believed the trust fund would help win acceptance of the proposed tax program because it would assure the civil aviation community that revenues generated by the taxes would go into aviation facilities and services, not for nonaviation programs. Apart from this, the trust fund would provide a systematic way of revealing whether the airport and airway programs were operating on a break-even basis or requiring a Federal subsidy; it would provide needed flexibility to meet unforeseen requirements promptly; finally, it would permit more realistic long-range planning.

The Bakke plan got a mixed reception from Boyd and Mackey. They accepted the taxing proposals (with minor reservations); they accepted the airway development program (with two exceptions); they accepted the research and development program. But they wanted no part of the trust fund, and they rejected the proposed airports program.

That Boyd and Mackey found the idea of a trust fund unacceptable was understandable enough. One of Boyd's major problems as Secretary was forging a unified Department from a number of similar, yet disparate, elements, one of which, FAA, had previously existed as an independent agency. And he had less leverage to do this than most Cabinet officers.

The Department's elements were older than the Department itself. They had already built a political base, both in Congress and among the various interests in the transportation industry. Providing them with independent financial resources (like a trust fund) would scarcely make Boyd's task easier.

Of course, this was never a stated reason for opposing the trust fund (and, no doubt, it was not the only reason). Boyd argued, rather, that what FAA was proposing was a trust fund in name only since the fund would require appropriations from general revenues to be fed into it. Under these conditions, the concept of a trust fund was illusory. Moreover, he held, there was always the risk that Congress might take the position that FAA should make do with the user-tax revenues going into the fund. There was one more objection. Boyd expressed it this way: "When you set up a trust fund for airports, for highway, for water resources or whatever, you are saying no matter what happens to the Federal Government, no matter what happens to the budget, these funds mean that this has a higher priority than the national defense or anything else." This was the same argument made by the Treasury Department against the Highway Trust Fund more than a decade earlier.

Surprisingly, Schultze's successor as Budget Director, Charles Zwick, had no strong feelings about the matter. Indeed, it appeared to Mackey that he was more than willing to "accept program and expenditure commitments when matched by specifically identifiable revenue sources." This, to Mackey, was a way of building inequities and inefficiencies in the Federal structure. In any event, Zwick did not insist on a trust fund, and this permitted Boyd and Mackey to have their way.

FAA and OST were also poles apart on the question of airport aid. Mackey--and Boyd was probably likeminded--considered the Federal-aid airport program ineffective. The demographic-geographic distribution formula, he believed, promoted the misallocation of funds and prevented FAA from bringing the full force of the program's resources to bear on critical areas.

But what Mackey and Boyd had in mind was not to reform the airport-aid program, but, with minor exceptions, to abandon it. In place of FAA's proposed five-year, billion-dollar grant program, they proposed a \$10-million-a-year grant program that would go exclusively to local service air carrier airports serving airlines receiving CAB subsidies. In addition, they proposed a billion-dollar Federal loan and loan-guarantee program for air carrier airports that might have difficulty borrowing money for capital expenditures at reasonable rates.

General aviation airports would get nothing--no grants, no loans, no loan guarantees. "I know of no overriding interest which warrants Federal participation in Federal subsidy in airport development costs for general aviation," Mackey declared. "This is a useful but generally expensive form of private transportation which has reached a stage of maturity where it should be able to pay its own way . . . and its growth should be governed by this ability" Moreover, as the Secretary himself had stated it, "The Federal Government has a greater interest in promoting the efficiency of the common carrier system of air transportation than it does in promoting private air transportation and, where a choice must be made, the common carrier system will receive preference." The Department apparently felt it was time to make this choice.

But the common carrier did not come in for much assistance either. Mackey's reasoning was that the major airports at the large and medium transportation hubs had enough traffic to generate sufficient revenues--provided the traffic was appropriately taxed--to undertake their own improvement programs--with the help, when necessary, of Federal loans or loan guarantees. Hence, if money could be generated at the local level, why was it necessary for the Federal Government to raise and distribute airport development funds? Mackey asked.

The fact still remained that these airports, with all of these reputed resources at their disposal, were in deep trouble. The answer, according to Mackey, was that most airport operators were suffering from what he termed "the airport financing syndrome." "The hope of Federal assistance springs eternal," Mackey declared, "and dulls initiative while allowing a serious problem to increase in magnitude." He proposed to do away with initiative-dulling Federal programs.

