NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
SILICON VALLEY'S AIRPORT

TO: AIRPORT COMMISSION

FROM: Matthew Kazmierczak
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SUBJECT: LEGISLATIVE UPDATE

DATE: October 26, 2018

FEDERAL

FAA Reauthorization Bill

Congress passed and the President signed a 5-year Reauthorization bill for the FAA and TSA. The FAA Bill keeps the federal cap on the Passenger Facility Charge (PFC) unchanged from the year 2000 when the Congress last increased the PFC to $4.50 per passenger per segment. The Bill also authorized in the Airport Improvement Program (AIP) funds at $3.35 billion per year, unchanged from the previous year and with no adjustments for inflation.

The Bill does not include controversial provisions to regulate airport ground transportation access and fees or to limit new international air services by foreign carriers. Additional details are included in the attached documents. Also included as an informational only item is a 2017 GAO report on Airport Funding.

The Bill also directs TSA to continue providing exit lane security and authorizing $77 million for the program. It also authorizes $55 million annually for the Law Enforcement Officer Reimbursement Program, of which SJC receives nearly half a million dollars.

Continuing Resolution

Congressional appropriators passed a continuing resolution to provide funding for DHS and DOT. It is expected that lawmakers will take up efforts on the spending measures for DOT/FAA and DHS/TSA/CBP, when they return to a lame duck session after the elections.

FY2020

While the FY2019 spending bills are not yet finished, the White House is already looking ahead to the FY2020 appropriations process and has called on every non-defense federal agency to cut at least 5 percent from its budget.

STATE

SB 1014 (State Senator Skinner)

Signed into law. This bill requires the Public Utilities Commission, in consultation with the California Air Resources Board (CARB), to establish the California Clean Miles Standard and Incentive Program for zero-emission vehicles used by transportation network company (TNC)

drivers with the goal to increase the percentage of passenger miles provided by zero-emission TNC vehicles. By January 1, 2022, and every two years thereafter, each transportation network company will be required to develop an emissions reduction plan that includes proposals on how to meet the emissions reduction targets to be established.

CAC Environmental Working Group

The California Airports Council created the CAC Environmental Working Group to collaborate on current environmental issues throughout the state. This group meets quarterly and are sharing information about environmental regulations, environmental technologies, and best practices.

Monitoring Items

Turo

- Turo is a personal vehicle sharing company that facilitates the rental of personal vehicles between two private parties. Airports are concerned about the company, its agents, and its users operating at and utilizing airport property and infrastructure without an authorized business permit and without coordinating activity with the airports.
- The City of San Francisco is suing Turo, alleging that Turo has failed to pay the fees required to operate legally at SFO airport. Turo claims it shouldn't be subject to the same regulations as legacy rental car companies. The City of San Francisco says that Turo is not following the rules that are in place to keep people safe and to maintain a level playing field. The lawsuit is currently in the discovery phase.
- Turo has filed a lawsuit against Los Angeles International Airport for similar reasons as in the SFO case.

California Air Resources Board (CARB)

- The California Airports Council has been in conversations with CARB about potential regulations to ground support equipment. There is the potential that a CARB environmental mandate could risk the eligibility of Voluntary Airport Low Emissions Program (VALE) grants from the FAA. If the California Airports become ineligible for VALE grants this could hinder efforts to reduce emissions.
- The California Airport Council is looking to potentially sponsor legislation to forbid any mandatory commercial airport regulatory environmental measure by any state or local agency that will disqualify California airports, or reduce the competitiveness of California airport applications, for federal grant funding for environmental mitigation, as determined by the Federal Aviation Administration.

FAA Provisions in the FAA Reauthorization Act of 2018

DIVISION B—FAA REAUTHORIZATION ACT OF 2018

TITLE I—AUTHORIZATIONS

Subtitle A—Funding of FAA Programs

Sec. 111. Airport planning and development and noise compatibility planning and programs.

Funds the Airport Improvement Program (AIP) at $3.35 billion annually until 2023.

Sec. 115. Adjustment to AIP program funding.

Repeals provision in law allowing for extra AIP allocations under certain conditions, often called "pop-up authority."

Sec. 116. Funding for aviation programs.

Repeals provision in law requiring maximum AIP allocations based on trust fund receipts, a provision first instituted in the 2012 FAA reauthorization bill when the trust fund balance was very low.

Subtitle B—Passenger Facility Charges

Sec. 121. Passenger facility charge modernization.

While the bill keeps in place the current federal cap on the PFC of $4.50, it does allow airports to impose a $4.50 PFC under the same standards as a $3.00 or lower PFC, and provides a streamlined process for imposing/using PFCs at all size airports, as currently provided at non-hubs.

Sec. 122. Future aviation infrastructure and financing study.

Directs DOT to engage a "qualified organization"—defined as an independent nonprofit organization that recommends solutions to public policy challenges through objective research and analysis"— to conduct a study and make recommendations on actions needed to upgrade and restore the national aviation infrastructure system, including airport infrastructure needs and existing financial resources for commercial service airports. The qualified organization is to consult with non-hub airports, small hub airports, medium hub airports, large hub airports, airports with international service, non-primary airports, local elected officials, relevant labor organizations, passengers, and air carriers. It also is to separately report on the infrastructure requirements of large hub airports.

Sec. 123. Intermodal access projects.

Directs FAA to within six months publish a final rule on PFC use for intermodal access projects consistent with the notice in the Federal Register on May 3, 2016 (81 Fed. Reg. 26611).

Subtitle C—Airport Improvement Program Modifications

Sec. 131. Grant assurances.

Modifies certain AIP grant assurances:

- Applies qualified-base selection criteria to all aspects of any project using AIP funds for any portion of the project.
- Extends the competition disclosure requirements for large hub and medium hub airports until 2023.
- Allows the construction of certain covered aircraft in hangars to be considered an aeronautical use.
- Exempts certain community uses of airport land from federal restriction.

Sec. 132. Mothers' rooms.

Requires medium- and large-hub airports to provide lactation areas for nursing mothers within each of their terminals.

Sec. 133. Contract Tower Program.

Increases the cap on the federal share of contract tower construction costs from $2 million to $4 million, and provides significant clarifications regarding the manner in which benefit-cost analyses of contract towers are to be conducted, including:

- States that benefit-cost analyses for existing contract towers shall not be updated by the Secretary of Transportation unless annual aircraft traffic has decreased by more than 25

percent from the prior year or by more than 60 percent cumulatively over the preceding three years.

- Requires the Secretary to use actual wage, benefit, telecommunications, equipment, and travel costs in these benefit-cost analyses as opposed assumed costs. It explicitly prohibits the Secretary from considering an array of costs in these analyses, including airway facilities costs, FAA facility and equipment depreciation, indirect overhead costs, and utility and janitorial costs paid directly by airports for the facility.

- Directs the Secretary to add a "5 percentage point margin of error" to the benefit-cost ratio determination to account for "direct and indirect economic and other benefits."

- Provides a series of procedures for airport sponsors to appeal benefit-cost analyses performed by the Secretary and provides an 18-month grace period before payment is required from airports (i.e., before contract towers transition from the federal program to the cost share program) in the event such appeals are decided in the airport's favor.

- Exempts airports that have Part 121 air service and more than 25,000 operations in calendar year 2014 from contract tower cost-share requirements.

Sec. 134. Government share of project costs.

Ensures that multiphase projects for which an airport sponsor received grants in fiscal year 2011 or earlier at a 95% federal share will continue to receive grants at the 95% share.

Sec. 136. Use of State highway specifications.

Allows state highway design standards to be used for runways at nonprimary airports serving aircraft that do not exceed 60,000 pounds.

Sec. 137. Former military airports.

Adds certain nonhub airports to the program.

Sec. 138. Eligibility of CCTV projects for airport improvement program.

Expands AIP eligibility to the procurement and installation of closed-circuit TV systems in public areas and the exterior of terminals.

Sec. 139. State block grant program expansion.

Increases the number of block grant states from 10 to 20.

Sec. 140. Non-movement area surveillance pilot program.

Creates a new pilot program under which up to five "eligible sponsors" would be able to receive AIP grants to acquire and install "qualifying non-movement area surveillance display systems and sensors." Such systems enable airport operators to monitor aircraft and ground vehicles in non-movement areas similar to the way that conventional radar systems enable air traffic controllers to monitor aircraft operations. The section does restrict "eligible sponsors" to airports (1) where the FAA already has movement area surface surveillance systems (e.g., ASDE-X) deployed, and (2) serving airlines that currently participate in the FAA's collaborative decision making process. The FAA Administrator is authorized to distribute grants of not more than $2 million per sponsor from AIP discretionary funds for this pilot program.

Sec. 141. Property conveyance releases.

Makes a technical correction to the conveyance of federal property to airports.

Sec. 142. Study regarding technology usage at airports.

Directs FAA to study technology installed within the U.S. aviation system developed by foreign entities (nations and companies.)

Sec. 143. Study on airport revenue diversion.

Directs GAO to study revenue diversion at grandfathered airports.

Sec. 144. GAO study on the effect of granting an exclusive right of aeronautical services to an airport sponsor.

Directs GAO to study the cases in which an airport sponsor has exercised an exclusive right (proprietary exclusive right) for FBO services.

Sec. 145. Sense of Congress.

Expresses desire for FAA and DOT to produce a smart airports initiative plan that focuses on creating a more consumer-friendly and digitally connected airport experience.

Sec. 146. Critical airfield markings.

Directs FAA to study the installation and durability of Type III and Type I glass beads applied to critical airfield markings.

Sec. 147. General facilities authority.

Allows an airport to transfer to the FAA eligible air traffic systems facilities/equipment if it was purchased with assistance of an AIP grant.

Clarifies that the FAA is required to provide airports with adequate compensation for the provision of space on airport property, building construction, maintenance, utilities, or administrative support.

Sec. 148. Recycling plans; uncategorized small airports.

Clarifies a requirement in the 2012 FAA reauthorization bill for airports to include a recycling plan in their master plan.

Specifies that grants for projects at unclassified airports must come out of any remaining funds in the GA apportionment of the budget, after all entitlement funds have been allocated to airports. Eligible projects are: 1) primary runway pavement maintenance; 2) obstruction removal for the primary runway; 3) rehabilitation of the primary runway; and 4) safety projects.

Sec. 149. Evaluation of airport master plans.

Adds to DOT's evaluation criteria consideration of an airport's role in medical emergencies/evacuations and emergency disaster preparedness.

Sec. 150. Definition of small business concern.

Revises the definition to concur with current construction industry standards.

Sec. 151. Small airport regulation relief.

Enables airports to receive apportionments of AIP entitlements in Fiscal Years 2017 through 2021 based on their Calendar Year 2012 enplanement levels if their enplanement levels fall below 10,000, provided that the airports had (1) 10,000 or more enplanements in CY 2012 and (2) scheduled air service in the fiscal year used to calculate the Fiscal Year 2017-2021 apportionments.

Sec. 152. Construction of certain control towers.

Allows AIP funds to be used for contract tower construction.

Sec. 154. Definition of airport development.

Amends the definition of airport development to include mass grading and associated structural work at mountaintop airports.

Sec. 155. General aviation airport expired funds.

Allows expiring funds apportioned to general aviation airports to be distributed via a new discretionary program among other general aviation airports nationwide.

Sec. 156. Priority review of construction projects in cold weather States.

Instructs FAA to review construction projects as early as possible in states in which cold weather typically prevents construction from being carried out prior to May 1.

Sec. 157. Minority and disadvantaged business participation.

Aims to improve airport compliance and reporting with their minority and disadvantaged programs.

Sec. 158. Supplemental discretionary funds.

Authorizes a new discretionary grant program for all-size airports with an 80-percent federal share. Since the new program would have to be funded by general fund revenue, not receipts from the trust fund, it is unlikely Congress would ever appropriate any money to this program.

Sec. 159. State taxation.

Seeks to clarify that state and local taxes/fees imposed on commercial entities at an airport may not be diverted away from the airport.

Sec. 160. Airport investment partnership program.

Expands the parameters of the airport privatization program by removing the cap of 10 airports in the program, allowing FAA to consider projects in which only part of a facility is privatized, allowing an airport operator to apply on behalf of multiple airports under its control in a single state, and allowing for a $750,000 planning grant to the airport operator.

Sec. 161. Remote tower pilot program for rural and small communities.

Establishes a pilot program for remote air traffic control towers to assess their operational benefits. The pilot must include at least two different vendors of remote tower systems, at least one airport currently in the Contract Tower Program, and one airport that does not have an air traffic control tower. Remote tower construction costs and associated air traffic control, communications, and related equipment costs would be considered airport development and hence eligible for AIP and PFC funding provided that remote tower components/structures are installed at the airport.

Sec. 162. Airport access roads in remote locations.

Allows for AIP funds to be used for the construction of facilities that house snow removal and firefighting equipment at specified airports.

Sec. 163. Limited regulation of non-federally sponsored property.

Curtails FAA's role in approving the disposal, use, or leasing of non-airfield property, including any facilities thereon, or any portion of such land or facilities purchased without federal funding, except to: (1) prevent interference with safe and efficient aircraft operations; (2) ensure the receipt of fair market value (in the context of a commercial transaction) for any use, lease, encumbrance, transfer, or disposal of such property, any facilities thereon, or any portion of such land or facilities; and (3) ensure that the airport does not pay more than fair market value (in the context of a commercial transaction) for the acquisition of any land or facilities thereon.

Also explicitly limits the scope of FAA's Airport Layout Plan (ALP) authority to ensuring the safety, utility, or efficiency of aircraft operations, the safety of people and property on the ground due to aircraft operations, and the protection of the value of federal property or past federal investments in the airport.

Sec. 164. Seasonal airports.

Categorizes certain seasonal airports as nonhubs for the purposes of AIP apportionment.

Sec. 165. Amendments to definitions.

Revises the definition of "airport development" – and thus AIP and PFC eligibility – regarding certain energy equipment and low-emission vehicles.

Sec. 166. Pilot program sunsets.

Repeals the Inherently Low-Emission Airport Vehicle Pilot Program and the Airport Ground Support Equipment Emissions Retrofit Pilot Program. Airports in non-attainment areas can still use Voluntary Airport Low Emission Program (VALE) funds for similar projects.

Sec. 167. Buy America requirements.

Requires DOT to notice and detail any Buy America waivers prior to their issuance.

Subtitle D—Airport Noise and Environmental Streamlining

Sec. 171. Funding eligibility for airport energy efficiency assessments.

