

United States Senate
Committee on Veterans' Affairs

Hearing on Pending Legislation

Wednesday, Sept. 16, 2015

Joint Written Statement submitted by

Aircraft Owners and Pilots Association

General Aviation Manufacturers Association

Helicopter Association International

National Association of State Aviation Officials

National Business Aviation Association



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Collectively, our five aviation associations represent hundreds of thousands of individuals and companies from all segments of the general aviation community, including flight schools, pilots, aircraft owners, operators, businesses that utilize aircraft, mechanics, and manufacturers. We welcome and thank the Committee for this opportunity to offer a written statement for the record.

The industry is extremely concerned about language in Section 3 of the discussion draft of the bill to amend 38 USC 3313. We believe that language will create for many veterans a Hobson's choice requiring them either to select a program that will severely limit the availability of funds that they were told they were entitled to when they elected to serve their nation or severely restrict the number of fully funded programs available to them.



The need for this provision is, as yet, unknown. The Department of Veterans Affairs (VA) has in place rules and

regulations intended to ensure that market forces hold the cost of flight training in check. Specifically, the rule known as the 85/15 rule, requiring that no more than 85 percent of students enrolled in



a flight training degree program can have their education paid for with VA funds, is

designed to hold prices in check under the theory that the price sensitivity of the remaining 15 percent who are using private or alternate sources of funding would hold flight training costs down.



Unfortunately, the enforcement of this rule across VA regions can be most charitably described as uneven. According to one flight

school operator whose operations fall under the jurisdiction of two VA regional offices, the school routinely gets differing interpretations from each office. In one instance, a single VA official changed the interpretation of the 85/15 rule four times in one conversation.

The original legislation introduced in the House of Representatives (HR 475, the GI Bill Processing Improvement and Quality Enhancement Act of 2015) was based upon a request from the Department of Veterans Affairs and state authorizing agencies, and was intended to protect the U.S. taxpayer from a relatively small number of instances of flight schools and public institutes of higher learning charging significantly higher fees than normal to achieve the FAA certificates necessary to work in the aviation industry.

The aviation industry had raised concerns with members of the House of Representatives that the proposed solution in their legislation — capping funds available to veterans enrolled in flight training degree programs at public colleges and universities — would leave veterans with far too little money to achieve their educational goals and is discriminatory because only flight training degree programs would be subject to the cap. In attempting to address the discriminatory nature of the House proposal, the Senate has instead created a provision that is destined to harm even more of the very people the Post 9/11 GI Bill was intended to help — veterans of the United States' Armed Forces — and yet will fail to address the discriminatory nature of the provision. To the best of industry's knowledge, flight training is the only degree program for which colleges and universities normally contract such programs of education.

According to the Congressional Budget Office cost estimate for HR 475, an estimated 600 veterans would be denied full access to the benefits promised them by the American people. The report further states that the first year the cap is in place, each affected veteran will lose approximately \$30,000 in payments. The amount lost is expected to grow in each subsequent year.¹

The aviation industry's concern about HR 475 and the Senate's discussion draft relates to veterans' ability to earn a college degree in aviation that includes, as part of the

¹ Congressional Budget Office, *H.R. 475 GI Bill Processing Improvement and Quality Enhancement Act of 2015*, cost estimate report as ordered by the House Committee on Veterans' Affairs, August 26, 2015, 6, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/hr475.pdf>.

course of study, flight training that leads to the Federal Aviation Administration (FAA) certificates considered necessary to be employable as a commercial pilot.

While fair treatment of veterans must, of course, be the first priority of this Committee, it is worth noting that legislation that would severely restrict flight training benefits for veterans would have enormous detrimental impact on the aviation industry — and especially the helicopter sector. The helicopter industry is in the midst of a worsening pilot shortage. Veterans separating from the military are seen as highly valued employees and a vital potential pool of new pilots. Further, reducing the pool of new pilots ultimately hurts the veterans because fewer pilots will cause the industry to contract, leaving fewer openings for those veterans seeking other careers in the helicopter industry such as maintenance technicians, dispatchers, or business managers.

Under the current language of the Post 9/11 GI Bill (Public Law 110-252), public colleges and universities are allowed to partner with flight schools to offer aviation degree programs that lead to FAA pilot certifications and careers in the aviation industry. The law allows flight training expenses, which include hourly aircraft rental fees and the instructor's hourly rate, to be treated as course fees.

The Senate's discussion draft affects the entire flight training industry. However, due to significantly higher fixed operating costs (primarily maintenance-related) for helicopters, it has a disproportionate effect on helicopter flight training. In addition, the Department of Veterans Affairs initially raised its concerns with regard to fees charged at certain helicopter flight schools. Therefore much of the industry research has focused on helicopter flight training.

HAI worked closely with the staff of the House Veterans' Affairs subcommittee on economic opportunities to provide an understanding of the costs associated with flight training. Since one of the goals of the Post 9/11 GI Bill is to provide veterans with the education and training necessary to enter their chosen career field, employability within the aviation industry was defined and used as a benchmark for entry-level pilot jobs. As the predominant entry-level position in the industry is as a helicopter flight instructor, we defined "employable" as a commercially rated pilot holding certificated flight instructor (CFI) and certificated flight instructor-instrument (CFII) certificates from the FAA.