There was an important philosophical question involved here. Where did Federal responsibility for civil aviation end and where did state and local responsibility begin? Mackey's philosophy was reminiscent of the philosophy underlying the Air Commerce Act, which held that airports were a state and local responsibility. FAA's philosophy, as expressed by General McKee and the Bakke task force, contended that runways and their associated navigational aids were indispensable to safe flight and, therefore, clearly within the scope of Federal activity. When General McKee expressed his concern on one occasion over the increasing inadequacy of the nation's airports, he warned that this inadequacy "could also become the biggest threat to air safety"

Secretary Boyd took a contrary view. "I don't think we ought to get safety mixed up with funding for airport development," he declared. But did Boyd really mean that Federal responsibility stopped with guaranteeing safe passage through the air? Boyd had to admit when pressed that there were safe and unsafe runways. But runways would be kept safe by requiring that they be built according to FAA specifications. He was proposing, in effect, that the Federal Government avoid paying the piper but reserve the right to call the tune.

Boyd and Mackey insisted, over the strong opposition of McKee, that their airport-airway program be submitted to the White House. When Mackey took the package to McKee for his review, McKee not only took the occasion to express his disagreement once more but to refer to "the rules of the game," by which he meant that he would support Boyd's decision as a "Departmental position" but if pressed by a congressional committee, he would have to admit that he "did not personally agree with the program" and that he would have to tell them precisely what he had recommended. At the same time, however, McKee urged the Department to submit its proposal to Congress quickly. And he counseled flexibility if Congress was unwilling to accept the DOT proposals precisely as presented.

There was a kind of desperation in McKee's threats and his counsel. FAA's fiscal 1969 budget request had been pruned severely by the Bureau of the Budget in line with the White House view that an expansion of the air traffic control system was contingent on the passage of acceptable user-tax legislation. Anticipating that passage, FAA had prepared a \$176 million amendment to its budget request. In early May, 1968, as the

DOT was putting the final touches on its airport-airway program, Johnson refused to send FAA's amendment to Capitol Hill until after the passage of some kind of user tax during the current session of Congress. McKee believed it imperative that FAA get that legislation.

The administration's package met with little enthusiasm when it was finally unveiled on May 20, 1968. In a speech the following day, Senator Monroney captured the reaction of many of his colleagues, as well as most of the aviation industry, when he compared the administration's airway tax proposal with "the daring of a David" and its airport plan with "the timidity of a mouse." Safety on the airways was meaningless if it was not accompanied by an equally safe airport from which to take off and land. Monroney was deeply discouraged by the administration's plan, which had no chance of passage. He believed the only kind of legislation that he could get through the Congress was one establishing a trust fund fed by increased user taxes. Even if such legislation was enacted over the administration's opposition, it would face an almost certain veto by Johnson. Faced with such a grim outlook and pressed by a tough reelection campaign in Oklahoma, Monroney considered postponing action until after the November elections.

Monroney's public expression of doubt about congressional action during the current session worried officials at the OST, not to mention FAA. Mackey urged Boyd to meet with Monroney and try to get him to schedule hearings so the administration could explain its program in detail. Demonstrating more flexibility than he had with FAA, Mackey concluded that "it is time we formulate a strategy and undertake the spade work necessary to whatever accomplishment may be

possible." This meant directing the administration's efforts at Congressman Wilbur Mills (D-Ark.), chairman of the House Ways and Means Committee, and Monroney. One means of lighting a fire under Monroney was to accede to his request for the assistance of Oscar Bakke to help him formulate alternative proposals to the administration's program--a request that had caused a great deal of alarm in the DOT. OST agreed to let Monroney have Bakke, but only after Monroney held hearings. In the meantime, it was important for the DOT to begin stating its case in public. McKee led off the campaign for the legislation with a speech at the Aero Club of Washington.

DOT's labors began to bear fruit almost immediately. A breakthrough developed when the ATA and the AOCI reached tentative agreement on a concept for financing airport development. Even though user groups and congressional aviation leaders were lining up in solid opposition to the Johnson program, the administration's plan forced these groups to form positions, with the result that they seemed to have more in common than was originally believed, though substantial differences still remained. Industry leaders began urging Monroney to hold hearings. Before too long Wilbur Mills himself began to show interest in the question. He expressed his belief to Monroney that Senate hearings on the airway and airport proposals were "worthy of exploration and study." If the Senate Aviation Subcommittee could submit a report outlining not only the need for legislation but a method of financing, Mills said, it "could well facilitate our own work." Monroney bowed to this pressure and scheduled hearings.