Clarifies that airports may be reimbursed with grant funds for "costs incurred in conducting the assessment." Further clarifies that airport applicants for grant funds under this provision must certify that no safety projects will be deferred by prioritizing an energy efficiency assessment grant application.

Sec. 172. Authorization of certain flights by stage 2 aircraft.

Establishes a pilot program for the operation of Stage 2 aircraft between not more than 4 medium hub or nonhub airports, with specific characteristics.

Sec. 173. Alternative airplane noise metric evaluation deadline.

Requires that the FAA complete an evaluation of alternative metrics to the current Day Night Level (DNL) 65 standard within one year of the date of enactment. (Note, while related work is ongoing and is part of the FAA's research roadmap, it is not sufficiently advanced for a meaningful alternative to be either identified or developed within one year.)

Sec. 174. Updating airport noise exposure maps.

Builds on the current requirement that a noise exposure map – for those airports that have one – must be updated when there is a change in the surrounding area, such as a significant new noncompatible use, or a change in the operation of the airport would significantly reduce noise over existing noncompatible uses. Additional language has been added clarifying that if one of the listed changes occurs, an updated noise exposure map is only required if it either comes into effect during the forecast period of the existing noise exposure map, or during the implementation period of the airport operator's noise compatibility program. (Note, as many FAA regions and ADOs already have this policy in place, there would likely be minimal impact to airports resulting from this provision.)

Sec. 175. Addressing community noise concerns.

Requires the FAA to consider the feasibility of implementing dispersal headings for new RNAV departure procedures below 6,000 AGL if: (1) the airport requests it, (2) it would not have safety of efficiency implications, and (3) it would not increase noise over other noise-sensitive areas. (Note, while this provision provides airports with the opportunity to influence flight paths, it also may put airports into the uncomfortable position of having to decide whether and when to make such requests.)

Sec. 176. Community involvement in FAA NextGen projects located in metroplexes.

Requires the FAA to prepare a review (within 180 days) of FAA's community involvement practices for NextGen projects located in Metroplex. That review is to be followed by a report (within 60 days) containing: (1) recommendations for improving community involvement for NextGen projects in Metroplexes; (2) discussion of how and when the FAA will engage airports and communities in PBN proposals, and (3) lessons learned from NextGen projects. (Note, this provision may not be particularly impactful as FAA is moving away from Metroplex projects to single-site implementation, and FAA has already internally issued guidance on community engagement.)

Sec. 177. Lead emissions.

Requires a report, in conjunction with the National Academies of Science, related to the AvGas fuel used by general aviation aircraft. The report would be required to look at: (1) existing non-leaded fuel alternatives that could be used by piston-powered aircraft; (2) ambient lead concentrations at and around airports with piston-powered GA aircraft are operated; and (3) possible mitigation measures such as increasing the size of or relocating run-up areas, imposing restrictions on aircraft using AvGas, or increasing the use of motor gasoline in piston-powered GA aircraft.

Sec. 179. Airport noise mitigation and safety study.

Requires the FAA to conduct a study to review and evaluate existing studies and analyses of the relationship between jet aircraft approach and takeoff speeds and corresponding noise impacts on communities surrounding airports. It would also look at whether reduced approach or takeoff speeds would jeopardize aviation safety and/or: cause the National Airspace System (NAS) to operate less efficiently; impact capacity; and increase fuel burn. (Note, this is work that the FAA is already funding through their ASCENT research program, and is currently being carried out through MIT's work at BOS.)

Sec. 180. Regional ombudsmen.

Requires the FAA to designate an individual to be the Regional Ombudsman for each region. This individual would serve as a liaison with the public to address "issues regarding aircraft noise, pollution, and safety" and make recommendations to the Regional Administrators to address concerns raised by the public. This individual would also be consulted on proposed changes in aircraft operations within the region, in order to minimize environmental impacts, including noise. (Note, as the FAA is in the process of hiring regional noise specialists, those individuals would likely serve in this role.)

Sec. 181. FAA leadership on civil supersonic aircraft.

Directs the FAA Administrator to exercise leadership in the creation of Federal and international policies, regulations, and standards relating to the certification and safe and efficient operation of civil supersonic aircraft. It directs the FAA to obtain aerospace industry stakeholders input regarding regulatory framework, and issues related to standards and regulations for the type certification and safe operation of civil supersonic aircraft, including noise certification. This provision also directs FAA to exercise international leadership. FAA is required to issue a noise of proposed rulemaking by March 31, 2020, for civil supersonic noise standards.

(Note, while FAA is currently engaged in much of this work through ASCENT research projects, engagement with industry, and international leadership at ICAO, this provision appears to elevate the work in importance. It also appears to provide for a path for civil supersonic aircraft to not be subject to the same emissions and noise levels that civil subsonic aircraft must meet.)

Sec. 183. State standards for airport pavements.

Directs the Secretary to provide technical assistance to States in developing standards for airfield pavements at non-primary use airports.

Sec. 186. Stage 3 aircraft study.

Directs GAO to undertake a review of the potential benefits, costs, and other impacts that would result from a phaseout of covered stage 3 aircraft. The review must include:

- Inventory of covered stage 3 aircraft
- Benefits, costs, and impacts to a variety of stakeholders, including air carriers, GA operators, airports, communities surrounding airports, and the general public
- Lessons learned from the phaseout of Stage 2 aircraft
- Costs and logistical challenges associated with recertifying stage 3 aircraft capable of meeting Stage 4 noise levels
- Stakeholder views on the feasibility and desirability of phasing out covered Stage 3 aircraft

(Note, at this point there are few (if any) currently operating aircraft that would be affected by such a phase out, so impacts on airports would be minimal.)

Sec. 187. Aircraft noise exposure.

Requires the FAA to conduct a review of the impact of noise exposure on communities around airports. The FAA would be required to submit a report to Congress on their findings within 2 years, including FAA's recommendations for revisions to their land use compatibility guidelines in part 150 of title 14 CFR. (Note, this section seems to reinforce what FAA is already doing and

potentially accelerate it, i.e. the noise annoyance study and other ongoing research projects looking impacts of noise on sleep disturbances, health impacts, learning, etc.)

Sec. 188. Study regarding day-night average sound levels.

Directs the FAA to evaluate alternative metrics to the current average day-night level standard. (Note, this is similar to Section 173, except that it adds the requirement of consideration of actual noise sampling and other methods, and an accelerated schedule.)

Sec. 189. Study on potential health and economic impacts of overflight noise.

Requires the FAA to engage a university to conduct a health study in a number of metropolitan areas (Boston, Chicago, the District of Columbia, New York, the Northern California Metroplex, Phoenix, the Southern California Metroplex, Seattle, or such other area as may be identified by the FAA), focusing on "incremental health impacts on residents living partly or wholly underneath flight paths most frequently used by aircraft flying at an altitude lower than 10,000 feet, including during takeoff or landing"; and "an assessment of the relationship between a perceived increase in aircraft noise, including as a result of a change in flight paths that increases the visibility of aircraft from a certain location, and an actual increase in aircraft noise, particularly in areas with high or variable levels of non-aircraft-related ambient noise." (Note, this study would be impactful regarding noise impacts, and would ideally need to be aligned with the other provisions that instruct evaluation of alternatives to the DNL metric.)

Sec. 190. Environmental mitigation pilot program.

Provides for FAA grants of up to $2.5M to six airports to carry out pilot environmental mitigation programs that would "measurably reduce or mitigate aviation impacts on noise, air quality, or water quality at the airport or within 5 miles of the airport." The federal share of this project would be up to 50%, and projects must be carried out by a consortium of entities that includes two or more of the following: businesses, educational or research organizations, state or local governments, and/or federal laboratories. (Note, airports may benefit from this as a source of funding for innovative mitigation programs.)

Sec. 192. Zero-emission vehicles and technology.

Clarifies that only certain vehicles are eligible for funding under this pilot program – specifically vehicles used exclusively on airport property or to transport passengers and employees between the airport and nearby airport or intermodal surface-transportation facilities.

TITLE III—SAFETY

Subtitle A—General Provisions

Sec. 313. Report on conspicuity needs for surface vehicles operating on the airside of air carrier served airports.

Directs the FAA Administrator to conduct a study on the need for the FAA to prescribe conspicuity standards for airside ground vehicles at large, medium, and small hub airports. Requires the study to cover at least one airport of each of these three hub categories and for a final report on the study to be produced not later than July 1, 2019.

Sec. 332. Performance standards for firefighting foams.

Requires the FAA to amend its standards within three years so as to eliminate the requirement that airports use firefighting foams containing fluorinated compounds commonly called Per- and Polyfluoroalkyl Substances or Perflourinated Chemicals. This provision opens the door to use of fluorine-free firefighting foams provided such foams can meet other performance standards specified in FAA Advisory Circular 150/5210-6D.

Sec. 334. Runway safety.

Within 6 months of enactment, requires the FAA to submit a report to Congress on improving runway safety that must consider:

- Review of the benefits and risks associated with runway awareness and advisory systems;
- Systems capable of detecting wrong surface alignment (e.g, wrong runway, taxiway/runway confusion) to determine if there is capability to detect imminent wrong-surface landings;
- Information gathered from Airport Surveillance System Capability trials at San Francisco International Airport
- FAA efforts to develop runway incursion metrics, runway incursion trends, and the effectiveness of runway incursion reduction initiatives.

Subtitle B—Unmanned Aircraft Systems

Extensive new provisions related to unmanned aircraft systems (UAS)—or drones in more commonly used parlance – including the following:

Requires FAA to update of plans to integrate UAS into the National Airspace System within 270 days of enactment.

Incorporates prior legislative language regarding UAS test sites.

Directs DOT to issue guidance regarding the operation of UAS by public entities (e.g, local and state governments, inclusive of public agency airport operators.)

Provides special exceptions for operation of tethered UAS.

Directs DOT to use risk-based approaches to determine if certain UAS may operate safely in the National Airspace System prior to completion of mandated comprehensive UAS plans and rulemaking.

Replaces blanket regulatory exemptions for small UAS (less than 55 pounds) operated for recreational purposes with a more structured framework that includes:

- That the UAS is operated in accordance with a community-based organization's (presumably the Aircraft Modeling Association's) set of safety guidelines "developed in coordination with the FAA."
- The UAS is flown within visual line of sight of the operator or designated visual observer that is in direct contact with the operator.
- The UAS is operated in a manner that does not interfere with manned aircraft.
- The UAS is flown in Class B, C, or D airspace only with prior authorization from the FAA.
- The UAS is flown In Class G airspace not more than 400 feet above ground level and complies with all airspace restrictions and prohibitions.
- The UAS is registered and marked in accordance with FAA requirements.

Gives the FAA explicit authority to pursue enforcement action against any person who operates unmanned aircraft in a manner that endangers the safety of the National Airspace System.

Requires FAA to work with DHS, the Defense Department and others to make sure counterdrone systems do not interfere with airport operations.

Facilitates emergency exemptions for use of UAS in support of emergency response and disaster recovery efforts.

Directs the FAA to develop a comprehensive strategy to "provide outreach to State and local governments and provide guidance for local law enforcement agencies and first responders" with respect to how to respond to public safety threats posed by UAS.

Directs the FAA to establish a pilot program to utilize available remote detection technologies for UAS safety oversight, including enforcement actions and establish a national system for the public and law enforcement to report UAS safety violations.

Directs the FAA to develop a plan for the certification, permitting, and authorization of UAS detection and "mitigation" systems. Also establishes an Aviation Rulemaking Committee to

provide recommendations regarding this plan. And makes UAS detection and mitigation systems permitted under this plan eligible for AIP funding.

TITLE IV—AIR SERVICE IMPROVEMENTS

Subtitle C—Small Community Air Service

Authorizes the EAS program at funding levels ranging from $155-$172 million during the duration of the bill. Directs GAO to study past initiatives to reform the EAS program. Sunsets the DOT program providing air carrier subsidies to noneligible places. Directs the DOT Inspector General to review service and oversight of unsubsidized air carriers.

Reauthorizes the Small Community Air Service program at $10 million per year and makes all current small hubs eligible. Expands eligibility for projects that help restore scheduled passenger air service that has been canceled. Establishes a new Regional Air Transportation Pilot Program with authorized funding of $4.8 million of the $10 million authorized that would provide operating assistance to air carriers in order to provide air service to communities not receiving sufficient air service. The program is limited to three airports per year.

TITLE V—MISCELLANEOUS

Sec. 523. Contract Weather Observers.

Extends the Contract Weather Observation Program through 2023.

Sec. 570. Study on airport credit assistance.

Directs the DOT Secretary to study the current federal credit and loan programs for expansion to airports. We expect that this study would specifically look at expansion of TIFIA eligibility to airport projects and the impact that would have on the current TIFIA program.

Sec. 578. Judicial review for proposed alternative environmental review and approval procedures.

Reduces the number of states participating in the pilot program from 5 to 2, and reduces the period to apply for a federal judicial review from 2 years to 150 days after a DOT decision is made.

Sec. 580. Spaceports.

Directs DOT to establish an Office of Spaceports to provide guidance, support licensing activities for spaceports, and promote infrastructure improvements.

Security Provisions in the FAA Reauthorization Act of 2018

DIVISION K—TRANSPORTATION SECURITY

TITLE I—TRANSPORTATION SECURITY

SEC. 1901. SHORT TITLE; REFERENCES.

Includes TSA Modernization Act as the title.

SEC. 1902. DEFINITIONS.

Includes definitions:
Administrator – Administrator of the TSA.
ASAC – Aviation Security Advisory Committee.
Explosive Detection Canine Team – a canine and handler trained to detect explosives and other threats as defined by the Secretary.
Secretary – Secretary of Homeland Security.
TSA – Transportation Security Administration.

Subtitle A—Organization and Authorizations

SEC. 1903. AUTHORIZATION OF APPROPRIATIONS.

Authorizes to be appropriated for TSA salaries, operations and maintenance:
$7,849,247,000 for fiscal year 2019;
$7,888,494,000 for fiscal year 2020; and
$7,917,936,000 for fiscal year 2021.

SEC. 1904. ADMINISTRATOR OF THE TRANSPORTATION SECURITY ADMINISTRATION; 5-YEAR TERM.

Administrator
Requires the head of TSA to be the Administrator, appointed by the President. The Administrator must be a U.S. citizen and have experience in a field related to transportation security.

The term of the Administrator shall be 5-years. The term for an individual serving as Administrator on the date of enactment is 5 years, beginning on the date the Administrator began service (August 10, 2017, for Administrator Pekoske).