FAA regulations require a pilot to hold, at a minimum, a commercial pilot certificate in order to conduct revenue flights such as an instructional flight. A pilot must also receive additional training and be certificated as a flight instructor in order to give instruction.

And in today's flight instruction industry, flight instructors are expected to be able to teach pilots how to fly in poor visibility weather, known as instrument conditions. In order to give that instruction, flight instructors require additional training and certification. Therefore a commercial pilot certificate with CFI and CFII is considered the minimum credentials required to be employable.

HAI polled flight schools providing helicopter flight training through public colleges and universities to determine an historical average cost to achieve employability under the following assumptions: the minimum number of hours required by the FAA to achieve each level of certification; the least expensive helicopter available to rent at the flight school appropriate to the type of training and environmental conditions.

HAI surveyed 15 flight schools affiliated with public colleges and universities. Thirteen responded. The results indicate that flight training alone (not counting academic tuition, books, or other fees) costs \$112,500 ($\pm 5\%$) in a four-year college aviation degree program, and \$107,500 ($\pm 5\%$) in a two-year college aviation degree program.

Based on HAI's survey results, the total cost for tuition and flight training at a four-year college aviation degree program is approximately \$212,500, while the total cost for a two-year program is approximately \$122,500.

Both the Senate's discussion draft and the flight training amendment to HR 475 seek to impose the same caps on flight training degree programs at public institutes of higher learning as are currently in place for all degree programs at private colleges and universities — currently \$20,240 per year, or slightly less than \$81,000 for a four-year college career. That clearly falls far below the cost of the required flight training, let alone flight training plus tuition, books, and other related expenses.

Proponents supporting an amendment to cap flight training benefits have argued that there would remain additional funds available through the Department of Veterans Affairs' Yellow Ribbon program. According to the Department's own information, [t]his program allows institutions of higher learning (degree granting institutions) in the United States to voluntarily enter into an agreement with VA to fund tuition expenses that exceed either the annual maximum cap for private institutions or the resident tuition and fees for a public institution. The institution can contribute up to

50% of those expenses and VA will match the same amount as the institution.²

However this ignores the economic reality that the amount forgiven for a veteran student can be amortized across scores or even hundreds of students in a lecture class setting; it is impossible to amortize the cost of flight training with one student and one instructor in a two-seat training aircraft. Based on HAI's survey, the average combined cost to rent a helicopter with instructor is \$349 per flight hour. That cost is driven primarily by the cost of required maintenance and does not change. The assumption in the HAI survey was that it will require 210 flight hours for a pilot to achieve all the certificates necessary to be employable.

Margins at flight schools are very thin. Therefore, for a flight school to bill only half the price of an instructional flight is to guarantee a loss on every flight. It is unreasonable to expect any college or university to discount the cost of fuel and equipment by as much as 50 percent in order to continue to operate a flight training degree program under VA's Yellow Ribbon program.

The aviation industry strongly believes that Congress should direct the Department to adopt uniform enforcement of market force regulations and allow those market forces to exert their influence before adopting a legislative solution.

As associations representing the broad spectrum of the general aviation industry, we urge the Committee to remove section 3 from the discussion draft document and continue to fulfill the promises made to America's veterans in the Post-9/11 GI Bill.

Further, we request that the Department of Veterans Affairs be directed to enforce its own regulations uniformly — specifically the 85/15 rule —allowing market forces to regulate flight training prices, as the rule is intended to do, and to convene a working group of flight training industry leaders and associations to examine the costs necessary to train veterans to meet both FAA requirements and employability standards for professional careers in the aviation industry.

Finally, we request the Committee direct the Government Accountability Office (GAO) to conduct a study of the flight training industry and the associated costs for a commercial rotorcraft certificate with IFR, CFI and CFII ratings. The study should examine course completion rates, the need for additional safety-related training, the needs of potential

² U.S. Department of Veterans Affairs. "Education and Training: Yellow Ribbon Program." Created Nov. 21, 2013. Last Reviewed July 9, 2015. http://www.benefits.va.gov/gibill/yellow_ribbon/yellow_ribbon_info_schools.asp

employers, and the private student loan market, and should include a cost/benefit analysis of training in piston aircraft vs. turbine aircraft, and its effect on employability. It should examine the value of creating benchmarks and their potential beneficial effect on reducing excessive expenditures on courses that are being frequently retaken by veterans. Because stand-alone flight school programs are less costly than combined academic/flight school programs, the study should examine the benefits of creating an accreditation program that would grant accredited flight schools parity with flight training programs associated with academic institutions. As a subset of the study, the GAO should examine the costs borne by the United States Department of Defense in training military pilots to the same level of proficiency as veterans that receive commercial flight training.

We do not dispute that there were some instances of the VA being charged far more than is necessary for some veterans' flight training. We agree that, while within the law, such charges exceed the intent of the Post 9/11 GI Bill and should be addressed. But we firmly believe the best way to keep flight training fees in line with the costs to train veterans to employable status as a pilot is for the aviation industry, the Department of Veterans Affairs, and state authorizing agencies to work together. We look forward to working with the Committee to find the solution that best serves the needs of both the veteran and the taxpayer.

Veterans have given the nation their very best. They deserve the very best from the nation in return.

Submitted very respectfully,



Mark R. Baker
President and CEO
Aircraft Owners and Pilots Association



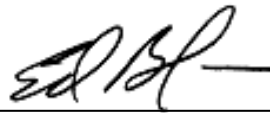
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