Monroney used the administration proposal for target practice during the hearings. Even before opening the public sessions, he

admitted to reporters that his subcommittee would write its own bill, which would be in line with industry and congressional views. On June 18, Boyd laid out the administration's case. Needless to say, his presentation met with a cold reception. "They ask for bread and they get a stone," Monroney observed of Boyd's airports program. "This does practically nothing to meet the evergrowing crisis which is severe in the extreme in dozens of places." What especially concerned Monroney about the aid cutoff was its impact on safety. With 75 to 80 percent of the real danger of accidents occurring at or around airports, to neglect airports was to neglect aviation safety. Boyd protested to no avail. To the subcommittee members, pouring concrete for runways was as important to safety as building ATC towers and installing radar. Industry witnesses during their testimony continued the attack on the administration plan. The AOPA was so angered by what they considered a virulent anti-general-aviation bias among the leadership of DOT that it recommended reestablishing FAA as an independent agency. If it had not been clear at the beginning of the aviation subcommittee hearings that the DOT plan had no chance of enactment, it was perfectly obvious afterwards.

OST tried to regroup. It was apparent to Mackey that Monroney's subcommittee would report out an airways and airport bill that would include some form of trust-fund financing. "It seems desirable," Mackey suggested to Boyd, "for us to formulate the conditions which we should fight for as part of any trust fund arrangement" The administration might be willing to accept a compromise if separate airway and airport trust funds were created; if each fund or each share

of a single fund was fully funded by user taxes; if the airport trust fund was used to finance a grant rather than a debt-service program; if, as a condition for receiving grants, air carrier and general aviation operators established a reasonable local fee schedule agreeable to the Federal Government; if the Secretary of Transportation was given broad discretion for allocating grant funds, with no apportionment by geography or population.

A compromise along the lines suggested by Mackey was not to be. Monroney, with an eye to what he thought could pass during the current legislative session, insisted upon a bill fundamentally at odds with the administration's position. When his subcommittee issued its report on July 1, 1968, it recommended a measure that was largely based on the Bakke plan. This, of course, was not surprising since Bakke had worked closely with the subcommittee during the drafting process. The bill contained provisions for a single trust fund for airports and airways, fed by an 8 percent passenger tax, a 5 percent cargo tax, and a 7-cents-a-gallon tax on gasoline and jet fuel used in noncommercial aviation.

The subcommittee estimated that this tax program would bring in revenues of \$2.9 billion over the next five years. These revenues would go into the trust fund and would be earmarked in the following manner: (1) \$250 million annually for airway development; (2) \$150 million annually for airport construction. FAAP would be extended for another five years and would function as before, except that it would have twice the money. A billion-dollar Federal loan program for terminal area development at publicly owned airports was also recommended. In explaining the difference in approach between runway and terminal improvements, the subcommittee declared: "The Federal-aid airport program

for airfield development has national aviation safety objectives which are not present in terminal area . . . programs." This amounted to a flat rejection of the administration's thesis that the entire airport was a state and local responsibility.

The Monroney bill would not have generated enough funds to pay for the entire cost of developing and maintaining the airport-airway systems; by the subcommittee's own accounting, Congress would have to appropriate an additional \$1.8 billion from general revenues over the five-year period to FAA. Since the program was not self-supporting, the administration came down hard in opposition. This opposition, coupled with the fact that there was not sufficient agreement among the users over the proper allocation of costs, foiled Monroney's attempt to push the legislation through in the short time remaining before congressional adjournment.

Watching the last minute struggle over the bill, the new CAB Chairman, John H. Crooker, Jr., noted that the sight reminded him "of the Baptist and Methodist preachers standing at the side of a dying but unbaptized child, arguing about whether immersion is required or just sprinkling is enough." Crooker's analogy was not without merit, for as the Congress, the administration, and the industry talked in Washington, the long expected massive traffic jam struck the nation's airways during the 1968 summer tourist season.

On one day in July, a total of 1,927 aircraft in the vicinity of New York City were delayed either in taking off or landing--some for as long as three hours. From this large east-coast hub, congestion spread to other points. Once aircraft stacked up over New York's airports, other New York-bound aircraft were forced to sit on the

ground either at their points of origin or elsewhere, all the while using up ramps originally intended for incoming flights. Hence, stacks began to form at other airports. In at least one instance, a transcontinental flight was actually delayed on the ground in Los Angeles because of congestion at Kennedy International. At the root of the problem was the inability of the airports at these hubs to accommodate the traffic. They just did not have enough concrete.

McKee had had enough, with the White House, the Bureau of the Budget, and particularly the Department of Transportation. He resigned as FAA chief effective July 31, 1968. "I resigned . . . through massive frustration, trying to get something done over . . . that concrete wall [between me and] the Department of Transportation." Nearly 10 years after the event, McKee was still placing the blame for the legislative failure squarely on the Department's shoulders. "The Secretary's office really screwed it up!" he exclaimed. It had; but, in extenuation, it was operating under impossible constraints imposed by a President fighting a desperate but losing battle to keep a ballooning Federal budget under control.