Deputy Administrator
Establishes a Deputy Administrator, appointed by the President, to assist the Administrator. The Deputy Administrator serves as the Acting Administrator during an absence or vacancy in the office of Administrator. The Deputy Administrator must be a U.S. citizen and have experience in a field related to transportation security.

Chief Counsel
Establishes a Chief Counsel to advise the Administrator on legal matters and functions of the TSA. The Chief Counsel must be a U.S. citizen.

SEC. 1905. TRANSPORTATION SECURITY ADMINISTRATION ORGANIZATION.

Requires the Administrator to appoint individuals to be responsible for the following areas:

- **Aviation security operations** and training, including risk-based, adaptive security
- **Surface transportation security** operations and training, including risk-based, adaptive security
- Transportation **industry engagement** and planning, including the development, interpretation, promotion, and oversight of a unified effort regarding risk-based, risk-reducing security policies and plans, including airports
- **International strategy and operations**, including agency efforts to work with international partners to secure the global transportation network
- **Trusted and registered traveler programs**, including the management and marketing of the agency's trusted traveler initiatives, including the PreCheck Program, and coordination with trusted traveler programs of other Department of Homeland Security agencies and the private sector
- **Technology acquisition and deployment**, including the oversight, development, testing, evaluation, acquisition, deployment, and maintenance of security technology and other acquisition programs
- **Civil rights, liberties, and traveler engagement**, to ensure agency employees and the traveling public are treated in a fair and lawful manner consistent with Federal laws and regulations protecting privacy and prohibiting discrimination and reprisal

- **Legislative and public affairs**, including communication and engagement with internal and external audiences in a timely, accurate, and transparent manner, and development and implementation of strategies within the agency to achieve congressional approval or authorization of agency programs and policies

Directs the Administrator, within 180 days of enactment, to submit the names of the individuals appointed to serve in the identified positions.

SEC. 1906. TRANSPORTATION SECURITY ADMINISTRATION EFFICIENCY

Directs TSA, within 270 days of enactment, to conduct an agency-wide efficiency review to identify spending reductions and administrative savings that can be achieved by streamlining or restructuring the agency.

In conducting the review, the Administrator shall consider:

- Eliminating overlapping or duplicative initiatives or programs
- Eliminating unnecessary or obsolete rules, regulations, directives, or procedures
- Reducing operating expenses as a result of the efficiencies gained through risk-based screening
- Reducing the number of Senior Executive Service positions by 20 percent
- Other matters identified by the Administrator

Requires a report to Congress on the findings within 30 days of completion of the efficiency review.

SEC. 1907. PERSONNEL MANAGEMENT SYSTEM REVIEW.

Directs the Administrator to establish a working group with internal staff and representatives of the labor organization representing Transportation Security Officers to recommend reforms to TSA's personnel management system. Requires the working group to submit a report to the Administrator one year after date of enactment. Allows the Administrator to implement one or more of the working group's recommendations.

SEC. 1908. TSA LEAP PAY REFORM.

Amends the definition of basic pay for federal air marshals and criminal investigators.

SEC. 1909. RANK AWARDS PROGRAM FOR TRANSPORTATION SECURITY ADMINISTRATION EXECUTIVES AND SENIOR PROFESSIONALS.

Provides that career appointees or senior career employees can receive performance bonuses.

SEC. 1910. TRANSMITTALS TO CONGRESS.

Requires Executive Branch reports, legislative proposals and communication related to TSA to be submitted directly to the Congressional Committees.

Subtitle B—Security Technology

SEC. 1911. THIRD PARTY TESTING AND VERIFICATION OF SCREENING TECHNOLOGY.

Directs the Administrator, within 1 year of enactment, to allow screening technology manufactures to have testing and evaluation conducted by a third party. The testing conducted by a third party includes detection testing and tests are considered final if they are approved by the Administrator, in accordance with established standards. Directs the Administrator to coordinate third party testing with final testing conducted by the Federal Government.

Requires the Administrator to share detection testing information and standards with appropriate international partners, and to coordinate with the appropriate international partners to align TSA testing and evaluation with relevant international standards to maximize explosive and threat detection capability.

At the discretion of the Administrator, third party testing shall replace TSA Systems Integration Facility testing.

Directs the Administrator to establish a framework for third party testing and for verifying a security technology is operationally effective prior to being deployed at an airport.

Directs the Administrator to request the ASAC Security Technology Subcommittee, in consultation with security manufacturers, to submit recommendations for third party testing and the verification framework.

Requires the Administrator to prioritize field testing and evaluation, including by third parties, of security technology and equipment at airports, and on site at security technology manufacturers as an alternative to the TSA Systems Integration Facility.

Third parties must be owned or controlled by a U.S. citizen, unless they have obtained a waiver.

Directs the Government Accountability Office, within 2 years of enactment, to conduct a study on the third party testing program to determine: efficiency gains, timeliness of TSA oversight of third parties, and vulnerabilities of the program.

SEC. 1912. TRANSPORTATION SECURITY ADMINISTRATION SYSTEMS INTEGRATION FACILITY.

Directs the Administrator to continue to operate the Transportation Security Administration Systems Integration Facility (TSIF), to evaluate and test screening and threat detection technologies. The Administrator shall provide staffing at the TSIF to prevent unnecessary delays in the testing and evaluation of transportation security technology, and to collaborate with transportation stakeholders to close capability gaps.

Requires the Administrator to notify Congress if TSIF testing exceeds 180 days for the date of delivery of transportation screening technology.

SEC. 1913. OPPORTUNITIES TO PURSUE EXPANDED NETWORKS FOR BUSINESS.

Directs the Administrator, within 120 days of enactment, to submit to the Congressional Committees, a strategy to promote a diverse security technology industry marketplace for advanced transportation security technologies or capabilities.

The strategy must include:

1) Information on how existing solicitation, testing, evaluation, piloting, acquisition, and procurement processes impact the ability to acquire technology from the security technology industry marketplace.
2) Actions to foster diversification within the security technology industry marketplace.
3) Projected timelines for implementing the specified actions.
4) How the Administrator could assist small businesses innovators during such processes, including those who lack adequate resources.
5) An assessment of the feasibility of partnering with a 501(c)(3) organization to provide venture capital to assist businesses, including small business innovators.

Directs the Government Accountability Office, within 1 year after the strategy is submitted, to conduct a review of the strategy to determine if it addresses the key elements, and the extent to which it has increased small business participation in the technology marketplace.

SEC. 1914. RECIPROCAL RECOGNITION OF SECURITY STANDARDS.

Requires the Administrator to work with the appropriate international aviation security authorities to develop a validation process for the reciprocal recognition of security equipment technology approvals among international security partners or certification authorities.

The validation process shall ensure that certifications by international security partners comply with detection, qualification, and information security, and cybersecurity standards of the TSA, the Department of Homeland Security, and the National Institute of Standards and Technology.

SEC. 1915. TRANSPORTATION SECURITY LABORATORY.

Directs the Secretary, in consultation with the Administrator, within 1 year of enactment, to conduct a review to determine whether the TSA is the most appropriate entity to operate the Transportation Security Laboratory. Based on the outcome of the review, The Secretary may direct the Administrator to assume operational responsibility of the Transportation Security Laboratory.

Requires the Secretary to conduct and report to Congress on periodic reviews to improve coordination and collaboration between the Transportation Security Laboratory and TSA.

SEC. 1916. INNOVATION TASK FORCE.

Directs the Administrator to establish an Innovation Task Force to cultivate security innovations, prioritize and streamline approaches for transportation security, accelerate the development and introduction of new technologies, and provide industry access during the technology development process.

Requires the Innovation Task Force to: conduct activities to identify innovative technology, hold quarterly collaboration meetings with industry (including airport operators), and submit an annual report to the Congressional Committees.

The Administrator in consultation with the ASAC Chair shall appoint the members of the Innovation Task Force, which should include TSA representatives, component agencies of the Department of Homeland Security and industry representatives.

SEC. 1917. 5-YEAR TECHNOLOGY INVESTMENT PLAN UPDATE.

Directs the Administrator, in consultation with industry stakeholders, to submit annually to the Congressional Committees and the public, the 5-year technology investment plan. In addition, the Administrator must submit updates with information about acquisitions completed in the prior and current fiscal year as well as technology that is in operation after the end of its specified life cycle.

The Administrator must submit to Congressional Committees, within 90-days, a notice about an increase or decrease in the amount allocated to technology procurement.

SEC. 1918. MAINTENANCE OF SECURITY-RELATED TECHNOLOGY

Directs the Administrator, within 180 days of enactment, to develop and implement a preventive maintenance validation process for security-related technology deployed at airports. The process must include guidance to Administration personnel and contractors for conducting preventative maintenance.

Requires contracts for maintenance of security technology after 60 days of enactment to include penalties for non-compliance with preventative maintenance requirements.

SEC. 1919. BIOMETRICS EXPANSION.

Directs the Administrator and Commissioner of U.S. Customs and Border Protection to consult on the deployment of biometric technologies.

Requires the Secretary to submit, within 270 days of enactment, a report to the Congressional Committees on the operational and security impact of using biometric technology to identify travelers, the privacy issues associated with the expansion of biometric technology, methods to analyze matching errors related to race, gender or age, and an assessment of the biometric entry-exit program as it relates to: error rates, the potential burden on certain categories of international travelers, how biometrics could address visa overstays, and the privacy issues associated with the use of biometrics. If practicable, the assessment should be posted on the agencies' public websites.

SEC. 1920. PILOT PROGRAM FOR AUTOMATED EXIT LANE TECHNOLOGY.

Directs the Administrator, within 90 days of enactment, to conduct a pilot program to test automated exit lane technology at small hub airports and non-hub airports, in partnership with the airport directors. The cost to the government of the pilot is not to exceed 85 percent of the total program cost. $15 million for each fiscal year from 2019 through 2021 is authorized to carry out the pilot.

Requires the Government Accountability Office, within 2 years of implementation of the pilot, to submit to the Congressional Committees, a report on the extent of airport participation, the results of the pilot, and the feasibility of expanding the pilot to additional airports, including medium and large hub airports.

SEC. 1921. AUTHORIZATION OF APPROPRIATIONS; EXIT LANE SECURITY.

Authorizes $77 million for each fiscal year from 2019 through 2021 for TSA to carry out its Congressionally-mandated responsibility to provide staff to monitor those exit lanes where it performed the function on December 1, 2013.

SEC. 1922. REAL-TIME SECURITY CHECKPOINT WAIT TIMES.

Directs the Administrator, within 18 months of enactment, to publish wait time information for each security checkpoint where TSA conducts or oversees screening operations. The wait time information must be published in real time, on-line and at physical locations in airport terminals.

Wait time is defined as the period beginning when a passenger enters the queue and ends when they exit the checkpoint.

SEC. 1923. GAO REPORT ON DEPLOYMENT OF SCREENING TECHNOLOGIES ACROSS AIRPORTS.

Directs the Government Accountability Office to conduct and submit, within 1 year of enactment, a study to determine whether TSA deploys screening technology based on risk at Category X, I, II, III, and IV airports. The study shall include an assessment of the costs to TSA associated with the purchase, deployment, installation and maintenance of screening technologies at Category X, I, II, III, and IV airports.

SEC. 1924. SCREENING TECHNOLOGY REVIEW AND PERFORMANCE OBJECTIVES.

Requires the Administrator, within 180 days of enactment, in coordination with Department of Homeland Security Officials to conduct a review of screening technology testing and evaluation, acquisitions, and procurement practices. The review shall include process delays, whether TSA can leverage Department testing and evaluation resources, assessing whether TSA can encourage competition among technology stakeholders, identifying best practices of other government agencies, and a plan to address challenges identified through the review.

Directs the Administrator to establish performance objectives for testing and verification of screening technologies, including those to be tested by third parties, to reduce the time for each phase of the testing process.

Requires the Administrator to establish and track performance metrics for each type of technology submitted for testing and verification.

Directs the Administrator, within 2 years of enactment, to submit to the Congressional Committees, a report assessing whether the performance objectives and performance metrics have been met.

Requires the Administrator, within 90 days of enactment, to submit a plan to the Congressional Committees for conducting recurring reviews of the operational, technical, and management security controls for Administration information technology systems at airports.

SEC. 1925. COMPUTED TOMOGRAPHY PILOT PROGRAMS.

Directs the Administrator, within 90 days of enactment, to conduct a pilot program to evaluate computed tomography to screen carry-on bags at airports.

Requires the Administrator, within 120 days of enactment, to submit to the Congressional Committees, a feasibility study regarding expanding the use of computed tomography to screen air cargo on passenger aircraft. The study shall consider opportunities to leverage computed tomography systems used for screening baggage.

Directs the Administrator to initiate a 2-year pilot program, within 120 days of submitting the feasibility study, to enhance air cargo screening with new or emerging screening technology.

Subtitle C—Public Area Security

SEC. 1926. DEFINITIONS.

Defines behavioral, medical and technical standards for the evaluation of explosives detection canines.

SEC. 1927. EXPLOSIVES DETECTION CANINE CAPACITY BUILDING.

Directs the Administrator, within 90 days of enactment, to establish a working group to support non-Federal domestic canine breeding capacity and modernize canine training standards.

The working group, within 180 days or establishment, shall submit to the Administrator, recommendations for behavioral, medical and technical standards for domestic canine breeding and training.

Directs the Administrator, within 120 days of receiving the recommendations from the working group, to submit to the Congressional Committees, a strategy for expanding domestic canine breeding capacity.

SEC. 1928. THIRD PARTY DOMESTIC CANINES.

Directs the Administrator, within 1 year of enactment, to increase the supply of canine teams for use by the TSA and transportation stakeholders by developing behavioral, medical and technical standards, so third party explosive detection canines can be certified for screening individuals and property in public areas of airports.

Requires the Administrator, within 270 days of developing the standards, to enter into an agreement with at least 1 third party to test and certify the capabilities of canines.

Directs the Administrator to authorize an aviation stakeholder (airport operator, aircraft operator, or air carrier), in coordination with the Federal Security Director, to deploy one or more third party explosives detection canines to enhance public area security at the airport.

Allows large hub airports to provide TSA, on an in-kind basis, third party canines to be deployed as passenger screening canines. The Administrator is prohibited from reducing the staffing allocation at a large hub airport that provides a certified canine.

SEC. 1929. TRACKING AND MONITORING OF CANINE TRAINING AND TESTING.

Directs the Administrator, within 180 days of enactment, to use a digital monitoring system for all training, testing, and validation or certification of public and private canines, utilized or funded by the TSA.

