2018 POLICY BRIEF

SUPPORT FAA REAUTHORIZATION AND CONTINUED AIR SERVICE TO LOCAL COMMUNITIES

QUICK FACTS

- Counties play a critical role in the nation's air transportation system
- Counties own 34 percent of the nation's publicly owned airports
- Counties spend $5.14 billion annually on air transportation, which supports nearly 11,500 employees across the country
- The current FAA authorization expires September 30, 2018

ACTION NEEDED:

Advocate for the passage of a Federal Aviation Administration (FAA) reauthorization bill that supports airport development and continues air service to large and small communities.

BACKGROUND:

Counties play a critical role in the nation's transportation systems, including the nation's air transportation system. Counties own 34 percent of the nation's publicly-owned airports and spend $5.14 billion annually on air transportation, which supports nearly 11,500 employees across the country.

In February of 2012, Congress passed a four-year reauthorization of Federal Aviation Administration (FAA) programs known as the FAA Modernization and Reform Act of 2012 (P.L. 112-095). The bill was the first long-term authorization of federal civil aviation programs since 2007 and was finally enacted after 23 short-term extensions. The current extension is set to expire September 30, 2018. Congress must either extend or reauthorize the FAA by September 30 to avert a shutdown of agency operations.

The FAA reauthorization process allows Congress to address many aspects of FAA policy and funding, including a number of programs that benefit counties. Programs of importance to counties include:

- **Airport Improvement Program (AIP):** The AIP provides federal grants to airports for airport development and planning. AIP funding can support a wide range of airports, including many large commercial airports and small general aviation airports. However, commercial revenue-producing facilities are generally ineligible for AIP funding. The main advantage to the AIP program is that it provides funds for capital projects without the financial burden of debt financing, although airports are required to provide a local match (between 5 and 25 percent depending on the airport size and eligible costs). The FAA Modernization and Reform Act of 2012 – the last long-term authorization that was passed and signed into law – authorized the AIP at $3.35 billion for four years, with roughly $927.7 million going to counties. NACo supports continued funding for the AIP and an increase of the federal share on airport development projects.
- **Passenger Facility Charges (PFCs):** The PFC is a user fee, not a federally imposed tax. The money raised from PFCs are required to be spent on eligible airport-related projects, such as projects to enhance safety, security or capacity at airports, and projects that reduce noise or increase air carrier competition. Unlike AIP funds, PFC funds may be used to service debt incurred to carry out projects. Although PFCs are not imposed by the federal government, Congress does set a ceiling on PFCs. In

2000, legislation raised the PFC ceiling to $4.50, with an $18 limit on the total PFCs a passenger can be charged per round trip. NACo supports the continued collection of PFCs and providing airport sponsors flexibility in determining how PFC funds may be spent. NACo also supports a raising of the PFC and all for future raises to be tied to the rate of inflation.

- **Essential Air Service (EAS) Program:** The EAS program was created to guarantee that small communities being served by certified airlines maintained commercial service following the deregulation of the airline industry. When Congress passed the Airline Deregulation Act of 1978, airlines were given almost complete freedom to determine areas of service and what airfares to charge, inherently putting less profitable markets at a disadvantage. Since its establishment, the EAS program has ensured continued commercial service to eligible communities by providing subsidizes to carriers providing service between EAS communities and major hub airports. The EAS program was among the most contentious issues in the FAA Modernization and Reform Act of 2012, with a final compromise including reductions in discretionary spending for the program and limiting the program to only those communities participating in the program in FY 2011. For FY 2018, the program received $155 million in funding to 160 communities. NACo supports continuing EAS subsidies to carriers serving small communities and fully funding the program.

- **Small Community Air Service Development Program (SCASDP):** The SCASDP is a grant program designed to help small communities address air service and airfare issues. Compared to the EAS program, SCASDP provides communities the opportunity to self-identify their air service needs and propose solutions. Participation in the program is limited to those communities where the airport is not larger than a primary small hub, the service is insufficient and the air fares to the community are unreasonably high. The FAA Modernization and Reform Act of 2012 authorized the program at $6 million per year. However, Congress only appropriated $10 million for SCASDP in FY 2018, a $5 million increase above the FY 2017 level. NACo supports continued, sufficient and guaranteed funding for the SCASDP.

KEY TALKING POINTS

- Counties play a critical role in the nation's air transportation system. Counties own 34 percent of the nation's publicly-owned airports and spend $5.14 billion annually on air transportation, which supports nearly 11,500 employees across the country.

- The Airport Improvement Program (AIP) provides federal grants to airports for airport development and planning. The main advantage to the AIP program is that it provides funds for capital projects without the financial burden of debt financing, although airports are required to provide a local match. NACo supports continued funding for the AIP and an increase of the federal share on airport development projects.

- Since its establishment, the EAS program has ensured continued commercial service to eligible communities by providing subsidizes to carriers providing service between EAS communities and major hub airports. NACo supports continuing EAS subsidies to carriers serving small communities and fully funding the program.

- Passenger Facility Charges (PFCs) are state, local or port authority fees, not a federally imposed tax. The money raised from PFCs are required to be spent on eligible airport-related projects. Unlike AIP funds, PFC funds may be used to service debt incurred to carry out projects. NACo supports the continued collection of PFCs and providing airport sponsors flexibility in determining how PFC funds may be spent as well as raising the PFC and having future increases tied to the rate of inflation.

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