The Airport and Airway Development and Revenue Acts of 1970

The immediate crisis on the airways was met by FAA imposing traffic quotas and other regulatory restraints. But the basic problem was still there. It was now up to the new Nixon administration to pick up the pieces left by its predecessor and formulate its own proposal for financing the expansion of the overloaded airport-airway systems.

The Nixon administration had been keeping a close watch on the airways situation. A group headed by Arthur F. Burns, who would be named Counsellor

to the President, had focused on this and other domestic problems during the Presidential transition period. On reading Burns's report, Nixon wrote his Secretary of Transportation, John A. Volpe, in late January 1969, that he was "particularly concerned with the crisis in air transportation that we are facing," and asked him to study and further develop "with all possible speed" recommendations on airport development and air traffic control.

Meanwhile, Acting FAA Administrator David D. Thomas, who would stay on as Deputy Administrator under John H. Shaffer, began pressing FAA's views on the new Secretary. On January 24, he wrote Volpe:

Secretary Boyd opposed the Senate Commerce Committee bill principally because it (1) provided for the establishment of a trust fund, (2) continued and expanded federal aid to airports and (3) would make up the difference between income and expenditure by direct appropriations for 'public benefit' purposes. In my view, these three features, although objectionable to the past Administration, are necessary to obtain a viable program.

Volpe himself, who as head of the Bureau of Public Roads in the Eisenhower administration, had been the first to administer the Highway Trust Fund and was therefore both familiar with and attuned to this kind of approach, showed early signs of favoring the prescription set forth in the Bakke plan. In an interview with Aviation Daily, the new Transportation Secretary expressed the belief that a trust fund was the best way to finance the needed system improvements and pledged that he would "fight as hard as I know how to get my viewpoint accepted by the President," even if it meant going over the head of the Bureau of the Budget. In addition, John Shaffer, during his confirmation hearings, declared that he would not only seek

enactment of some form of user-tax legislation, but that he had no philosophic objection to an aviation trust fund patterned after the Highway Trust Fund. FAA's position also appeared to be bolstered by the appointment of two men at OST with a wide experience in aviation matters--Secor D. Browne, a professor of air transport at the Massachusetts Institute of Technology, who was selected as Assistant Secretary for Research and Technology, and Paul W. Cherington, a professor at the Harvard School of Business Administration, who was named Assistant Secretary for Policy and International Affairs.

Volpe, hoping to get a user tax bill to Congress by March, missed his target by three months. The reason for the delay was that the trust fund idea ran into stiff opposition at the Bureau of the Budget and the Treasury Department. Budget officials objected to the plan because it would reduce the ability of the Executive to redirect funds for projects it deemed more important. Treasury officials objected because of the technical side-effects the plan would have on Treasury operations. Yet the pressure for some kind of administration measure was so strong that Budget and Treasury were forced to compromise. By May, they were willing to accept the creation of a designated account as an alternative to a trust fund. All aviation user receipts would be deposited in this account and used only for the purpose of airport and airway development, operation, and maintenance. The main difference between a trust fund and designated account, according to administration spokesmen, was the obligation imposed upon the Secretary of Transportation to invest that portion of the fund not required to meet current withdrawals. The trust fund, in effect, would earn interest while the designated

account would not.

The user tax plan proposed by the new administration, which Nixon submitted to Congress on June 1969, was similar to that proposed by the Bakke plan and the Monroney bill:

- * A tax of 8 percent on airline tickets for domestic flights.
- * A tax of \$3 on passenger tickets for international flights beginning in the United States.
- * A tax of 5 percent on air-freight waybills.
- * A tax of 9 cents a gallon on all fuels used by general aviation.

These revenues, plus appropriations from general funds, would be used to finance (1) a 10-year airway modernization program at an annual level of \$250 million, and (2) a 10-year airport-aid program of \$2.5 billion.

For those in FAA waiting for the funds envisioned by this proposal, the process of internal coordination must have seemed agonizingly slow. Nixon officials had decided to follow the strategy of the previous administration in holding up needed airway improvements until the passage of the user-tax legislation. The administration's bill barely met the deadline for hearings set by Senator Warren G. Magnuson, who took over the chairmanship of the Senate Aviation Subcommittee when Monroney failed in a reelection bid the previous fall.

Yet the delays, however disconcerting to FAA, were probably necessary to allow the administration to secure enough agreement among the various user groups to make the passage of some form of airport-airway bill possible. Such agreement had been lacking the year before, when Monroney had tried to force through his measure in the closing days of the 90th Congress. What little agreement there had been was

that of almost universal opposition to the administration proposal. This had not allowed for much progress. There had not been any great change by early 1969, even though most user groups had begun to suffer financially from the neglect of the system. Senator Jennings Randolph (D-W.Va.) described the split within aviation's ranks in a letter to Volpe in February 1969:

The various segments of aviation are divided in their positions on legislative programming--emphatic in their opposition to much that has been proposed and lacking in parallel thoughts on solutions. Congress is concerned, but too confused by these intra-industry differences to make legislative progress in this vital area So it is understandable that leaders of the committees--Commerce, Ways and Means, and Finance--seem unable to find a basis for anticipating anything fruitful from introduction of legislation and from early hearings. This is an unfortunate condition at a most inopportune time.