SEC. 1930. VIPR TEAM STATISTICS.

Requires the Administrator, within 90 days of enactment, and annually thereafter, to report to the Congressional Committees on the number of VIPR teams – including those with explosive detection canine teams – available for deployment to transportation facilities.

Authorizes funding for at least 30, but not more than 60, VIPR teams, for each fiscal year from 2019 through 2021.

SEC. 1931. PUBLIC AREA SECURITY WORKING GROUP.

Directs the Administrator to establish a working group to develop recommendations to enhance security in public areas of transportation facilities.

Requires the Administrator, within 1 year after the working group is established, to submit to the Congressional Committees, a report on the organization and recommendations of the working group.

Requires the Secretary, within 1 year of enactment, to publish best practices for protecting and enhancing the resilience of public areas of transportation facilities.

Directs the Administrator, within 1 year of enactment, to review regulations and policies for the transportation of a firearm and ammunition, and submit a report, prepared in consultation with the ASAC, to the Congressional Committees, with the findings and any plans to modify regulations or policies.

SEC. 1932. PUBLIC AREA BEST PRACTICES.

Directs the Administrator to share information on best practices for protecting public areas with Federal Security Directors and transportation stakeholders.

Requires the Administrator to improve the Air Domain Intelligence and Analysis Center, encourage increased stakeholder participation, and enhance information sharing on transportation security threats, including on cybersecurity threats. In addition, the Administrator is directed to: expand and improve the City and Airport Threat Assessment program, disseminate Transportation Intelligence Notes, and other intelligence information to transportation security stakeholders, and to conduct classified briefings.

Directs the Administrator to encourage stakeholders to utilize mass notification systems, including the Integrated Public Alert Warning System and social media platforms, to disseminate information to transportation community employees, travelers, and the general public.

Requires the Secretary to expand programs that increase security awareness, education, and training for airport and transportation vendors, ridesharing companies and general aviation.

SEC. 1933. AIRPORT WORKER ACCESS CONTROLS COST AND FEASIBILITY STUDY.

Directs the Administrator, in consultation with the ASAC, to submit to the Congressional Committees and the Government Accountability Office, within 1 year of enactment, a study examining the shared cost and feasibility to airports, airlines, and the TSA of implementing enhanced employee inspection measures at all access points between non-secured and secured areas at a statistically significant number of Category I, II, III, IV, and X airports.

In conducting the study, the Administrator shall assess the cost, operational feasibility and security effectiveness of requiring all employees to present for inspection at secured area access points outfitted with screening measures and technologies. The study must include an assessment of the costs to establish an operational minimum number of access points and compare the costs of implementing security features and technologies at access points with those for the employee inspection measures implemented at certain airports.

Requires the Government Accountability Office, within 90 days of receiving the study, to assess the quality and reliability of the study, and submit a report to the Congressional Committees.

SEC. 1934. SECURING AIRPORT WORKER ACCESS POINTS.

Directs the Administrator, within 180 days of enactment, to consult with air carriers, foreign air carriers, airport operators, to enhance security awareness of badgeholders regarding insider threats.

Requires the Administrator, within 180 days of enactment, to consult with air carriers, foreign air carriers, airport operators, to assess credentialing standards, including those stipulated in the FAA Extension, Safety and Security Act of 2016.

Requires the Administrator, within 60 days of enactment, to require individuals seeking Security Identification Display Area (SIDA) access to provide their Social Security Number.

Directs the Administrator to require airport operators to include on their SIDA applications, a notification to the applicant that they may be screened at any time while accessing, working in or leaving a SIDA.

Directs the Administrator to consult with airport and aircraft operators on technologies, including biometrics, to secure access to secured areas.

Directs the Administrator, within 180 days of enactment, to submit to the Congressional Committees, a report on the number of credentialed aviation workers perpetually vetted through the FBI Rap Back program.

Requires the Administrator to maximize the security effectiveness of TSA's program for the random, physical screening of aviation workers.

Directs the Administrator to conduct covert testing of TSA-led aviation worker screening and provide the results to airport operators. The Administrator is also required to report to the Congressional Committees on the frequency, methodology and effectiveness of its employee screening operations.

Directs the Administrator, in consultation with the ASAC, within 180 days of enactment, to establish a national database of individuals who have had their airport or aircraft operator identification badges revoked for failing to comply with security requirements.

SEC. 1935. LAW ENFORCEMENT OFFICER REIMBURSEMENT PROGRAM.

Requires the Administrator to increase the number and amount of awards under the Law Enforcement Officer Reimbursement Program: to increase the presence of law enforcement officers in public areas of airports, increase the presence of law enforcement officers at checkpoints, reduce law enforcement officer response times during security incidents and provide visible deterrence.

Directs the Administrator to review the Law Enforcement Officer Reimbursement Program-related regulations and policies and make any revisions necessary to reduce the burden on applicants or award recipients.

Authorizes appropriations to provide $55 million for each fiscal year from 2019 through 2021.

SEC. 1936. AIRPORT PERIMETER AND ACCESS CONTROL SECURITY.

Directs the Administrator, within 180 days of enactment, to update the Transportation Sector Security Risk Assessment (TSSRA). Not later than 90 days after updating TSSRA, the Administrator is required to update the Risk Assessment of Airport Security, and conduct a system-wide assessment of airport access control and perimeter security.

Requires the Administrator to report to the Congressional Committees and airport operators, the results of TSSRA and Risk Assessment of Airport Security.

Directs the Administrator, within 90 days of enactment, to update the 2012 National Strategy for Airport Perimeter and Access Control Security.

Subtitle D—Passenger and Cargo Security

SEC. 1937. PRECHECK PROGRAM.

Requires the Administrator to continue to operate the PreCheck Program.

Directs the Administrator, within 180 days of enactment, to enter into an agreement with 2 private sector entities to increase the methods and capabilities available for the public to enroll in the PreCheck Program, and to expand the total number of individuals enrolled in the program to:

- 7,000,000 passengers before October 1, 2019
- 10,000,000 passengers before October 1, 2020
- 15,000,000 passengers before October 1, 2021.

Requires the Administrator, within 180 days of enactment, to enter into at least 2 agreements to market PreCheck, and implement a long-term strategy for partnering with the private sector to encourage enrollment.

Directs the Administrator to consider leveraging the resources and abilities of airports to collect fingerprints for use in background checks to expedite identity verification.

Requires the Administrator to ensure PreCheck screening lanes are open to enrolled travelers during peak and high volume travel times at airports, and to provide expedited screening at standard lanes when PreCheck lanes are closed.

Requires the Administrator to conduct an assessment to identify any security vulnerabilities in the vetting process.

SEC. 1938. PRECHECK EXPEDITED SCREENING.

Directs the Administrator, within 18 months of enactment, to limit access to PreCheck screening lanes to travelers enrolled in PreCheck or a U.S. Government trusted traveler program.

Requires the Administrator, within 60 days of enactment, to launch a 120-day pilot program for conducting risk modified screening in lanes other than those designated as PreCheck.

In determining whether to launch risk modified screening at an airport, the Administrator must consider: the level of risk, the available space, throughput, checkpoint configurations, and resources for PreCheck screening lanes. The Administrator is required to constitute a working

group consisting of airport representatives to provide input on the deployment protocol for risk modified screening.

Requires the Administrator, within 180 days of enactment, to develop and implement a long-term strategy to increase PreCheck enrollment that considers the inclusion of security clearance holders and collocates enrollment centers with facilities that support SIDA issuance in public areas of airports.

SEC. 1939. TRUSTED TRAVELER PROGRAMS; COLLABORATION.

Directs the Administrator, within 180 days of enactment, in consultation with the Commissioner of U.S. Customs and Border Protection, to review trusted traveler programs, identify improvements to streamline operations and applications, and allow applicants to link applications through a single portal.

SEC. 1940. PASSENGER SECURITY FEE.

Ends the diversion of a portion of the 9/11Passenger Security Fee on October 1, 2027.

SEC. 1941. THIRD PARTY CANINE TEAMS FOR AIR CARGO SECURITY.

Directs the Administrator, within 180 days of enactment, to establish standards for third party explosives detection canines to conduct primary screening of air cargo and develop standards for third party certification entities.

SEC. 1942. KNOWN SHIPPER PROGRAM REVIEW.

Requires the Administrator to direct the ASAC to conduct a review of the Known Shipper Program and recommend whether it should be modified or eliminated.

SEC. 1943. ESTABLISHMENT OF AIR CARGO SECURITY DIVISION.

Directs the Administrator, within 90 days of enactment, to establish an air cargo security division at TSA to engage with stakeholders regarding air cargo security programs.

SEC. 1944. AIR CARGO REGULATION REVIEW.

Requires the Administrator, within 150 days of enactment, to review the Certified Cargo Screening Program to determine whether it effectively addresses threats.

SEC. 1945. GAO REVIEW.

Requires the Government Accountability Office, within 2 years of enactment, to study the pre-screening processes and procedures for air cargo entering the United States and the procedures for sharing information with stakeholders.

SEC. 1946. SCREENING PARTNERSHIP PROGRAM UPDATES.

Requires the Administrator, within 60 days of receipt, to approve or deny an application from an airport operator to participate in the Screening Partnership Program. Directs the Administrator, to the extent practicable, to enter into a contract with a qualified screening company within 120 days of approving an application from an airport operator.

Allows an airport operator to identify an individual to participate in the evaluation of proposals for the award of a contract with a qualified screening company. Requires the Administrator to encourage airport operators participating the Screening Partnership Program to recommend innovative screening approaches and technologies.

Requires the Administrator, in partnership with airport and aircraft operators, to submit to the Congressional Committees, an assessment of the feasibility of modifying the program to allow individual airport terminals to participate. The assessment must consider the potential benefits, costs, potential security impacts and hiring considerations.

Directs the Administrator, within 30 days of enactment, to approve or deny any applications from an airport operator that is awaiting a determination.

SEC. 1947. SCREENING PERFORMANCE ASSESSMENTS.

Requires the Administrator, on a quarterly basis, to provide the airport director an assessment of the screening performance at that airport compared to the average performance of all airports in the equivalent airport category, and a briefing on the scorecard developed by Security Operations to measure screening performance, such as covert testing results, throughput, wait times, attrition and absenteeism.

SEC. 1948. TRANSPORTATION SECURITY TRAINING PROGRAMS.

Requires the Administrator to establish a training program for new hire Transportation Security Officers at the TSA Academy.

Directs the Administrator, within 180 days of enactment, to establish a recurrent training program for Transportation Security Officers.

Requires the Government Accountability Office, within 1 year of enactment, to study the effectiveness of the training program for new hire Transportation Security Officers.

SEC. 1949. TRAVELER REDRESS IMPROVEMENT.

Requires the Administrator, within 30 days of enactment, to ensure the Department of Homeland Security Traveler Redress Inquiry Program (DHS TRIP) is available to individuals who believe they have been wrongly identified as a security threat.

Directs the Administrator, within 180 days of enactment, to update the Privacy Impact Assessment for the Secure Flight program and make it available to the public.

SEC. 1950. IMPROVEMENTS FOR SCREENING OF PASSENGERS WITH DISABILITIES.

Directs the Administrator, within 180 days of enactment, to revise Transportation Security Officer training for screening passengers with disabilities.

Requires TSA to post signs at all Category X airports with contact information for TSA representatives to respond to screening complaints based on disability and for requesting assistance at the checkpoint.

SEC. 1951. AIR CARGO ADVANCE SCREENING PROGRAM.

Directs the Commissioner of U.S. Customs and Border Protection and the Administrator to establish an air cargo advance screening program (ACAS), to collect electronic information about cargo shipments, and ensure screening of high-risk cargo. Requires a final rule to implement ACAS within 180 days of enactment.

SEC. 1952. GENERAL AVIATION AIRPORTS.

Directs the Administrator, within 120 days of enactment, to submit a report on the deployment of the advanced passenger prescreening system for vetting passengers on charter aircraft.

Allows the Administrator to provide screening services to charter air carriers in other than the primary passenger terminal of a non-commercial service airport, providing the carrier has agreed in writing to compensate TSA for all reasonable costs.

Requires the Administrator, in consultation with the ASAC, within 120 days of enactment, to submit an implementation plan and schedule for ASAC recommendations involving: general aviation access at Ronald Reagan Washington National Airport and vetting persons seeking flight training.

Requires the Administrator, in consultation with the ASAC, within 1 year of enactment, to submit a report to the Congressional Committees on the feasibility of requiring individuals to submit to a security threat assessment prior to receiving flight training.

Subtitle E—Foreign Airport Security

SEC. 1953. LAST POINT OF DEPARTURE AIRPORTS; SECURITY DIRECTIVES.

Requires the Administrator to consult with airport and airline association representatives prior to changing last point of departure security procedures through security directives or emergency amendments. Within 3 days of issuing a security directive or emergency amendment, the Administrator must report to the Congressional Committees about the level of industry engagement.

Directs the Government Accountability Office, within 1 year of enactment, to review efforts by TSA to review, update or revoke security requirements at last point of departure airports.

Directs the Administrator, based on a specific threat, to require the rescreening of passengers and baggage arriving in the U.S. on flights from an international airport.

SEC. 1954. LAST POINT OF DEPARTURE AIRPORT ASSESSMENT.

Requires TSA to evaluate screening and vetting of airport workers as part of its TSA foreign airport assessment program.

SEC. 1955. TRACKING SECURITY SCREENING EQUIPMENT FROM LAST POINT OF DEPARTURE AIRPORTS.

Allows the TSA Administrator to donate screening equipment to foreign last point of departure airports. Requires the Administrator to report to the Congressional Committees 30 days prior to making any such donation.

Directs the Administrator, within 90 days of enactment, to coordinate with the International Civil Aviation Organization (ICAO) to develop a process for tracking the removal and disposal of security screening equipment.

SEC. 1956. INTERNATIONAL SECURITY STANDARDS.

Directs the Administrator, within 180 days of enactment, in consultation with the Commissioner of U.S. Customs and Border Protection, to conduct a review of global aviation security standards, including cybersecurity measures. The review shall include best practices for working with foreign partners to enhance security and identify those that are not in compliance with ICAO standards.

Directs the Administrator, based on the review of global aviation security standards, to work with ICAO to improve aviation security.

SEC. 1957. AVIATION SECURITY IN CUBA.

Directs the Administrator to require public charter operators with flights to/from Cuba to provide flight schedules to TSA. Requires the Administrator to brief the Congressional Committees on security at airports in Cuba.

SEC. 1958. REPORT ON AIRPORTS USED BY MAHAN AIR.

