

EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
WASHINGTON 25, D. C.

APPROVED  
AUG 3 - 1955



JUL 29 1955

My dear Mr. President:

On July 25, 1955, the Executive Clerk notified this office that S. 1855, "To amend the Federal Airport Act, as amended" had been received at the White House and requested reports and recommendations thereon.

The bill is designed to encourage an expanded program of public airport construction and improvements of existing airports, and to give to the States, the Territories of Alaska and Hawaii, and Puerto Rico and the Virgin Islands, a Federal commitment of fixed, yearly amounts of grant-in-aid fund assistance over the next four fiscal years ending June 30, 1959. To accomplish these objectives, S. 1855 provides substantial amendments to the Federal Airport Act.

1. It replaces the annual appropriation process by which Federal grants are made available to the States. In lieu of annual appropriations the bill provides contract authority as the financing device, and fixes the level at \$42,500,000 for fiscal year 1956, (plus current appropriations of \$20,000,000) and \$63,000,000 for each of the next three fiscal years. Each of these authorized amounts is to become available for obligation at the beginning of the fiscal year for which it is authorized and is to continue to be so available until obligated.

2. The bill, in another principal feature, limits the existing discretionary authority of the Secretary of Commerce to exclude, in the preparation of the national plan for the development of airports, those airports and projects which do not meet the criterion of national aeronautical necessity prescribed in the Federal Airport Act. Under the bill the Secretary would be obliged to include projects for all types of airport development eligible for Federal aid under the Act and is not to limit such projects to any classes or categories of public airports. The record indicates that this provision results from the belief that the administration of the Federal-aid airport program has tended to be too limited and restrictive in respect to the types of airports or airport projects given Federal aid. It is represented that this is particularly true in the case of passenger or freight terminal buildings.



Other, less significant, amendments extend to two fiscal years the period of time within which funds apportioned under the program may remain available for use only in the States for which they are apportioned. Under existing law apportioned funds which have not been obligated during one fiscal year for approved projects in that State are re-apportioned for use in other States. The present provision was intended to limit the accumulation of large reserves of unused apportioned funds, but it is suggested that its effect has also been to create financing and planning difficulties for the States and their subdivisions. Section 5 makes conforming changes required by the new financing principle adopted by the bill. Another amendment would require the Secretary of Commerce to prepare and adopt revisions of the National Airport plan not later than March 31 of each year.

The Departments of Commerce and Defense, the Council of Economic Advisers, and the Civil Aeronautics Board either recommend approval of the bill or interpose no objection to its approval. The Treasury Department indicates that it prefers to present no recommendation inasmuch as the bill relates to matters not primarily within its jurisdiction. The Department of the Interior takes a similar position.

The report which the Bureau of the Budget presented upon the House counterpart when it was pending in Committee recommended against its enactment. The Bureau's report recognized that the bill had certain advantages and a desirable objective, particularly in providing the assurance of program stability which would be helpful in enabling the States and municipalities to proceed firmly in the scheduling of airport improvements over a period of years. Exception, however, was taken to the financing device of permanent authorizations as objectionable from a fiscal and budget standpoint. In our opinion, a permanent authorization, with fixed annual levels, severely limits the flexibility of the Congress and the executive branch to adjust Federal programs in the light of changing priorities and total budgetary requirements. We are still of the view that a financing method can be provided within the regular budget review and appropriation process which will provide the timely assurance and stability which the advocates of this measure consider necessary.

The recent report of the President's Committee on Intergovernmental Relations pointed out the need for stability of program level in this and other Federal grant programs. For this particular program, the Committee suggested that authorizations should be made two years in advance, following the practice in the Federal-aid highway program.



We also objected to the proposed restrictions on the present discretion of the Secretary of Commerce to select the locations and types of development which meet criteria giving recognition to national aeronautical needs.

The Bureau continues to believe that our earlier objections are sound, but we do not believe that we would be warranted in recommending disapproval of the bill. We appreciate that a preference for one method of getting funds to eligible sponsors is not, in the light of the bill's objective, a substantial basis for veto. It may well be, also, that in practice the limitation on the discretion of the Secretary of Commerce will not prove to be an intolerable or unworkable restraint. In addition, we are mindful that approval will supply another demonstration of the willingness of the Federal Government to provide assistance to the States in proper instances.