The delay caused by Budget Bureau and Treasury objections to the trust fund allowed the administration to sell the divergent aviation groups on a compromise program. Many aviation segments distrusted OST. This was especially true of AOPA and NBAA. General aviation feared that it was going to be severely taxed while at the same time restricted in where it could fly and land. It felt that its operations contributed substantially to the economy and that the general taxpayer should contribute to the expansion of general aviation flying. It resented and disputed the image of the rich Sunday flier who was being subsidized through lavish Federal programs. The air carriers also distrusted OST intentions. They feared that the money collected from the proposed user taxes might be diverted to

other transportation programs, like mass transit or rail. The carriers worried that once the principle of user taxes was firmly established, it might open up an expedient way of milking the industry.

As difficult as the job of selling a user-tax program was, OST and FAA officials had a number of factors that weighed in their favor. The biggest perhaps was the new people on the scene. Unlike Boyd and Mackey, Volpe, Cherington, Shaffer, and such Johnson administration holdovers as Thomas and Bakke did not arouse the ire of the industry; indeed, they were perceived as sympathetic to the needs of aviation. The new team, moreover, had a much more appealing program to sell—one that guaranteed that the user taxes would be spent only for the improvement of the airport and airways systems.. Although the compromise worked out with the Budget Bureau would not allow them to call their plan a trust fund, they were able to sell it as the same thing. In his testimony before the Senate Commerce Committee, Cherington assured the industry that "whether we call it a trust fund, or a designated pool, or designated pot, or something else, . . . I think we are trying to establish the principle of tying revenues and the objectives, and I believe that we will be largely successful in that effort." Perhaps the strongest argument in their arsenal was that unless the users were willing to accept a new tax program, the system would continue to deteriorate. Referring to general aviation leaders, but addressing others as well, Secretary Volpe expressed the opinion that they could oppose new taxes "as long as they want" but that if airway congestion got much worse "user charges will be miniscule in comparison" with the cost of delays.

By the time hearings opened on the airport-airways legislation, the various aviation interest groups had begun to agree grudgingly to the major elements of the administration plan. This is not to say that all of the important details had been settled. As it became clear that some form of legislation would be passed, each of the various groups began to exert pressures on Congress to obtain the best deal possible for itself. During the course of the hearings, conducted by the House and Senate Commerce Committees, the House Ways and Means Committee, and the Senate Finance Committee, four main areas of contention were hammered out.

The first and by far the most difficult issue to resolve was assigning equitable tax rates to different users. One facet of this problem was whether civilian users should be required to pay the full cost of the airways system. Both the air carriers and general aviation groups argued that the airways served the Defense Department as well as the general public. They felt that a portion of system costs should be allocated these "users" and be paid out of general tax revenues. While the Johnson administration had conceded the need to allocate a part of the costs to the military, it had narrowly defined that contribution and denied entirely the case for any general public benefit. It stressed the need to recover the full costs of the system from specifically defined users--air carriers, airline passengers, and general aviation fliers. Nixon officials proved more flexible on the question. While they still held to the principle of full cost recovery, they were less dogmatic. In the program that they submitted to Congress, they advocated a new DOT cost allocation study to be presented to Congress

within two years of the legislation's enactment. In the meantime, they argued, the point was moot because general tax revenues would be required to meet the substantial differences between funds collected from users and overall system costs. Outflanked by the administration's position, the users gave way.

That left the question of how the tax burden was to be distributed between air carriers and general aviation. The leadership of AOPA and NBAA argued that general aviation would be excessively taxed under the administration proposal for a 9-cent-a-gallon fuel tax. They disputed FAA's allocation formula, which measured their use of the airways and the ATC system. John P. Woods, testifying before the Senate Commerce Committee on behalf of the NBAA, spelled out general aviation's basic disagreement with the FAA view. "In general, the components of the system," Woods stated, "are oversized, overengineered and overpriced if our requirements were the only ones that had to be considered. The system is necessarily tailored to the critical need and use The problem is we can't afford it if we must pay for it on a straight-line-use basis and pay for facilities we neither need nor want but must use if they are installed."