Requires the Secretary, within 120 days of enactment, to submit a report to the Congressional Committees on all airports where Mahan Air aircraft have landed over the last 2 years, and to make the list publicly available.

Subtitle F—Cockpit and Cabin Security

SEC. 1959. FEDERAL AIR MARSHAL SERVICE UPDATES.

Requires the Administrator, within 60 days of enactment, to develop a standard agreement to be used in discussions with foreign governments regarding the presence of Federal Air Marshals on flights to and from the United States.

Directs the Administrator to acquire an automated capability for scheduling Federal Air Marshals based on risk.

Requires the Administrator to conduct a cost-benefits analysis of threat mitigation as a result of Federal Air Marshal deployments.

Requires a risk-based strategy for the deployment of Federal Air Marshals on domestic and international flights.

SEC. 1960. CREW MEMBER SELF-DEFENSE TRAINING.

Directs the Administrator to encourage airline employee participation in the voluntary self-defense training program.

SEC. 1961. FLIGHT DECK SAFETY AND SECURITY.

Requires the Administrator, within 90 days of enactment, in consultation with the Administrator of the Federal Aviation Administration, to complete a threat assessment of the security risks associated with unauthorized flight deck access. Also requires the dissemination of the RTCA Document on Aircraft Secondary Barriers and Alternative Flight Deck Security Procedures.

SEC. 1962. CARRIAGE OF WEAPONS, EXPLOSIVES, AND INCENDIARIES BY INDIVIDUALS.

Directs the Administrator to periodically review the rule providing public guidance on property considered to be weapons, explosives or incendiaries. Requires the Administrator to assess the security risks, adherence to ICAO standards and to consult with the ASAC prior to changing the rule.

Prohibits the Administrator from revising the rule to allow knives – other than plastic or round bladed butter knives – into sterile areas of airports.

SEC. 1963. FEDERAL FLIGHT DECK OFFICER PROGRAM IMPROVEMENTS.

Directs the Administrator to designate additional firearms training facilities for Federal Flight Deck Officers (FFDOs). Also directs the Administrator to allow FFDOs to requalify to carry a firearm at TSA-approved facilities using a TSA-approved contractor.

Requires the Administrator to harmonize, as practicable, the policy for FFDO carriage of firearms on international flights.

Subtitle G—Surface Transportation Security

SEC. 1964. SURFACE TRANSPORTATION SECURITY ASSESSMENT AND IMPLEMENTATION OF RISK BASED STRATEGY.

Directs the Administrator, within 1 year of enactment, to complete an assessment of the risks and vulnerabilities to surface transportation. Within 180 days of completing the assessment, the Administrator shall develop a risk-based surface transportation security strategy.

SEC. 1965. RISK-BASED BUDGETING AND RESOURCE ALLOCATION.

Directs the Administrator, in conjunction with the Department's annual budget request, to submit a risk-based budget and resource allocation plan for surface transportation.

Requires the Administrator, within 180 days of enactment, to submit to the Congressional Committees, a 5-year capital investment plan.

SEC. 1966. SURFACE TRANSPORTATION SECURITY MANAGEMENT AND INTERAGENCY COORDINATION REVIEW.

Directs the Government Accountability Office, within 1 year of enactment, to conduct a review of staffing, budget, resource allocation and management strategy for TSA's surface transportation security programs.

SEC. 1967. TRANSPARENCY.

Requires the Administrator, within 180 days of enactment, to publish the status of surface transportation security regulations.

Directs the Department of Homeland Security Inspector General, within 180 days of enactment, to submit a report on the implementation of requirements contained in the 9/11 Commission Act involving: Privacy and Civil Liberties, Public Transportation Security and Surface Transportation Security.

SEC. 1968. TSA COUNTERTERRORISM ASSET DEPLOYMENT.

Requires the Administrator to provide the facility operator 14-day advance notification of the termination of the deployment of counterterrorism personnel or VIPR teams deployed for 180 or more consecutive days.

Directs the Administrator, within 1 year of enactment, to develop qualitative performance standards to measure the effectiveness of VIPR team operations.

Requires the Administrator, within 1 year of enactment, to develop and implement a plan for interoperable communications between VIPR teams and transportation facilities where VIPR operations are conducted.

SEC. 1969. SURFACE TRANSPORTATION SECURITY ADVISORY COMMITTEE.

Directs the Administrator to establish a Surface Transportation Security Advisory Committee to advise the Administrator on surface transportation security.

The Surface Transportation Security Advisory Committee may meet jointly with the ASAC to discuss security issues of common concern.

SEC. 1970. REVIEW OF THE EXPLOSIVES DETECTION CANINE TEAM PROGRAM.

Directs the Department of Homeland Security Inspector General to review and submit a report to the Congressional Committees on the explosives detection canine team program, including the deployment strategy, training, and use of assets.

SEC. 1971. EXPANSION OF NATIONAL EXPLOSIVES DETECTION CANINE TEAM PROGRAM.

Directs the Secretary to encourage State, local, and tribal governments and private owners of high-risk transportation facilities to enhance security by deploying explosives detection canine teams.

Allows the Administrator to increase the number of surface and maritime transportation explosive detection canine teams by no more than 70.

SEC. 1972. STUDY ON SECURITY STANDARDS AND BEST PRACTICES FOR PASSENGER TRANSPORTATION SYSTEMS.

Directs the Government Accountability Office to conduct a study of how TSA compares U.S. and foreign passenger transportation security standards and best practices. Requires a report within 18 months of enactment with the findings of the study.

SEC. 1973. AMTRAK SECURITY UPGRADES.

Allows railroad security grants to be used for interoperable communications systems.

SEC. 1974. PASSENGER RAIL VETTING.

Within 180 days of receiving a request from the Amtrak Board of Directors, the Administrator is required to decide whether to allow Amtrak to use the TSA Secure Flight Program to vet passengers.

SEC. 1975. STUDY ON SURFACE TRANSPORTATION INSPECTORS.

Directs the Administrator, within 180 days of enactment, to submit to the Congressional Committees and the Government Accountability Office, a strategy for surface transportation security inspectors. Within 180 days of receiving the strategy, the Government Accountability Office shall conduct a review and issue recommendations.

SEC. 1976. SECURITY AWARENESS PROGRAM.

Directs the Administrator to establish a security awareness training program for all modes of surface transportation.

Requires the Secretary to maintain a national telephone number for reporting suspicious activity.

SEC. 1977. VOLUNTARY USE OF CREDENTIALING.

Directs the Secretary to allow individuals subject to a background investigation to apply for a Transportation Worker Identification Card (TWIC).

SEC. 1978. BACKGROUND RECORDS CHECKS FOR ISSUANCE OF HAZMAT LICENSES.

Allows states to issue individuals holding a TWIC a license to operate a motor vehicle transporting hazardous materials.

SEC. 1979. CARGO CONTAINER SCANNING TECHNOLOGY REVIEW.

Directs the Secretary, within 1 year of enactment, to solicit proposals for scanning technologies for high-risk cargo containers. Allows the Secretary to conduct a pilot program to evaluate the efficacy of the technology.

SEC. 1980. PIPELINE SECURITY STUDY.

Directs the Government Accountability Office to conduct a study of Department of Homeland Security and Department of Transportation responsibilities for pipeline security.

SEC. 1981. FEASIBILITY ASSESSMENT.

Directs the Secretary, through the Administrator, within 180 days of enactment, to submit to the Congressional Committees a feasibility assessment for integrating next generation explosive detection technology into surface transportation and providing access to TSA's Secure Flight Program.

SEC. 1982. BEST PRACTICES TO SECURE AGAINST VEHICLE-BASED ATTACKS.

Directs the Administrator, within 180 days of enactment, to disseminate best practices for mitigating the threat of vehicle-based attacks.

SEC. 1983. SURFACE TRANSPORTATION STAKEHOLDER SURVEY.

Directs the Secretary, within 120 days of enactment, to conduct a survey of public and private entities responsible for surface transportation security to assess the resource challenges and the availability of Federal funding. Requires the submission of a report on the findings within 120 days of launching the survey.

SEC. 1984. NUCLEAR MATERIAL AND EXPLOSIVE DETECTION TECHNOLOGY.

Directs the Secretary, in coordination with the Director of the National Institute of Standards and Technology, to research and, if practicable, deploy next generation systems to detect nuclear and explosive material in transportation facilities.

Subtitle H—Transportation Security

SEC. 1985. NATIONAL STRATEGY FOR TRANSPORTATION SECURITY REVIEW.

Requires the Government Accountability Office, within 1 year of enactment, to evaluate whether the National Strategy for Transportation Security is reflected in Federal programs, budgets and staffing levels.

SEC. 1986. RISK SCENARIOS.

Directs the Administrator to annually develop risk-based priorities that consider threats, vulnerabilities, and consequences for all transportation modes. Within 120 days after the risk-based priorities have been developed, the Administrator is required to submit a report to the Congressional Committees.

SEC. 1987. INTEGRATED AND UNIFIED OPERATIONS CENTERS.

Directs the Administrator, in coordination with other Departmental agencies, within 120 days of enactment, to provide public and private stakeholders a framework for establishing integrated and unified operations centers.

Requires the Administrator, within 1 year of enactment, to report to the Congressional Committees on the establishment and activities of integrated and unified operations centers at transportation facilities.

SEC. 1988. NATIONAL DEPLOYMENT FORCE.

Establishes within TSA, a National Deployment Office responsible for maintaining a National Deployment Force of Transportation Security Officers to rapidly respond to: airports requiring additional security personnel, special security events or natural disasters.

Requires the Administrator, within 1 year of enactment, to report to the Congressional Committees on the activities of the National Deployment Office and size of the National Deployment Force.

SEC. 1989. INFORMATION SHARING AND CYBERSECURITY.

Requires the Administrator, within 1 year of enactment, to direct Federal Security Directors to hold quarterly meetings with the airport director, airport security coordinator, and law enforcement agencies at each airport to discuss incident management and resolution of suspect items discovered at screening checkpoints. In addition, the Administrator shall require Federal Security Directors to coordinate and consult with airport security coordinators in a timely manner.

Directs the Administrator, within 180 days of enactment, to develop a plan to improve intelligence and information sharing with state and local transportation entities.

Directs the Administrator, within 180 days of enactment, to establish a process to share best practices for employee training, professional development, technology development and deployment, hardening tactics, and passenger and employee awareness programs.

Directs the Administrator, within 180 days of enactment, to implement the Framework for Improving Critical Infrastructure Cybersecurity developed by the National Institute of Standards and Technology, to manage TSA's cybersecurity risks.

Upon request by airport or aircraft operators, the Secretary, in consultation with the Secretary of Transportation, shall conduct cybersecurity vulnerability assessments.

Requires the Administrator, within 180 days of enactment, to evaluate the cybersecurity of TSA trusted traveler and credentialing programs that utilize individuals' personal information.

SEC. 1990. SECURITY TECHNOLOGIES TIED TO FOREIGN THREAT COUNTRIES.

Directs the Secretary, within 180 days of enactment, to submit to the Congressional Committees, an assessment of terrorist and other threats to the transportation sector.

Subtitle I—Conforming and Miscellaneous Amendments

SEC. 1991. TITLE 49 AMENDMENTS.

Replaces in previous legislation, references to the Under Secretary of Transportation for Security with Administrator. Similarly, replaces references to the Department of Transportation with Department of Homeland Security.

Provides the Secretary the authority to grant an exemption from a regulation when it is in the public interest.

Allows the Administrator to indemnify a TSA employee or officer against a claim or judgement when the Administrator determines that the act was committed within the scope of the official duties of the employee or officer.

United States Government Accountability Office

Statement for the Record to the Subcommittee on Aviation Operations, Safety, and Security, Committee on Commerce, Science, and Transportation, U.S. Senate

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AIRPORT FUNDING

FAA's and Industry's Cost Estimates for Airport Development

Statement for the Record by Gerald L. Dillingham, Ph.D., Director, Physical Infrastructure Issues

March 23, 2017

AIRPORT FUNDING

FAA's and Industry's Cost Estimates for Airport Development

GAO Highlights

Highlights of GAO-17-504T, a statement for the record to the Subcommittee on Aviation Operations, Safety, and Security, Committee on Commerce, Science, and Transportation, U.S. Senate

Why GAO Did This Study

Roughly 3,300 airports in the United States are eligible for federal AIP grants from the FAA that can be used for certain types of projects, such as building runways and noise mitigation. To fund development, in addition to AIP grants, airports rely on locally generated revenues and federally authorized PFCs, which are added to the price of an airline ticket and have been capped at $4.50 per flight segment.

The administration's call to boost spending on public infrastructure has renewed attention on the importance of maintaining and improving airport infrastructure.

This testimony discusses: (1) the differences between estimates of airports' planned development costs, (2) the federal funding and other airport funding and revenues that may be available to defray development costs, and (3) the implications of increasing the cap on PFCs, among other objectives.

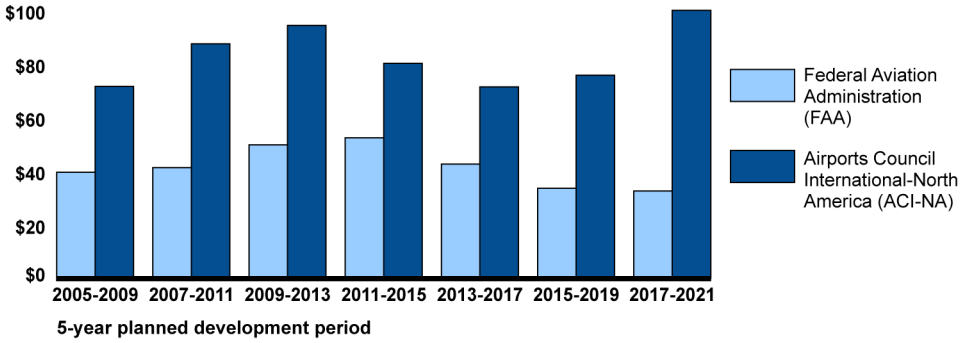
This testimony is based on previous GAO reports issued from March 1998 through April 2015, with selected updates conducted through March 2017. To conduct these updates, GAO reviewed recent information on FAA's program activities and analyses outlined in FAA reports, and related airport industry estimates of infrastructure development costs. GAO also interviewed officials from FAA, and airport and airline trade associations.

View GAO-17-504T. For more information, contact Gerald L. Dillingham at (202) 512-2834 or dillinghamg@gao.gov.