The Bureau of the Budget, accordingly, recommends that the measure be approved. Because of the importance of this legislation, we have prepared the attached detailed analysis.

Respectfully yours,



Assistant Director for  
Legislative Reference

The President

The White House

Enclosures



## Analysis of S. 1855 which amends the Federal Airport Act



### Major provisions of existing Act

The present Act authorizes Federal grants-in-aid up to 50% of project costs to States and cities for construction at public airports. Hangars are specifically excluded. Act provides for apportionment of 75% of grant funds among the States on basis of area and population. Remaining 25% is put in a discretionary fund.

### Recent developments

Early in 1953, the administration inaugurated a review of the program to determine whether it should be continued. The then pending 1954 budget request of \$30 million was withdrawn by Secretary Weeks, and no amount was appropriated for fiscal 1954.

In April 1954, the administration decided the program should be continued but that Federal participation should be limited to airports of national aeronautical interest and to projects for improvements to landing areas. Accordingly, the administration proposed amendments to the Federal Airport Act (1) to clarify the authority of the Secretary of Commerce to establish administrative criteria for Federal participation in terms of aeronautical necessity, (2) to increase the discretionary fund to 50%, and (3) to exclude terminal buildings from eligibility for Federal aid. At the same time, a 1955 supplemental appropriation request of \$22 million was transmitted to Congress. Congress approved the appropriation but took no action on the requested legislative changes.

The 1956 budget proposed an appropriation of \$11 million, plus \$2 million for administrative costs. Congress increased the \$11 million to \$20 million.

### Major changes made by S. 1855

1. Authorization - The present Act authorizes appropriations of \$520 million for the period 1947-1958, but not to exceed \$100 million in any year. Of this total, \$258 million has been appropriated through 1956, leaving a balance of \$262 million. S. 1855 provides Commerce with authority to enter into grant agreements in the amount of \$42.5 million in 1956 and \$63 million for each of fiscal years 1957-9, or a total of \$231.5 million. In effect, this is contract authority; this authority continues available until obligated.

2. Secretary's discretion - With the reestablishment of the program in fiscal 1955, the Secretary administratively limited grants to certain classes of airports and types of projects. For example, he excluded terminal buildings and airports with less than 3,000 enplaned passengers annually or 30 fixed-base aircraft. S. 1855 restricts the Secretary's discretion. He would be required to include in the National Airport Plan all types of projects eligible under the Act, including terminal buildings and small airports. In programming, he could still select among eligible projects on a "case-by-case" basis in terms of aeronautical necessity, but presumably could not exclude from an annual program a "class" of projects, such as terminal buildings or small airports.

In its report on S. 1855, the Bureau stated that a certain degree of program stability is admittedly desirable but opposed the bill because of the permanent authorization features and the restrictions on the Secretary's discretion to select projects. In its Senate testimony, Commerce opposed the bill for the same reasons. In its House testimony, Commerce reaffirmed the administration's opposition to permanent authorizations as a general principle, but stated that in this particular case, the administration would support permanent authorization for two years, rather than four, at an annual level of \$42 million, rather than \$63 million. The bill passed the Senate on the consent calendar, and passed the House by a vote of 145 to 32.

### Discussion of issues

#### Permanent authorizations

This provision is intended to insure stability of program level so that States and cities may firmly schedule airport improvements over a period of years. With the fluctuating program level since 1952, it is argued that local sponsors have been reluctant to proceed with fund-raising measures because of uncertain availability of matching Federal funds. In some cases local funds have been secured only to remain unused because of the lack of Federal matching funds.

The proponents of S. 1855 also cite the Federal-aid highway program as a precedent for financing this program through permanent authorizations covering a multi-year period.

There appears to be common agreement that reasonable stability of program level is desirable. The recent report of the President's Committee on Intergovernmental Relations pointed up the need for greater stability in this and other Federal grant programs and recommended appropriations two years in advance for the airport program. The problem is that permanent authorizations preclude annual review through the normal budget process, and commit the Federal Government to a program level which is not necessarily related to current construction needs, availability of local matching funds, or overall budgetary objectives. However, this point would carry most weight if an alternative proposal for providing more program stability to grant-in-aid programs had already been developed and could be presented now.