General aviation resented the charge that it was paying only 20 percent of its fair share. A more equitable distribution of the tax load in their view would be to eliminate the airline passenger ticket tax and impose an across-the-board fuel tax. Since air carriers burned the lion's share of aviation fuel, they should pay the largest share. AOPA and NBAA officials disliked the idea of taxing the airline passengers directly through a ticket tax because they

thought the airlines would be getting a free ride. "Without a fuel tax," Joseph Hartranft told the House Commerce Committee, "the airline passenger and shipper would be making the entire airline contribution toward airways and airports, with the airlines paying nothing."

ATA president Stuart G. Tipton had quite a different view of the matter. He cited figures drawn from a 1966 FAA study on cost allocation to demonstrate his point that air carriers were contributing much more than their fair share through the ticket tax. He pointed an accusing finger at general aviation, which owned and operated 98 percent of the civil aircraft and did 82 percent of civilian flying. "It would be the height of inequity," Tipton remarked, "for the airline passenger to be required to absorb a portion of the cost of general aviation, since the vast majority of such passengers could not afford to own and operate an aircraft of their own." As for the question of passenger versus fuel taxes for commercial aviation, the air carriers thought that it was a spurious issue. Any taxes paid by the airlines would eventually be passed along to the ultimate user--the passenger or shipper. Collecting the carriers' share through ticket and cargo taxes was a more efficient means than seeking fare increases from the CAB in order to pass the fuel taxes along to the traveler or shipper. He noted that the administration supported this position. While the carriers admitted that they felt they were already paying more than their share, they supported the administration's plan for increased air carrier taxes to achieve the badly needed airways expansion and improvement program.

A compromise was worked out by the House Ways and Means Committee. Passenger ticket taxes and cargo taxes were accepted as the preferred

means to collect commercial aviation's contribution; but, as a concession to general aviation, an additional tax in the form of an annual registration fee for all aircraft was tacked on to the tax measure. It established the principle dear to the hearts of private fliers. "It appears appropriate," stated the Ways and Means report, "to impose some direct user charge on air carriers themselves in addition to the increased taxes on air passengers and air shippers, since air carriers presently are not paying a direct user tax with respect to the use of the aviation system. The aircraft registration fee is based on the premise that all aircraft should pay a basic fee as an entry fee to use the system." The fee would be determined according to the aircraft's weight and propulsion system. Thus, the heavy jets used by the carriers, which put a greater burden on the ATC systems, would be charged a higher tax per pound. To ease the burden of the new tax on general aviation, the committee also voted to lower the fuel tax from 9 to 7 cents per gallon.

An early issue that later trailed off into obscurity was whether to create a trust fund or a designated account. Despite frequent administration reassurances that a designated account would serve as well as a trust fund, congressional and industry leaders insisted on the label as well as the mechanism of a trust fund. In their view, only a mechanism like that established for highways could safeguard the integrity of the revenues generated by the proposed taxes. They would have nothing else. The administration was forced to yield.

One issue that remained in dispute all the way through the legislative process was whether or not Federal aid should be provided

for non-safety-related airport projects such as passenger terminals and parking lots. When the administration's bill was introduced in the House, Volpe pointed out that the need for Federal support for terminal area development had been "carefully considered." "On balance," Volpe testified, "we concluded that it would be inappropriate to expand Federal activity into this area at a time when we ought to be encouraging and developing State and local capabilities. Moreover, these types of facilities are usually good revenue producers and capable of being financed by revenue bonds." For those that were not, the Secretary recommended the imposition of local head taxes on airline passengers using the airport. The administration wanted to continue the policy established in an amendment to the Federal Airport Act, which excluded terminals from Federal aid.

Air carriers and airport operators took a dim view of any airport program that excluded terminals. J. Donald Reilly, representing AOCI, stated their view succinctly. "The problem of the 1970's at airports is more a people problem than an aircraft problem." The new jumbo jets threatened to overwhelm existing passenger and baggage facilities. Carrier and airport operators estimated the upcoming capital requirements for terminal facilities at the large airports would amount to 80 percent of the total airport costs. Neither felt that they could afford to meet these demands. During the past 10 years, airlines had been required to guarantee local revenue bonds issued for the improvement of airport facilities. This meant that they were signing long-term agreements to make good the total principal and interest payments on the revenue bonds. "There is now serious reason to question," Stuart Tipton

informed House members, "the ability of the airlines to underwrite any substantial part of the upcoming \$8.7 billion airport requirement, in the face of the industry's own \$18.7 billion flight equipment and airport ground facilities commitment, particularly when viewed against the airlines' serious economic problems." The airport operators agreed. They cited increased bond interest rates as a sign of the growing fears about the airlines' overindebtedness.