What GAO Found

The Federal Aviation Administration's (FAA) estimate of the costs for planned capital development at airports over the next five years is about $32.5 billion, compared to the Airports Council International-North America's (ACI-NA) estimate of almost $100 billion, both for the period 2017-2021. The difference between these two estimates can be attributed to a number of factors, but most significantly to the types of projects included in the estimates. FAA's estimate is limited to projects that are eligible for Airport Improvement Program (AIP) grants that do not already have funding arranged, whereas ACI-NA's estimates include all projects regardless of AIP eligibility or whether funding is arranged. The figure below illustrates the disparity between the two estimates since 2005. Note that since 2015, FAA's estimate has decreased by $1 billion whereas ACI-NA's has increased by $24.4 billion.

FAA's and ACI-NA's Planned Development Cost Estimates, 2005–2021
Dollars in billions



Source: GAO analysis of FAA and ACI-NA data. | GAO-17-504T

In addition to the AIP and state grants they receive, airports generate funds through airport-generated income and Passenger Facility Charges (PFC), among other sources. In 2015, GAO estimated that funding from these sources totaled an average of $10.3 billion annually (2013 dollars), $2.7 billion less than airports' planned development costs. Airports have a number of options for addressing any shortfall in funding their planned development costs, including prioritizing development projects, financing projects with long term debt, attempting to increase airport revenues, or entering into public-private partnerships.

Increasing or eliminating the PFC cap would significantly increase PFC collections available to airports under three scenarios GAO modeled in prior work. However, according to GAO's model, an increase in the PFC could also marginally slow passenger growth and therefore the growth in tax revenues to the Airport and Airway Trust Fund (AATF), which is used to fund FAA programs. Such projected effects depend on key assumptions regarding the consumers' sensitivity to a PFC cap increase, whether the airlines decide to pass on the full increase to consumers, and the rate at which airports would adopt the increased PFC cap. Any increase in PFCs is strongly opposed by airlines which contend that an increase could reduce passenger demand.

Chairman Blunt, Ranking Member Cantwell, and Members of the Subcommittee:

I am pleased to submit this statement on funding airport infrastructure as you begin considering reauthorization of the Federal Aviation Administration (FAA). U.S. airports are important contributors to our economy, providing mobility for people and goods both domestically and internationally, and often contributing to the economic success of the communities served. The administration's call to boost spending on public infrastructure has focused attention on the importance of maintaining and improving the state of the nation's entire infrastructure, including airports.

Since 1998, we have reported on airport funding relative to airports' planned development. The last time we testified on this topic in 2015, we noted that following several airline mergers, a spike in fuel prices, and the Great Recession, aviation activity slowed or even declined at many airports, while at the same time becoming more concentrated at larger (i.e., large and medium hub) airports.[1] We also noted that federal support for airport development declined during this period. In response, airports have leveraged their expected future revenues and sought to increase their non-aviation revenues to finance past or current development.[2] These trends have continued affecting the demands on infrastructure at these airports, as well as their finances. To meet future planned development costs, airports have long sought an increase in the cap on federally authorized but locally imposed Passenger Facility Charges (PFC), which are added to ticket prices along with federal taxes.[3] However, airlines strongly oppose a PFC increase because higher ticket prices could reduce passenger demand and airline revenues.

My statement today focuses on funding for airport capital development. Specifically, this statement discusses (1) the differences between estimates of airports' planned development costs; (2) federal funding, other airport funding, and revenues that may be available to defray capital development costs; (3) the implications of any potential gap between the estimated costs of planned development and expected future funding; and (4) the implications of increasing the cap on PFCs.

[1]GAO, *Airport Funding: Changes in Aviation Activity Are Reflected in Reduced Capacity Concerns*, GAO-15-498T (Washington, D.C.: Apr. 23, 2015).

[2]GAO-15-498T.

[3]49 U.S.C. § 40117.

This statement draws from our body of work, completed from March 1998 through April 2015, on airport and aviation-industry trends. Specific products are cited throughout the statement. We have updated this work through March 2017 with interviews with key FAA and trade association officials and updated FAA and trade association airport-funding data from 2005 through 2017.

More detailed information on our objectives, scope, and methodology for that work can be found in the issued reports. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The United States has more than 19,000 airports, ranging from busy commercial service airports such as Hartsfield-Jackson Atlanta International Airport that enplanes millions of passengers annually, to small grass airstrips that serve only a few aircraft each year. Of these, roughly 3,300 airports are designated by FAA as part of the national airport system and are therefore eligible for federal assistance for airport capital projects.[4]

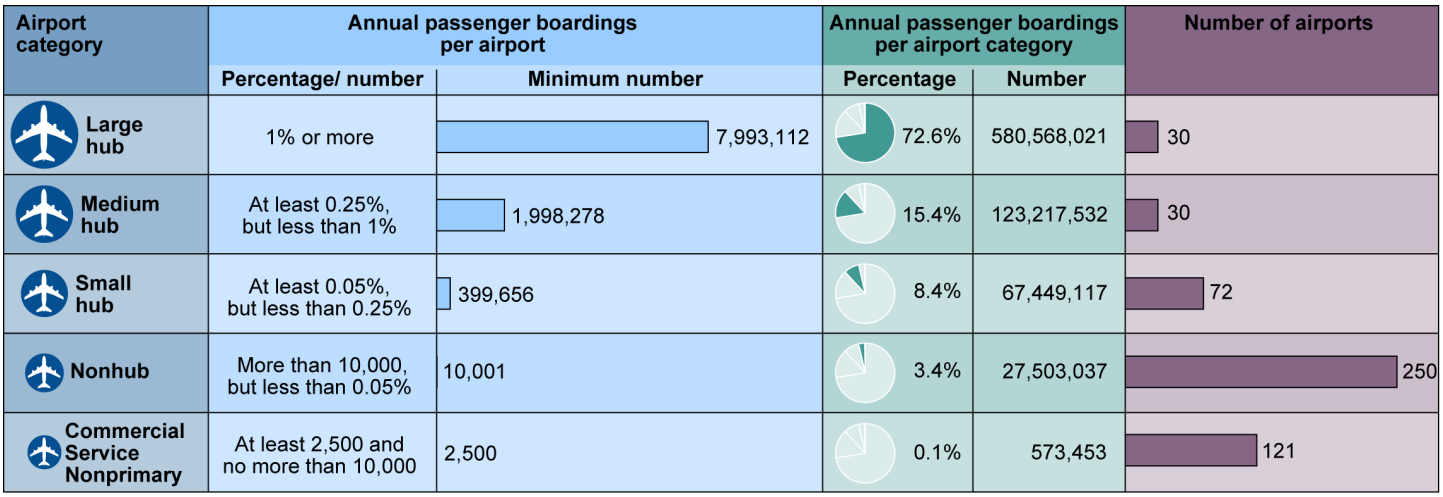
The national airport system consists of two primary types of airports—commercial service airports, which have scheduled service and board 2,500 or more passengers per year,[5] and general aviation airports, which have no scheduled service and board fewer than 2,500 passengers.[6] Federal law divides commercial service airports into various categories of airports, based on the number of passenger boardings, ranging from large hub airports to commercial service nonprimary airports (see fig. 1). The majority of passenger traffic occurs at large hub airports: almost 73 percent of all passengers in the United States boarded at the 30 large hub airports in 2015.

[4]49 U.S.C. § 41703.

[5]49 U.S.C. § 41702(7).

[6]49 U.S.C. § 41702(8).

Figure 1: Commercial Airport Categories Based on 2015 Boardings of U.S. Passengers



Source: GAO presentation of FAA data. | GAO-17-504T

Note: The term "hub" is defined in federal law to identify commercial service airports as measured by passenger boardings, and the airports are grouped into four hub categories. (49 U.S.C. § 40102 (29), (31), (42), and (34)).

The federal government provides grants to help fund airport capital development through its Airport Improvement Program (AIP). Congress appropriates funds for AIP and other FAA programs from the Airport and Airway Trust Fund (AATF), which is itself funded by a variety of aviation-related taxes, such as taxes on tickets, cargo, general aviation gasoline, and jet fuel.[7] FAA's tool for identifying airports' future capital projects that are eligible for AIP grants is the National Plan of Integrated Airport Systems (NPIAS).[8] FAA relies on airports, through their planning process, to identify individual projects for funding consideration. Federal law and FAA's rules establish which types of airport development projects are eligible for AIP's funding.[9] Generally, most types of airfield improvements—such as runways, lighting, navigational aids, and land acquisition—are eligible. AIP-eligible projects for airport areas serving travelers and the general public—called "landside development"—include entrance roadways, pedestrian walkways and movers, and common space within terminal buildings, such as waiting areas. Hangars and

[7]26 U.S.C. § 9502.

[8]49 U.S.C. § 47103.

[9]49 U.S.C. § 47102(3).

interest expense on airport debt are not eligible for AIP grants. Some landside development projects—including revenue-producing terminal areas, such as ticket counters and concessions—are also ineligible.

PFCs are another federally authorized source of funding that commercial airport sponsors can levy on passengers to help pay for capital development at national system airports.[10] Commercial airports must designate which projects PFCs will fund and must seek and obtain FAA's approval to charge a PFC. Funding for both AIP and PFCs is linked to passenger activity. In this way, Congress aimed to direct funds to where they are needed most. Airports also fund their development with state and local contributions as well as airport generated funds, such as income from airports' tenants and commercial activities. Airport-generated revenue is typically used to finance the issuance of local debt such as tax-exempt bonds, which for larger commercial airports constitute more than half of their financing. Because of the size and duration of airport development—for example, planning, funding and building a new runway can take more than a decade and several hundred-million dollars to complete—long-term debt is used to help finance these types of projects.

Airport Planned Development Cost Estimates Differ due to Multiple Factors

The FAA's estimate of the costs for infrastructure development at airports over the next 5 years is about $32.5 billion compared to the airport industry's estimate of almost $100 billion for the same period. In 2016, FAA estimated that airports have roughly $32.5 billion in planned development projects for the period 2017-2021, which represents a 3 percent, or $1 billion, decrease from its estimate for the 2015-2019 period. The FAA attributes the decline in capital development costs to a range of factors, including a reduction in current and future traffic relative to earlier predictions, the use and age of airport facilities, and costs related to changing aircraft technology. FAA reported a decrease in estimated costs for planned projects at most large and medium hubs, with increases at other hub types. For instance, according to the FAA, there is an increase in terminal projects at small airports, while FAA notes that many large and medium sized airports have terminal projects planned. Further, according to FAA's analysis, airports will experience decreased demands for building new airside capacity, such as runways, to reduce delays.

[10]49 U.S.C. § 40117.

The airport industry's estimate of 5-year planned development cost, as developed by Airports Council International-North America (ACI-NA), is three times FAA's. ACI-NA's most recent estimate of almost $100 billion in planned investment is a 32 percent increase over its 2015 5-year estimate of $75.5 billion. According to ACI-NA officials, of the nearly $100 billion in total planned development costs, $61 billion are for AIP-ineligible projects and $38.9 billion are for AIP-eligible projects (as compared to FAA's $32.5 billion estimate), with most of the ineligible projects for terminal or landside improvements such as ground access. The percentage increase in planned development estimates is greatest for large hub airports, where estimated costs have increased more than 50 percent, from about $40 billion to about $60 billion in ACI-NA's most recent estimate. For example, according to the latest ACI–NA report, the Los Angeles International Airport reported that its planned new development will cost about $10 billion between 2017 and 2021 for infrastructure projects. In contrast, most small airports reported single-digit increases in infrastructure costs, according to ACI-NA, although there are some exceptions. ACI-NA officials told us that a key driver for its increasing cost estimate is that airports have deferred some airport projects due to a lack of funding in the past.

The principal reason why FAA's and ACI-NA's planned development costs differ so significantly is that the ACI-NA cost estimate encompasses substantially more projects than does FAA's, according to ACI-NA. As we have previously reported, the ACI-NA uses AIP-eligible and AIP-ineligible projects to develop its estimates, while the FAA only uses AIP-eligible projects.[11] Additionally, ACI-NA cost estimates are made up of projects that have already identified funding sources as well as those that have not. According to ACI-NA officials, 77 percent of the cost of planned development for large hub airports in their most recent cost estimate has funding already arranged. In contrast, FAA's estimates only include projects without financing arranged.

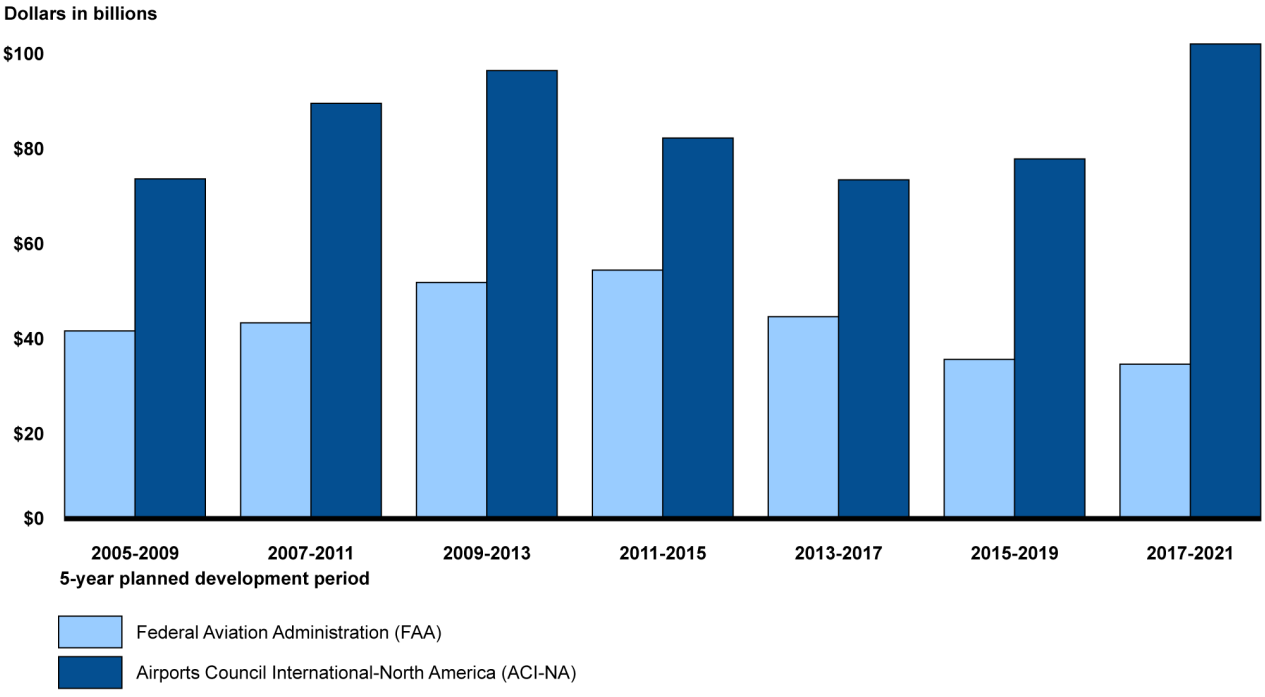
Additional reasons for differences in FAA's and ACI-NA's estimates are technical and methodological. First, the sources and methods for surveying information from the airports differ. FAA estimates are developed by reviewing information from airport plans that were available through 2015. The ACI-NA costs estimates are based on a survey of airports completed in 2017. Second, the FAA does not adjust its

[11]GAO-15-498T.

estimates for inflation, but the ACI-NA uses a 1.5 percent annual inflation adjustment.[12] Without the inflation adjustment, ACI-NA's estimate would drop $4.2 billion to $95.7 billion in constant 2016 dollars. Third, the ACI-NA estimate includes contingency costs for potential design changes, whereas FAA's estimate does not.