#### Program level

The \$63 million level for four years proposed in S. 1855 apparently takes into account three major considerations on the part of the bill's proponents:

1. It roughly fulfills the commitments made in the 1946 Act which authorized total appropriations of \$520 million.

2. It uses recent estimates of the American Municipal Association, Airport Operations Council, and the National Association of State Aviation Officials, indicating a need for public airport construction during the next four years of \$468

million, or a Federal contribution of \$234 million as an indicator of airport needs.

3. It reflects the argument that a higher program level is necessary to provide an effective program and to maximize the value of the Federal contribution. Because of the State apportionment formula, relatively large appropriations are required to place significant amounts of money in individual States. Furthermore, a large annual appropriation is necessary to insure development of small airports.

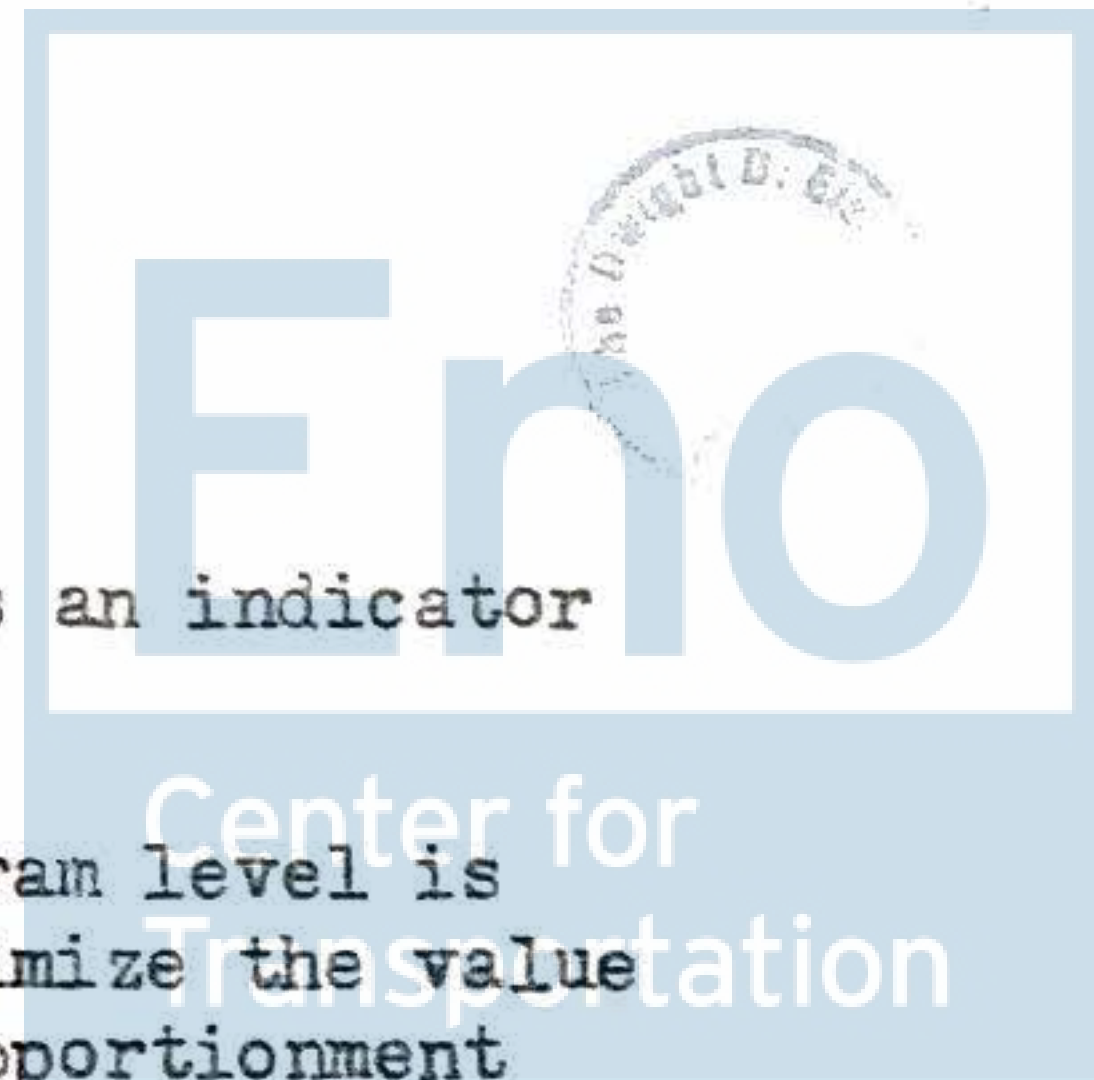
Actually, the proposed level of \$63 million is not related to aeronautical needs or availability of sponsors' funds. The industry survey of airport needs cited above must be viewed with caution since it (a) does not take account of the effect of the State apportionment formula, (b) has not been screened from the standpoint of aeronautical necessity, and (c) does not reflect sponsors' ability to secure matching funds even if Federal funds were available. Commerce will have to collect and analyze a great deal more information from individual airports than is currently available before it can authoritatively estimate public airport needs over the next 4-5 years.