The ATA and the AOCI proposed as a substitute for the matching grant program a federally financed debt-service program to supplant that of the airlines. They argued that their plan would have a multiplier effect by making up to \$2 billion immediately available for airport projects through the use of local revenue bonds. With the Federal Government making annual principal and interest payments on these bonds, a big initial investment could be made now, when it was needed, rather than waiting for revenues to be gradually distributed in matching grants. By including terminals in the Federal program their plan would also eliminate what they considered erratic and unpopular local airport taxes.

Although the ATA-AOCI case was received sympathetically by a number of influential House members, the full Commerce Committee, along with Ways and Means, decided to accept the administration's position on airport and terminal financing. The full House followed suit and passed the bill 337 to 6. Nixon officials had effectively argued that the debt-service scheme was unwieldy, inflationary, and ultimately unnecessary. They had firmly stressed the traditional Federal role of protecting safety, while letting passenger

convenience be taken care of by local governments and the private sector.

The Senate tried to strike a balance between the two views. Senate aviation leaders eliminated the debt-service scheme from their version of the bill. They did permit Federal aid to the terminal part of the airport, but only for those facilities required by the passenger directly in connection with his journey. Excluded were areas used by restaurants, gift shops, ticket counters, parking lots, and hangars. The Senate's version passed by a unanimous vote.

It fell to the House-Senate conferees to resolve the dispute. Strongly supported by the administration, the House members, led by William L. Springer (R-Ill.), insisted on the elimination of terminal-area financing from the bill. Not wishing to endanger the entire airport-airway program, the Senate conferees finally agreed to the House position. Their plan was to attempt to amend the legislation once it had been passed into law. In return for their concession on the terminal question, Senate conferees were able to win House approval for a five-year (rather than a three-year) authorization program that committed approximately \$3 billion to airport-airway development. Senate conferees were also able to obtain House approval of a three-year advance contracting authority that would facilitate airport planning.

The conference report cleared its final congressional hurdle on May 13, 1970, and was signed into law by Nixon on May 21. Title II of the measure, the Airport and Airway Revenue Act, imposed the following levies on aviation users:

- * An 8-percent tax on domestic passenger fares.
- * A \$3 surcharge on passenger tickets for international flights originating in the United States.

- * A tax of 7 cents a gallon on both gasoline and jet fuel used by aircraft in noncommercial aviation.
- * A 5 percent tax on air-freight waybills.
- * An annual registration fee of \$25 on all civil aircraft, plus (1) in the case of piston-powered aircraft weighing more than 2,500 pounds, 2 cents a pound for each pound of maximum certificated takeoff weight, or (2) in the case of turbine-powered aircraft, 3.5 cents a pound for each pound of maximum certificated takeoff weight.

The revenues generated by these taxes would go into a newly established Airport and Airway Trust Fund. Also going into the trust fund would be such additional sums from the General Fund of the Treasury as the Congress might appropriate for (1) carrying out the provisions of the Airport and Airway Development Act; (2) planning, research and development, construction, or operations and maintenance of (a) air traffic control, (b) air navigation, (c) communications, and (d) supporting services; (3) expenses attributable to administering the activities outlined above. The initial \$50 million of such General Treasury funds, however, would be allocated to safety-related research and development activities.

If the Airport and Airway Revenue Act was patterned after the Highway Revenue Act, the Airport and Airway Development Act (Title I of the May 21 measure) was primarily influenced by the lessons learned from administering FAAP under the 25-year-old Federal Airport Act, which had now been allowed to lapse. As FAAP critics had consistently pointed out, the major shortcomings of this program were the inadequate resources available to it and the nature of the formula for distributing

those resources. The Airport and Airway Development Act, in establishing a new Airport Development Aid Program (ADAP), nearly quadrupled the funds available for airport development by authorizing the Secretary of Transportation to make airport-aid grants totaling not less than \$280 million a year over the next five years; the act also set down a distribution formula which, while still retaining to some degree the state area-population formula, was nevertheless much more flexible than that prescribed by the Federal Airport Act.

Of the \$280 million authorized annually for airport development, \$250 million in matching funds was required to be distributed in the following manner among airports serving air carriers certificated by the CAB and airports serving general aviation primarily to relieve congestion at airports serving other segments of aviation:

- * One-third as follows: (1) 97 percent of this third among the several states, one half in the ratio of each state's population to the total U.S. population, and one-half in the ratio of each state's area to the total areas of all the states; (2) 3 percent of this third among Hawaii, Puerto Rico, Guam, and the Virgin Islands, the first two jurisdictions receiving 35 percent shares each, and the last two 15 percent shares each.
 - * One-third among airports serving CAB certificated air carriers in the ratio of each such airport's passenger enplanements to the total number of passengers enplaned at all such airports.
 - * One-third at the discretion of the Secretary of Transportation.
- The remaining \$30 million would be apportioned by the Secretary as

follows for developing in the several states and Puerto Rico, Guam, and the Virgin Islands airports serving segments of aviation other than CAB-certificated air carriers:

- * Seventy-three and one-half percent among the several states, one-half of this in the ratio of each state's population to the total population of all the states, and one-half in the ratio of each state's area to the total area of all the states.
- * One and one-half percent for Hawaii, Puerto Rico, Guam, and the Virgin Islands in shares of 35 percent, 35 percent, 15 percent, and 15 percent respectively.
- * Twenty-five percent at the discretion of the Secretary.