While FAA and ACI-NA cost estimates have long differed for the reasons outlined above, the most recent estimates diverge considerably, as shown in figure 2. The 5-year FAA estimate for 2017 through 2021 fell from the prior estimate to $32.5 billion, whereas ACI-NA's estimate increased by $24.4 billion to $99.9 billion, or three times FAA's estimate.

Figure 2: Comparison of FAA and ACI-NA 5-year Planned Development Estimates, 2005–2021



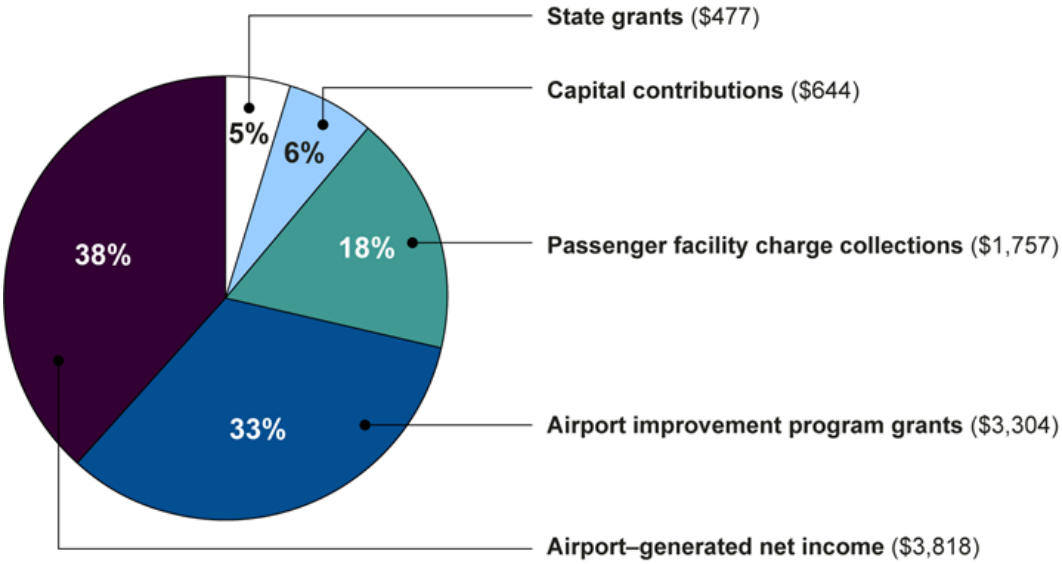
Source: GAO analysis of FAA and ACI-NA data. | GAO-17-504T

[12]According to ACI-NA, a 1.5 percent inflation factor only partially accounts for changes in the inflation rate.

Airports Rely on Federal and Locally Generated Revenues to Fund Development

In 2015, we estimated that in recent years national system airports had generated an average of $10 billion annually for capital development.[13] These funds come from a variety of sources, as noted in figure 3.[14]

Figure 3: Sources of Airport Funding Available for Capital Projects, Annual Averages for Fiscal Years 2009–2013 (Dollars in Millions)



Sources: GAO analysis of Federal Aviation Administration (FAA) data and data obtained from GAO's survey of state aviation officials. | GAO-17-504T

Note: We subtract interest payments from airport-generated income and PFC collections because these costs are financing rather than project costs, and the estimated costs of planned development projects largely exclude financing costs. To subtract interest payments, we obtained data on total interest expenses from FAA's airport financial reports database. We estimated the percentage of PFC collections used to pay interest expenses—36 percent—based on FAA data on PFC application approvals. We assumed that the remaining interest expenses were paid with airport-generated net income. Dollar amounts are in nominal dollars.

[13]GAO, *Airport Finance: Information on Funding Sources and Planned Capital Development*, GAO-15-306 (Washington, D.C.: Apr. 28, 2015).

[14]In addition to these funding sources, private investment is another option for funding airport development. While privatization of an entire airport has seldom been used in the United States, many public-sector airport owners have engaged the private sector through a variety of partnerships ranging from management contracts to development agreements to reduce costs, improve services, and obtain capital investment without transferring airport control. See GAO, *Airport Privatization: Limited Interest despite FAA's Pilot Program*, GAO-15-42 (Washington, D.C.: Nov. 19, 2014).

AIP grants: Since 2012, AIP authorizations have been unchanged, although the health of the AATF, which funds AIP, has improved. The AATF's balance has recovered in recent years, ending fiscal year 2016 with an uncommitted balance of $5.7 billion and a cash balance of $14.3 billion.[15] AIP grants must be used for eligible and justified projects, which are planned and prioritized by airports, included in their capital improvement plans, and reviewed and approved by FAA staff and the Secretary of Transportation. The distribution system for AIP grants is complex. It is based on a combination of formula grants—which are often referred to as "entitlement grants" within this program[16]—that go to all national-system airports, and discretionary grants that FAA awards for selected eligible projects.[17] In 2015, we reported that, for fiscal years 2009 through 2013, national-system airports received an average of $3.3 billion annually in AIP grant funding.[18] Grant awards in fiscal year 2016 totaled almost $3.3 billion.

PFC collections: Congress last raised the PFC cap in 2000[19] to $4.50 per flight segment, with a limit on the total PFCs that a passenger can be charged per round trip of $18 total. Large and medium hub airports that collect PFCs of $3 or less per flight segment have their AIP entitlement funding reduced by 50 percent; any of these airports that collect PFCs of more than $3 have their AIP entitlement funding reduced by 75 percent.[20] Most of these AIP reductions to large and medium airports are distributed

[15]FAA considers the committed balance of the AATF to include amounts that have been appropriated from the trust fund (directly or to liquidate prior contract authority) and authorized contract authority (contract authority up to the annual obligation limitation), whether or not an actual obligation has been incurred. The uncommitted balance is the revenue that would remain in the Trust Fund after subtracting the committed balance. The financial condition of the AATF generally can be evaluated by looking at the uncommitted balance and the cash balance. The uncommitted balance is used to evaluate FAA's ability to enter into future commitments as provided in authorization and appropriations acts. The cash balance reflects all cash on hand in the AATF—both that money that may be required to satisfy outstanding obligations and those funds for which no commitments may have been made. This balance is used to evaluate the AATF's ability to pay outstanding bills as they become due.

[16]49 U.S.C. § 47114.

[17]49 U.S.C. § 47115.

[18]GAO-15-306.

[19]Pub. L. 106–181, title I, §§ 105(a), (b), 135(a), (b), 151, 152(a), 155(c), Apr. 5, 2000, 114 Stat. 71, 83, 86–88. 49 U.S.C. § 40117(b)(4).

[20]49 U.S.C. § 47114(f).

to smaller airports through the AIP.[21] We found in 2015 that for fiscal years 2009 through 2013, commercial airports had an annual average of $1.8 billion of their PFC collections available for capital projects after deducting interest payments on debt.[22] Ninety percent of that amount was collected by larger airports. Of the $90 billion in FAA approved PFC collections, 34 percent has been committed for landside projects, such as terminals; 34 percent for the interest payments on debt used to pay for capital projects, and 18 percent for airside projects, such as runways and taxiways. As of January 2017, 96 of the top 100 airports have been approved to collect PFCs.

State grants: Airports can also obtain funding for capital development projects from state grants. This money is often used to provide the airport's share of matching funds required for AIP-funded projects. According to the results of a survey we conducted in collaboration with the National Association of State Aviation Officials (NASAO), for fiscal years 2009 through 2013, states provided an annual average of $477 million to national system airports, with $345 million (72 percent) going to smaller airports and $131 million (28 percent) going to large and medium hub airports.[23]

Capital contributions: Capital contributions are funds contributed for infrastructure projects by the airport sponsor or entities that use the airport, such as airlines or tenants. According to FAA data on commercial airports' annual financial reports, for fiscal years 2009 through 2013, commercial airports received an annual average of $644 million in capital contributions.[24] Of this amount, $419 million went to larger airports and $225 million went to smaller airports.

Airport-generated net income: Airports generate both aeronautical revenues, such as revenues earned from leases with airlines and landing fees, and non-aeronautical revenues, such as earnings from terminal concessions and parking fees. We found that for fiscal years 2009 through 2013, airport-generated net income available for capital development projects averaged $3.8 billion annually—55 percent from

[21] 49 U.S.C. § 47116(a).

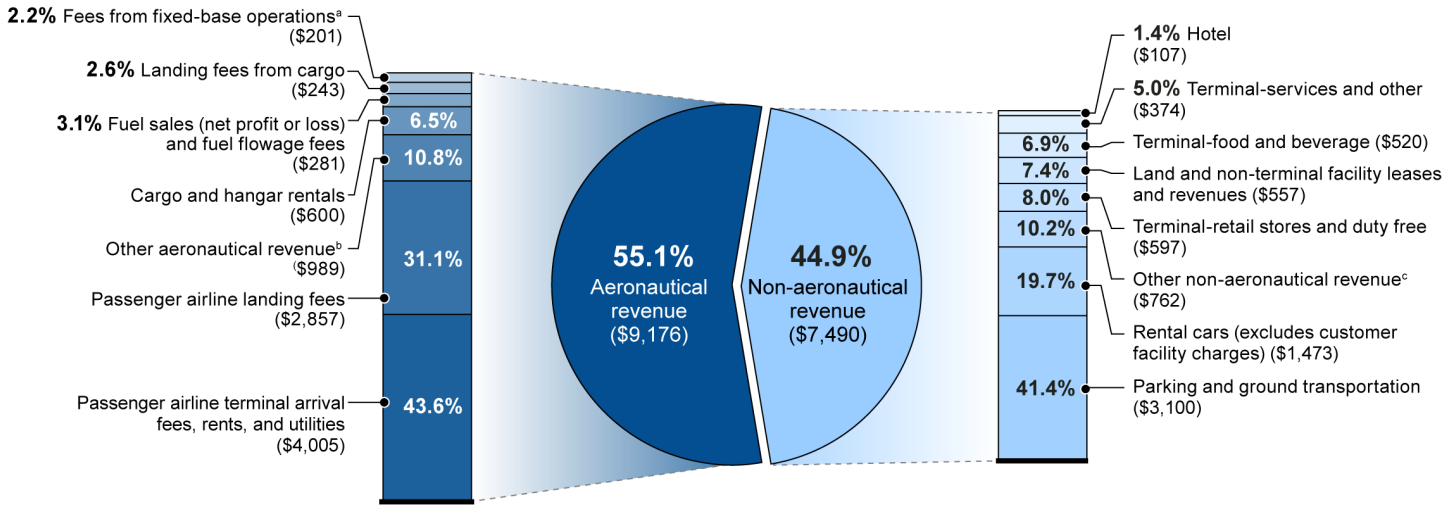
[22] GAO-15-306.

[23] GAO-15-306.

[24] GAO-15-306.

aeronautical revenues and 45 percent from non-aeronautical revenues (see fig. 4).[25]

Figure 4: Sources of Aeronautical and Non-Aeronautical Revenue for All Commercial Airports (Based on Average Annual Airport Operating Revenues for Fiscal Years 2009–2013) (Dollars in Millions)



Source: GAO analysis of Federal Aviation Administration (FAA) data. | GAO-17-504T

Notes: Percentages may not sum to 100 percent because of rounding.

Dollar amounts are in nominal dollars.

[a]Fees charged to fixed-base operations (FBO) are for the use of airport facilities and land. FBOs are typically privately owned businesses that provide flight and aircraft support services to aeronautical users of the airport, such as the sale of aircraft fuel, aircraft maintenance, and hangar facilities.

[b]Other aeronautical revenue includes other fees paid by passenger airlines for aeronautical services or use of terminals and nearby areas, such as security fees, fees for federal inspections of international passengers, and fees for parking or tying down aircraft near terminals; landing fees paid by general aviation users and the military; non-passenger aviation fuel tax retained for airport use; non-passenger aviation security reimbursement from the federal government; and other non-passenger aeronautical uses.

[c]Other non-aeronautical revenue includes revenue from all other non-aeronautical use of the airport.