It should be noted that past experience does not indicate that sponsors will carry out the program at a \$60 million annual rate. It is more likely that the program will flatten out obligation-wise over a 5-6 year period and expenditure-wise over an even longer period.

#### Secretary of Commerce's discretion

The position of the committees in reporting S. 1855 seems to be that certain aeronautical needs, such as terminal buildings and projects at smaller airports, require Federal participation which is denied under existing administrative criteria. Apparently, the committees and the Congress believe that these facilities and airports are essential to a balanced airport development program. S. 1855 would still leave some discretion in the Secretary. While denying him the discretion to leave out "classes" of projects, S. 1855 permits him to select among proposed projects in a State to stay within the funds apportioned to that State.

The provisions of S. 1855 which restrict the Secretary's discretion in leaving out "classes" of projects, particularly terminal buildings, is undesirable. Although Commerce will give terminal buildings a very low priority, a certain number undoubtedly will be programmed within a \$60 million annual program. Aside from these buildings, however, it is not clear whether the restrictions on the Secretary's discretion will significantly change the past pattern of the program.





CIVIL AERONAUTICS BOARD

WASHINGTON 25

JUL 27 1955

Mr. Roger W. Jones  
Assistant Director  
Legislative Reference  
Bureau of the Budget  
Washington 25, D. C.

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Center for  
Transportation

Dear Mr. Jones:

This is in reply to your request for a report on the enrolled bill S. 1855, an Act "To amend the Federal Airport Act, as amended."

The Board's views in regard to this legislation were set forth in the statement on the companion bill, H.R. 6260, which was submitted to the Transportation Subcommittee of the House Committee on Interstate and Foreign Commerce, copies of which were sent to you on July 6, 1955. As stated therein the Board believes there is a definite need for more airports and for improvements on many existing airports, and that any Federal program undertaken to assist in meeting these needs should have a certain amount of stability. The precise manner by which these ends may best be achieved is a matter on which the Board does not feel qualified to make specific recommendations. However, it appears to the Board that the legislation in question is in general desirable in that it is designed to meet the need both for an improved airport program and for a program with more stability, and if, from an administrative point of view, the legislation is deemed appropriate to accomplish these objectives, the Board would recommend its approval.

Sincerely yours,

  
Chairman

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BUREAU OF THE BUDGET



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
OFFICE OF THE SECRETARY  
WASHINGTON 25, D. C.

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Center for  
Transportation  
JUL 26 1956

My dear Mr. Hughes:

This is in response to your request for the views of this Department on the enrolled bill, S. 1855, "To amend the Federal Airport Act, as amended."

Since the primary responsibility for the administration of the Act, as it would be amended by S. 1855, is not charged to any agency of this Department, we are not competent to express an opinion with respect to the advisability of the approval of the bill by the President.

