

## 2019 Issue Brief: Commercial Airport Terminal Development Funding

**Issue: Ohio's commercial service airports have limited funding for terminal development and current needs are in excess of \$1.5 billion.**



### Background:

The Federal Aviation Administration (FAA) provides funding for commercial service airports however that funding is almost entirely dedicated to the airfield (runways, taxiways, etc.). If an airport project has the potential to enhance services offered to the public or produce revenue, then the project is largely *ineligible* for FAA dollars. Most commercial airports collect a Passenger Facility Charge (PFC) to assist with these projects, however that congressionally authorized program has remained unchanged *since 2001* and PFCs have lost significant buying power over the past 18 years as construction prices have increased.

### Implications for Ohio:

Ohio's commercial airports are the world's gateway to the State. To meet the **capacity** demands of the future with **safe, efficient, and modern** facilities, Ohio needs to invest in the development of those facilities. Having up-to-date terminals with adequate concessions, training facilities, retail space, and meeting/event space make a difference to businesses. According to the 2014 Airport Focus Study, Ohio's airports impact business decision making:

- ✦ 62 percent of business consider the proximity of a commercial service airport a deciding factor when choosing a location;
- ✦ 71 percent of businesses rely on commercial airline service, while 64 percent indicated clients or customers use airline service to visit their location;
- ✦ 22 percent of their total business activity is dependent on commercial aviation.

### Solutions for Ohio's Commercial Airports:

Create a competitive grant program for items such as terminal redevelopment, expansion, access improvements, and other needs.

- ✦ The grant program should be open to all owners of public-use airports including those that currently provide scheduled passenger air and/or cargo service;
- ✦ Award capital funding for redevelopment and construction projects with a 50% local match.



## FAQ's

- 1. What are other states doing?** Here are a few examples of what other States have been doing for airports, including commercial service airports:
  - ✦ New York announced it will award \$200M to its Upstate airports to modernize airports using cost-effective strategies that enhance safety, improve operations and access, reduce environmental impact and create a better passenger experience.<sup>i</sup>
  - ✦ Pennsylvania recently announced \$15 million in state funds to go to airports including commercial airports for upgrades and renovations. These projects are funded by the Aviation Transportation Assistance Program and the Multimodal Fund.<sup>ii</sup>
  - ✦ Louisiana recently provides a 10% match for AIP funds at commercial service airports.<sup>iii</sup>
  - ✦ Iowa provides both an AIP match as well as a Vertical Infrastructure Program for both general aviation and commercial service airports throughout Iowa. The Vertical Infrastructure program is typically funded from the Rebuild Iowa Infrastructure Fund.<sup>iv</sup>
  - ✦ Oregon promotes improved commerce, reduction in delays, and enhancing safety through *ConnectOregon*. This program was authorized in the Oregon Legislature in 2005.<sup>v</sup>
- 2. Doesn't the FAA fund airport improvement?** Yes, however those funds are limited to airfield use: runways, taxiways, aprons, etc. with very little eligible in terminal construction or redevelopment. If a project has the capability to produce revenue (i.e. – parking garage, concessions area, etc.) then it is typically NOT eligible for federal funds. Airports are authorized by Congress to collect a Passenger Facility Charge, but the fee structure has not changed since 2001 nor has it been indexed to inflation, resulting in substantially reduced buying power.
- 3. Why can't the airports fund themselves?** Airports are generally organized as Enterprise Funds that generate their own revenue and pay their own operating expenses. Airports also can sell bonds, but the terminal construction needs of Ohio's airports far outweigh their borrowing ability. The current redevelopment plans for Ohio's commercial airports are in excess of \$1.5 billion.
- 4. How do we award the grants among the scheduled service commercial airports?** Create a competitive grant program that takes criteria such as innovation of design, customer experience, operational efficiencies, job creation, feasibility, local support, and sustainability into account when awarding funds.

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<sup>i</sup> <https://www.dot.ny.gov/upstateairportsolicitation>

<sup>ii</sup> <https://www.penndot.gov/pages/all-news-details.aspx?newsid=499>

<sup>iii</sup> <http://www.flymsy.com/press-room/City-New-Orleans-Aviation-Board-Secures-35-Million-in-Additional-Funding-for-New-Terminal-Construction-Project?&Sort=>

<sup>iv</sup> <https://iowadot.gov/aviation/airport-managers-and-sponsors/state-funding/state-funding-programs>

<sup>v</sup> <https://www.oregon.gov/ODOT/Programs/TDD%20Documents/ConnectOregon-Modal-Allocation-Summary.pdf>