



September 12, 2011

Extension of FAA authorization

In a turn of events last Friday, House of Representatives Republican and Senate Democratic leaders announced an agreement to consider a “clean” (meaning free of changes in current policy or funding levels) four-month Federal Aviation Administration (FAA) reauthorization coupled with a clean six-month surface transportation extension. The current FAA authorization expires September 16 and the surface transportation bill expires September 30. As reported last Friday morning, House Transportation and Infrastructure Chairman John Mica (R-FL) was expected to introduce the 22nd FAA reauthorization extension later that day that would last until December 31, 2011, and include retroactive back pay for recently furloughed FAA employees. That bill was also expected to reduce the Airport Improvement Program authorization by five percent from the current FY 2011 level. Because this new measure is “clean”, it does not include the provision for back pay, nor does it decrease funding for AIP.

The House is scheduled to consider this measure tomorrow, September 13. For bill text, go to <http://tinyurl.com/3vlau39>.

American Jobs Act

President Obama delivered the legislative text of the American Jobs Act (AJA) to Congress this afternoon. Before a joint session of Congress last week, President Obama called for investing in airports and other infrastructure projects as part of a \$450 billion plan to stimulate the economy and create jobs.

The section-by-section analysis of the bill text that is of interest to GA airports is provided below. In sum, the measure would include \$2 billion for airport development grants, with a 100% Federal cost share. It would also include \$1 billion to support Next Gen Air Traffic Modernization efforts. The bill would also create a national infrastructure bank known as the American Infrastructure Financing Authority (AIFA).

President Obama also laid out his plan to pay for this \$450 billion bill. He recommends changing depreciation rules for corporate aircraft as one of the ways to pay for the bill.

Subtitle E – Immediate Transportation Infrastructure Investments

Section 241 – Immediate Transportation Infrastructure Investments. Subsection (a) of this section makes available \$2 billion for airport development grants. Grants made available under the section would have a 100 percent Federal share. Additionally, this subsection permits 0.3 percent of the available funds to be used for administrative expenses.

Subsection (b) makes \$1 billion available to conduct research and development and demonstrations and to acquire, establish, and improve FAA air navigation facilities, systems, and procedures to advance NextGen.

Subsection (i) authorizes the Secretary to establish standards under which a contract for construction funded under subsections (a) through (h) of this section may be advertised that contains "local hiring" requirements in some limited circumstances.

Section 245— Establishment and General Authority of AIFA. This section establishes the American Infrastructure Financing Authority (AIFA) as a wholly-owned government corporation that will provide direct loans and loan guarantees to facilitate investment in economically-viable infrastructure projects of regional or national significance. As set forth in the —Definitions section of the Act, the term —infrastructure project includes projects from the transportation, water, and energy sectors. These sectors, in turn, include highways, roads, bridges, mass transit, inland waterways, commercial ports, airports, air traffic control systems, passenger rail, freight rail, water-waste treatment facilities, storm-water management systems, dams, solid-waste disposal facilities, levees, open-space management systems, pollution-reduced energy generation, transmission and distribution of energy, storage of energy, and energy-efficiency enhancements for buildings.

Section 253 – Eligibility Criteria for Assistance from AIFA and Terms and Limitations of Loans. Financial assistance under this Act shall not be provided for any project whose purpose is private and for which no public benefit is created. Nor will financial assistance be provided for the refinancing of an existing project. Applicants are required to demonstrate to the satisfaction of the Board of Directors that the non-Federal project meets any pertinent requirements of this Act, any criteria established by the Board of Directors or CEO of AIFA, and the definition of a transportation and transportation-related infrastructure project, water infrastructure project, or energy infrastructure project as defined by this Act. The criteria established by the Board of Directors shall provide adequate consideration of the economic, financial, technical, environmental, and public costs of each infrastructure project under consideration for financial assistance under this Act. The criteria established by the Board of Directors shall also provide adequate consideration of: (1) the means by which an infrastructure project is being financed; (2) the likelihood that assistance from AIFA will accelerate the development of the project and lower the overall costs; (3) the extent to which assistance from AIFA maximizes private investment or supports a public-private partnership; (4) the extent to which the support mobilizes other financing; (5) the technical and operational viability of the infrastructure project; (6) the proportions of financial assistance from AIFA; (7) the geographic location of the project (in an effort to have geographic diversity); (8) the size of the project and its impact on the resources of AIFA; and (9) the infrastructure sector of the project (in an effort to have projects from more than one sector financed by AIFA). Entities seeking assistance from AIFA for an eligible infrastructure project shall submit an application to AIFA. The CEO, working with the senior management of AIFA, will prepare eligible infrastructure projects for review and approval by the Board of Directors. Applications are reviewed on an ongoing basis. An eligible project has a cost that is reasonably anticipated to equal or exceed \$100 million, with the exception of rural projects. An eligible rural project has a cost that is reasonably anticipated to equal or exceed \$25 million. Once selected for financing, the amount of any direct loan or loan guarantee shall not exceed the lesser of 50 percent of the reasonably anticipated eligible infrastructure project costs or – if the direct loan or loan guarantee does not receive an investment grade rating – the amount of the senior project obligations. The maximum amount of new direct loans and loan guarantees in AIFA's first two fiscal years is limited to \$10 billion each year. This increases to \$20 billion per year after the second year of operations and through the ninth year, and increases to \$50 billion per year after the ninth year of operations.