It is our understanding that none of the provisions of the bill would affect the authorities granted in the Act of March 18, 1950 (Public Law 463, 81st Cong.; 64 Stat. 27), with respect to the acquisition, construction, operation, and maintenance of public airports in, or in close proximity to, national parks, monuments, and recreation areas.

Sincerely yours,

Assistant

Secretary of the Interior

Orme Lewis

Hon. Rowland R. Hughes  
Director, Bureau of the Budget  
Washington 25, D. C.





EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON 25, D. C.

July 26, 1955

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Center for  
Transportation

Mr. Roger W. Jones  
Assistant Director  
Office of Legislative Reference  
Bureau of the Budget  
Washington 25, D. C.

Dear Mr. Jones:

The Council has reviewed Enrolled Bill S. 1855 and  
offers no objection to Presidential approval.

Very truly yours,



Arthur F. Burns



BUREAU OF THE BUDGET

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TREASURY DEPARTMENT

WASHINGTON 25

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Center for Transportation

JUL 26 1955



Sir:

Your office has requested a statement of this Department's views on the enrolled enactment of S. 1855, "To amend the Federal Airport Act, as amended."

The enrolled enactment would grant to the Secretary of Commerce, for use in making grants under the Federal Airport Act, annual contract authority in the amount of \$63 million dollars for each of the fiscal years 1956, 1957, 1958, and 1959. In addition it (1) would make clear that the Department of Commerce is expected to make grants, within the limits of available funds, for all legally eligible types of projects to the extent that they are determined to be necessary to meet the needs of civil aviation; (2) would extend to two fiscal years the period of time within which apportioned funds would remain available for use only in the States for which they are apportioned; (3) would prescribe a deadline of March 31 for the preparation and adoption of each annual revision of the national airport plan; and (4) would eliminate the present requirement that the Secretary of Commerce submit to the Congress each year a list of proposed projects for the development of large airports.

Since the enrolled enactment relates to matters not primarily within the jurisdiction of this Department, the Treasury has no recommendation to make.

Very truly yours,

Acting Secretary of the Treasury

The Director

Bureau of the Budget



THE SECRETARY OF COMMERCE  
WASHINGTON 25

JUL 25 1955

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Center for  
Transportation

The Honorable  
The Director  
Bureau of the Budget  
Washington 25, D. C.

Dear Mr. Director:

This letter is in reply to your request of July 22, 1955 for the views of this Department with respect to S. 1855, an enrolled enactment

"To amend the Federal Airport Act, as amended."

This Department would interpose no objection to approval by the President of this enrolled enactment.

This bill provides contract authorization for the Federal aid airport program for the fiscal years 1956-1959 in a total amount of \$231,500,000. While this bill authorizes obligations by the Federal Government limited to the overall amount stated above, it is not possible at this time to estimate just how much of this potential obligation will actually be utilized.

Sincerely yours,

Secretary of Commerce



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BUREAU OF THE BUDGET

DEPARTMENT OF THE AIR FORCE  
WASHINGTON

OFFICE OF THE SECRETARY

JUL 25 1955

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Center for  
Transportation



Dear Mr. Director:

Reference is made to your request for a report on S. 1855, 84th Congress, an enrolled enactment "To amend the Federal Airport Act, as amended." The Secretary of Defense has delegated to this Department the responsibility for expressing the views of the Department of Defense on this enrolled enactment.

The purpose of S. 1855 is to effect a number of revisions to the Federal Airport Act. Specifically, the bill would amend those sections of the existing Act which pertain to (1) Formulation of the National Airport Plan, (2) Federal-Aid Airport Program, (3) Appropriations, (4) Apportionment of Funds, (5) Conditions Precedent to Development, (6) Submission and Approval of Projects, and (7) Grant Agreements. In addition, the definition of the term "airport development" would be broadened to include construction of civil passenger or freight terminals.

The primary purpose of the Federal Airport Act is to bring about the establishment of a nationwide system of public airports to meet the present and future needs of civil aviation. The Department of Defense recommends that the President approve this enrolled enactment, because such a civil airport network would be invaluable for national defense purposes in time of war or national emergency.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

Sincerely yours,

Honorable Rowland R. Hughes  
Director  
Bureau of the Budget

BUREAU OF THE BUDGET

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