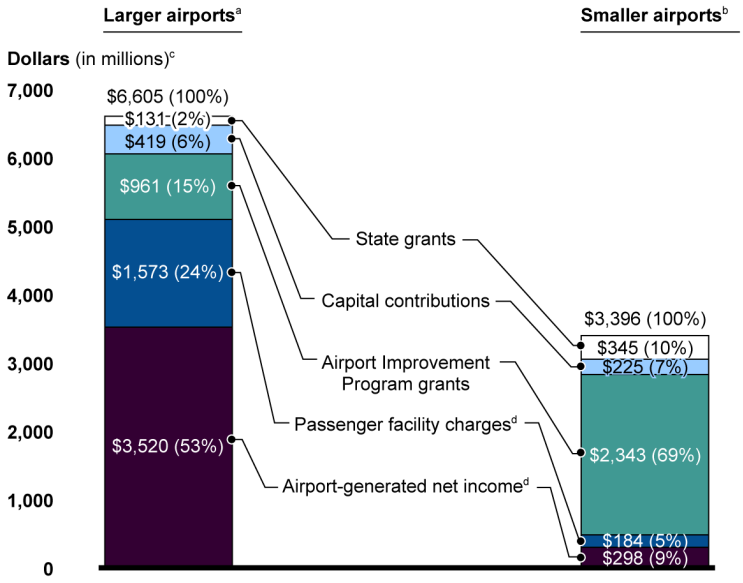
To leverage these funding sources, some airports also issue bonds to finance infrastructure projects, often for larger and longer-term developments. Bonds allow an airport to fund a project up front and pay for its cost, plus interest, over a much longer time frame compared to the construction of the project. Because many U.S. airports are owned by states, counties, cities, or public authorities, bonds issued by these

[25]GAO-15-306.

entities to support airport projects may qualify as tax-exempt bonds for federal tax purposes. The tax-exempt status enables airports to issue bonds at lower interest rates than taxable bonds, thus reducing a project's financing costs. Tax-exempt bonds can be issued at lower rates because the federal income-tax exclusion on the interest paid by the purchasers can make these investments more attractive to investors than taxable bonds. Based on our analysis of data from Thomson Reuters on airport bond issuances, from 2009 to 2013, airports obtained an average of $6.3 billion per year for new projects by issuing bonds. Bond financing has traditionally been an option exercised by larger airports because they are more likely to have a greater and more certain revenue stream to support repayment of debt. Smaller airports tend to be less reliant on bonds and, to the extent that they do issue bonds, make greater use of general obligation bonds that are backed by the tax revenues of the airport sponsor, which is often a state or municipal government. Data from FAA's airport financial-reporting system indicate that from fiscal year 2009 to fiscal year 2013, 94 percent of bond proceeds—including both new bonds and refinancing—went to larger airports and 6 percent went to smaller airports.

The total amounts of funding by source differ between larger and smaller airports. As shown in figure 5, larger airports are more dependent than are smaller airports on airport-generated net income and larger airports are less dependent than are smaller airports on AIP grants.

Figure 5: Sources of Airport Funding Available for Capital Projects, Annual Averages by Size of Airport for Fiscal Years 2009–2013



Sources: GAO analysis of Federal Aviation Administration (FAA) data and survey of state aviation officials by GAO and National Association of State Aviation Officials. | GAO-17-504T

Note: Dollar amounts may not sum to totals because of rounding.

[a]Larger airports include large and medium hubs. The number of airports in FAA's National Plan of Integrated Airport Systems (NPIAS) varies over time. Based on prior NPIAS reports that provide data on the number of existing airports as of dates that fall within the time frame of our analysis (fiscal years 2009 to 2013), there were 66 larger airports as of February 2010, and there were 65 larger airports as of February 2012. However, each of these airports may not have received funding from every source.

[b]Smaller airports include small hubs, non-hubs, nonprimary commercial service airports, relievers, and general aviation airports. The number of airports in the NPIAS varies over time. Based on prior NPIAS reports that provide data on the number of existing airports as of dates that fall within the time frame of our analysis (fiscal years 2009 to 2013), there were 3,266 smaller airports as of February 2010, and there were 3,265 smaller airports as of February 2012. However, each of these airports may not have received funding from every source.

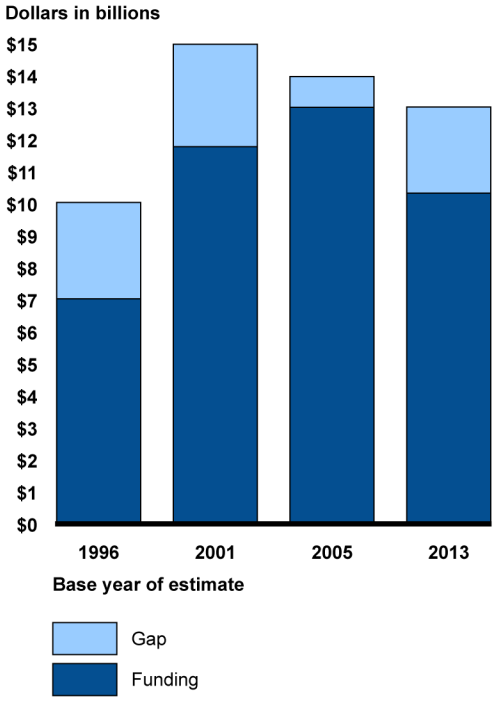
[c]Dollar amounts are in nominal dollars.

[d]Even though airport-generated net income and Passenger Facility Charge (PFC) collections are used to pay bond principal, we do not subtract bond principal payments because we do not include bond proceeds as a source of funding. We do, however, subtract payments on bond interest from airport-generated net income and PFC collections because these costs are financing rather than project costs and the estimated costs of planned development projects largely exclude financing costs. The gross average annual amounts of airport-generated net income for larger and smaller airports were $5,665 million and $418 million, respectively; the gross average annual amounts of PFCs for larger and smaller airports were $2,456 million and $288 million, respectively.

Airports Continue to Report Funding Gap for Planned Investments

In 2015, we estimated airports' planned capital-development costs for fiscal years 2015 through 2019 at $13 billion annually, which exceeded airports' average funding of $10 billion by roughly $3 billion in recent years ($2.7 billion in constant 2013 dollars).[26] We have examined airport funding and planned development four times since 1998 and, as figure 6 shows, the difference between planned development and historical funding has never exceeded $3 billion. Note that the gap also tends to be proportionally greater for smaller airports.

Figure 6: Comparison of Past Airport Funding and Planned Development Costs



Source: GAO analysis of Federal Aviation Administration (FAA) and Airports Council International-North America (ACI-NA) data. | GAO-17-504T

As we reported in 2015, airports have a number of options for addressing any shortfall in funding their capital development, including prioritizing capital development projects, financing projects, attempting to increase airport revenues, or entering into public-private partnerships. States and

[26] GAO-15-306.

local communities can also choose to increase state grant funding.[27] For individual airports, a common method for aligning funding with planned development is to prioritize projects. This generally entails decisions about which projects to move forward with and which to defer, but could also include scheduling a project in phases or reducing the scope of or cancelling a planned project. Another method that airports can use to align funding with capital development is to borrow money to fund a project. Most commonly, this consists of issuing a bond. However, as previously discussed, borrowing has traditionally been an option exercised by larger airports. To be able to finance projects, an airport's financial situation must be viewed positively enough to be able to borrow money at affordable rates in the bond market. Two of the airport financial-consulting firms with whom we spoke in 2015 noted that some airports are already leveraged to a large extent, and one bond-rating agency stated that taking on additional debt is always a risk. A third method for airports to fund capital development is to try to increase airport-generated net income. We have found in recent prior work that in addition to traditional commercial activities to generate non-aeronautical revenue, such as parking fees or terminal concessions, some airports have developed commercial activities with stakeholders from local jurisdictions and the private sector to help develop airport properties into retail, business, and leisure destinations.[28]

Increasing Passenger Facility Charges Would Increase Airport Funding, but Other Effects Are Less Certain

One approach to increasing funding for airports that has been advanced by airports and others is to increase or eliminate the current $4.50 cap on PFCs. However, any increase in PFCs is controversial and strongly opposed by airlines, which contend that airports currently have adequate access to funding for their development. We have previously found that increasing the PFC cap would significantly increase PFC collections available to airports.[29] Specifically, in 2014, we developed an economic demand model to estimate the potential funding airports might generate using three different PFC amounts.[30] The general approach of this analysis was to model airport collections and passenger traffic under

[27]GAO-15-306.

[28]GAO-15-306.

[29]GAO, *Commercial Aviation: Raising Passenger Facility Charges Would Increase Airport Funding, but Other Effects Less Certain*, GAO-15-107, (Washington, D.C.: Jan. 12, 2005).

[30]GAO-15-107.

various PFC cap levels. We modeled three different increases in the PFC cap amount, each starting in 2016:

- PFC cap of $6.47 (the 2016 equivalent of $4.50 indexed to the Consumer Price Index (CPI) starting in 2000 when the cap was first instituted);
- PFC cap of $8 based on the President's 2015 budget proposal; and
- PFC cap of $8.50 that would be indexed to inflation.[31]

Our analysis indicated that all three scenarios would significantly increase the potential amount of PFC collections in comparison to what would be available without a PFC increase, as shown in table 1. For example, we estimated that raising the PFC cap to $8.00 would result in an additional $2.6 billion in PFCs, an increase of 77 percent in PFC revenue in 2020.[32]

[31]This had been the airport trade associations legislative proposal at the time of our report in 2014, since then ACI-NA and the American Association of Airport Executives (AAAE) had modified their proposal to an uncapped PFC.

[32]These projected effects depend on key assumptions regarding consumers' sensitivity to a fare increase caused by an increase in the PFC, whether airlines would pass on the full increase to consumers, and the rate at which airports would adopt the increased PFC cap. For the purposes of this model, we assumed that the entire PFC increase would be fully passed on to consumers and not absorbed by the airlines by adjusting their base fares downward. We also assumed that airports that currently impose a PFC would raise it to the maximum allowed amount in the first year. While all airports likely would not immediately raise their PFC level in the first year, based on near universal adoption of the current maximum by nearly all of the largest airports, it is not unrealistic to expect that most airports would be at the maximum by 2024. Finally, this model assumes an elasticity of demand of -0.8. See GAO-15-107.

Table 1: Estimated Passenger Facility Charge (PFC) Collections Available to PFC-Approved Airports, 2016–2024 (Dollars in Millions)

Scenario	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current baseline estimate for PFC revenue (in millions of dollars)									
$4.50 cap[a]	3,073	3,149	3,225	3,301	3,373	3,437	3,498	3,561	3,628
Estimated increases to the baseline estimate for PFC revenue (in millions of dollars)									
$6.47 cap[b] ($4.50 cap, Consumer Price Index (CPI) adjusted)	+1,341	+1,375	+1,409	+1,444	+1,476	+1,505	+1,533	+1,561	+1,592
$8.00 cap[c] (President's 2015 budget)	+2,364	+2,424	+2,485	+2,546	+2,604	+2,655	+2,705	+2,756	+2,810
$8.50 cap, CPI adjusted[d]	+2,696	+2,886	+3,093	+3,316	+3,551	+3,787	+4,033	+4,291	+4,562

Source: GAO analysis using Department of Transportation (DOT) data. | GAO-17-504T

Notes: These projections assume: (1) 100 percent adoption of maximum allowable PFCs in 2016 by airports approved to collect a PFC as of July 31, 2014; (2) a -0.8 elasticity rate; and (3) 100 percent pass through of the cost of the PFC increase to passengers.

Results are reported in nominal dollars.

[a]Baseline PFC revenues under current cap ($4.50). 49 USC § 40117(b)(4).
[b]Change in PFC revenues relative to baseline under $6.47 PFC cap. This cap was developed by using CPI to adjust for inflation between 2000 and 2016.
[c]Change in PFC revenues relative to baseline under $8 PFC cap. This cap was proposed in the President's 2015 budget.
[d]Change in PFC revenues relative to baseline under $8.50 PFC cap which is adjusted for inflation using the Congressional Budget Office's projected CPI for each calendar year in our analysis. This amount was proposed by Airports Council International-North America and American Association of Airport Executives. The trade associations have not proposed an inflation rate so GAO has used the CPI to adjust for inflation as this is a federal inflation index standard.

Because passenger traffic is highly concentrated at larger airports, PFC collections are similarly concentrated. Thus, larger airports would benefit most from a PFC increase. A hub level analysis of a PFC cap increase shows that large hub airports could receive nearly three-quarters of all PFCs, while large and medium hubs together could account for nearly 90 percent of total PFCs, similar to the current distribution. For example, under an $8 PFC, large hub airports could receive additional PFC revenues of $1.74 to $2.08 billion annually and medium hubs could receive additional PFC revenues of $372 to $435 million annually from 2016 to 2024. Small and non-hub airports could receive up to $212 million

and $82 million in additional annual PFC revenues, respectively, from 2016 to 2024.

While an increase in PFCs would mainly flow to the larger airports, smaller airports could also benefit from increased PFC collections. As previously noted, under current law, large and medium hubs' apportionment of AIP formula funds may be reduced,[33] which in fiscal year 2014, resulted in a redistribution of approximately $553 million. The majority of this funding (87.5 percent) goes to the Small Airport Fund for redistribution among small airports.[34] The remaining 12.5 percent became available as AIP discretionary funds, which FAA uses to award grants to eligible projects regardless of airport size.[35]

According to our model, while increasing the PFC cap could raise PFC revenue, it could decrease passenger demand. Such a decrease would also result in marginally slowing growth in revenues to the AATF.[36] Assuming that the PFC increase is fully passed on to consumers and not absorbed through a reduced lower base in (before tax) fares, the higher cost of air travel could reduce passenger demand according to economic principles. Economic principles and past experience suggest that any increase in the price of a ticket—even if very small—will have an effect on some consumers' decisions on whether to take a trip. For example, an increase in the price by a few dollars may not affect the decision of a business flyer going for an important business meeting but could affect the decision of a family of four going on vacation. Under all three scenarios, AATF revenues, which totaled $14.3 billion in 2016 and are used to fund FAA activities, would likely continue to grow overall based on current projections of passenger growth; however, the modeled cap increases could reduce total AATF's revenues by roughly 1 percent because of reduced passenger demand. For example, under a $6.47 PFC, we estimated that AATF's revenues would total $105 million less in 2024 than they would total if the cap were not raised.

For more than a decade, airlines and airports have hotly debated a PFC increase because it would give greater control over airport investment to

[33]49 U.S.C. § 47114(f).

[34]49 U.S.C. § 47116(a).

[35]49 U.S.C. § 47115(a)(2).

[36]See GAO-15-107.

airports.[37] All else being equal, lower PFCs can provide airlines with more influence over airport infrastructure decisions and higher PFCs can provide airports more control over local capital-funding decisions, including the ability to decide how to apply PFC revenues to support capital projects and thus how those revenues might influence airline rates and charges. Generally, PFCs offer airports relative independence over investment decisions at their airports. While airports must notify and consult with the airlines on how they spend PFCs, as long as FAA approves, airlines cannot block these decisions. Airlines can choose to serve other airports, however, so airports still have an incentive to listen to airline concerns.

Chairman Blunt, Ranking Member Cantwell, this concludes my statement for the record.

Contact

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Staff Acknowledgments

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[37]Representatives Peter DeFazio (D-OR) and Thomas Massie (R-KY) recently introduced legislation (H.R. 1265) that would eliminate the PFC cap all together. Large and medium hub airports that increase their PFC rate above $4.50 would have AIP funds reduced by 100% of the PFC charge. The bill also reduces the AIP "trigger" mechanism from $3.20 billion to $2.95 billion. In current law, the trigger mechanism doubles entitlement grant funding for all airports when the appropriated amount is at least $3.2 billion. 49 U.S.C. § 47114(c)(1)(C)(i)).