In its provisions concerning planning, the new legislation reflected not only the experience gained under the Federal Airport Act but also the emergence of certain new planning factors. Experience under the Federal Airport Act led to the requirement in the new law for a National Airport System Plan (NASP) covering at least 10 years and revised only as necessary. Notable among factors explicitly mentioned for the Secretary's consideration, but not explicitly mentioned in relation to the old NAP, were, among others, (1) the relationship of each airport to the local transportation system, to forecasted technological developments in aeronautics, and to developments forecasted in other modes of intercity transportation; (2) factors affecting the quality of the natural environment.

The new legislation also provided for planning grants, again marking a significant difference between it and the old legislation. The new law authorized the Secretary to make grants of funds to planning agencies for airport system planning, and to public agencies for

airport master planning. At the same time, it authorized a total of \$75 million for such grants over the five-year period. Planning grants, however, could not exceed \$15 million in any one fiscal year; nor could any such grant exceed two-thirds of an airport project's cost.

No less than airport development, airway modernization would reap the benefits of the increased funding authorized by the new act. The act authorized not less than \$250 million a year for the next five years for acquiring, establishing, and improving air navigation facilities.

The act also provided that any excess of trust fund receipts over airport and airway development costs could be used for the necessary expenses of administering airport-airway programs and for (1) operating and maintaining airway facilities, (2) publishing aeronautical maps and charts necessary to the safe and efficient movement of aircraft, and (3) providing facilities and personnel for the regulation and protection of air traffic. In other words, any trust fund monies over and above the minimum annual capital investments of \$280 million for airports and \$250 million for airways set forth in the act could be used for operational expenses, except those associated with safety regulation, enforcement, and promotional activities.*

*For fiscal 1972, the Nixon administration submitted a budget request to Congress that proposed to obligate less than the minimum annual levels specified in the act for airport-airway capital investments. The Department of Transportation, in a move dictated by the newly formed Office of Management and Budget, proposed to use the difference between the revenues generated by user charges and the amounts requested for airport-airway development to help meet the operational needs of air navigation and air traffic control. The proposed use of the trust fund for noncapital expenditures was substantial. For example, the submission proposed to pay the salaries of all but 6,253 of FAA's 54,550 employees with trust fund monies generated by user taxes. Such use of trust fund money would have been in line with Congress's intent had the administration requested funds for airport and airway development at

Finally, the act charged the Secretary of Transportation with conducting a study on the appropriate method of allocating the cost of the airport-airway system among its users, including the cost that should appropriately be charged to the Federal Government for military and other Government use of the system and for any other benefit derived by the general public.

Thus, after years of protracted struggle and debate, FAA finally had a mechanism that provided it with a predictable and increasing source of income for airport and airway development, that permitted more effective long-range planning, and that assured that the tax revenues generated by aviation users would not be diverted to nonaviation uses. Indeed, in the ensuing years, as aviation activity grew, the user charges imposed by this legislation began generating funds faster than FAA could spend them. At the beginning of fiscal 1975, the trust fund had an unappropriated balance of \$917 million. In contrast to the lean years of the middle and the late 1960's, the agency now showed deep concern over a continued growth of uncommitted trust fund surpluses.

the minimum levels authorized by the act. The administration's requesting of less than the minimum was seen by Congress as an attempt to raid the trust fund for operational expenses. Angered, Congress acted in November 1971 to plug up any potential loopholes and, by way of venting its displeasure, give the Executive even less flexibility than it possessed before. Congress specified in the 1971 act that (1) no trust fund money could be appropriated to carry out any program or activity under the Federal Aviation Act other than "acquiring, establishing, and improving air navigation facilities"; (2) any excess of trust fund receipts over airport-airway capital investments could be applied toward the cost of administering the airport and airway development programs; (3) funds equal to the minimum amounts authorized for each fiscal year for airport and airway development must remain available in the trust fund until appropriated for airport-airway development.

Thus, while the Federal Airport Act had been characterized by a paucity of funding, the Airport and Airway Development and Revenue Acts had left FAA with an embarrassment of riches.

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