Statewide Transportation Needs Assessment Revenue Report Template

Please use the headers below for use when writing a narrative for the report:

Revenue Generator Airport Passenger Facility Charge (PFC) Increase

Application Federal - State – Regional - Local (circle one)
The Passenger Facility Charge (PFC) is a federally-authorized charge that may be imposed at a local level by an airport authority for authorized airport-related uses. Airports are not required to impose this fee on passengers, but the overwhelming majority of CA airports collect the maximum $4.50 charge.

Introduction
Provide a brief overview:

1. Description of new revenue source.
    a. The PFC is a user fee that may be charged by the airport and collected by the airlines for revenue passengers enplaning (boarding) at airports. The current maximum PFC that can be imposed by airports is $4.50 per enplaned passenger. PFCs are approved by the FAA and are used to fund eligible capital improvement projects that support modern and efficient airport facilities.
2. Reason for new revenue source.
    a. The $4.50 cap on PFCs has been in place since 2000. Since that time, the purchasing power of the $4.50 charge in terms of the cost of capital construction has diminished, and there have been many attempts at the federal level to allow for this cap to be raised.
3. Proposed use(s) (include mode(s) & purpose (system preservation/system management/system expansion)for new revenue source.
    a. PFCs may be used for a range of airport landside and airside improvements that address both the system preservation and management aspect s of airport operations (runway and terminal maintenance, for example) as well as for system expansion (new terminal construction, new runways, etc). All eligible PFC-based expenditures must be approved by the Federal Aviation Administration. It is important to note that most projects that are funded by PFCs at airports have not typically been supported by any state transportation revenue sources.

Yield Potential

1. Include a statement whether potential for revenue generation is High, Medium, or Low based on current rates and projected consumption.
    a. High. California had almost 86 million enplanements in 2011. Enplanements indicate the number of airline passengers who begin their journey at a California airport. Assuming a $2.50 increase in the allowable PFCs that could be imposed (one proposal that has been forwarded by airport trade coalitions) it could generate upwards of $200 million a year in additional long-term revenue for needed airport improvements if airports took advantage of the potential revenue charge increase.
2. Provide revenue assumptions, details & funding stream considerations.
    a. PFCs are imposed by the airports and collected by the airlines at the time that the ticket is purchased. Airlines retain approximately 2.4% of the charge for administration and disburse the rest to the airports, generally within 30 days. PFCs may be used on a pay-as-you-go for

approved projects, or they may also be used to obtain upfront private market bond proceeds with the future PFCs revenue used to secure the debt.

3. Include amount of projected net annual revenues and projected revenues over 10 years .
    a. It would depend on the amount of airports that took advantage of the PFC increase, and assumes that the Congress would act to authorize the increase. A rough estimate, based on existing passenger volumes (enplanements) is that a one-dollar increase in the PFC could yield approximately $80 million per year in additional revenue. These funds would go directly to the airports that imposed the fees and would not be collected by the state.
4. Include projected amounts for each mode & purpose.
    a. Each airport must have any PFC-funded project approved by the Federal Aviation Administration.

<u>Use/Restrictions</u>

1. Purpose(s) the revenue will be generated.
    a. PFC funds have supported airside projects, terminal area projects, interest costs on airport bonds, access projects such as roadways, people movers or transit projects, and noise mitigation projects. PFCs have been used to construct new runways and other airfield improvements to significantly reduce delays at some of the most congested airports. PFCs have also been used to build additional gates for new and increased service, increasing airline competition and lowering fares. Over the last 15 years, these investments have allowed airline and passenger services to continue their growth and have provided airports with a vital source of funds for these projects. Under the current statute, PFCs cannot be used for revenue producing projects such as parking garages, terminal areas used for concessions or leased exclusively by a specific airline for more than five years, and projects that are incompatible with airport sponsor assurances agreed to with the receipt of federal grants.
2. Why a reasonable source to address the specific transportation need(s).
    a. Airports need greater flexibility in the ways they use local sources of revenue. Airports are increasingly funding more infrastructure, including those traditionally funded by airlines and the federal government, such as baggage systems, gates, expansion of security checkpoints and international arrival facilities. Much of this funding comes from PFCs. PFCs have become a foundation of airport capital investment, funding projects that benefit their local communities and meet airline and passenger demands to accommodate future growth and improve levels of service. Airports need to build now to meet the needs of the expected 25% growth in service that the Federal Aviation Administration predicts our industry will face over the next eight to ten years when it is estimated that 1 billion passengers will use the U.S. aviation system. Giving local communities the ability to determine the PFC as well as giving airports more freedom to manage their own PFC programs to meet individual airport needs is one of the highest priorities of CA airports.
3. Proposed use by mode (highways, local streets and roads, transit, etc.) & reason for use.
    a. Funds will be used solely for projects that benefit and improve the operation of and access to airports, and are strictly limited for that purpose. It is important to note that most projects that are funded by PFCs at airports have not typically been supported by any state transportation revenue sources.
4. Explain purpose/use of revenue for system preservation, system management or system expansion.

   a. PFCs funds have been used for multiple airport purposes, including preservation, management and expansion of facilities and airport access (including certain transit projects for airport access).
5. If revenue is to be used for multiple modes & purposes, explain the amounts proposed for each mode with justification/explanation.
   a. Proposed amounts by mode will vary based on the needs and requests of individual airports.

Sustainability

1. Explain whether the revenue source is sustainable over time and why. For example, given more fuel efficient vehicles in the future, is revenue stream likely to diminish?
   a. The PFC is a fixed charge, currently capped at $4.50. As airport enplanements grow over time the amount of revenue collected will also grow. An increase in the PFC will allow for increased sustainable revenue opportunities for airport development and preservation projects.
2. Identify & describe the cost of generating the revenue over time.
   a. No cost to the state.
3. If negative sustainability impacts over time, explain why revenue mechanism is still a viable consideration.
4. Explain the cost & effort of administration.
   a. No direct costs to the state. Effort is needed in the form of sustained advocacy at the federal level to encourage Congress to increase the current PFC cap of $4.50.

Pros/Cons

Address equity, fairness, economic efficiencies and impacts of the revenue proposal.

1. Why a reasonable source to be considered – is there a nexus, already has general support, already a revenue stream but needs to be increased & tied to inflation, etc.
   a. This is an existing revenue stream (user fee) that has been capped at $4.50 for the last 12 years. An increase is needed to accommodate future infrastructure needs at CA airports.
2. Who would be impacted by the revenue & why this is reasonable.
   a. This is a fee that is already being paid by users of CA airport facilities. An increase to the existing PFC is justifiable and reasonable given the increasing demand on local airports and the state-of-the-art facilities that are required to handle the increased future demand.

Implementation

1. Is effort to implement high, medium, low or mixed? Explain.
   a. High. Congressional action is required to increase the current PFC cap of $4.50.
2. Period to implement - short term or long term (circle one).
   (Short term - implement in next two years; long term - implementation period more than 2 years)
   a. Long-term. The current federal legislation that authorizes the imposition of the PFC charge (and caps it at $4.50) extends until September 2015. Action to increase the PFC charge would likely need to take place as part of the next reauthorization of the Federal Aviation Administration legislation.
3. Costs & effort of implementation.
   a. Low actual costs of implementation – and none to the state.
4. Specific actions necessary at the Federal, State, Regional, & Local levels.

   a. The Federal Aviation Administration authorization legislation is the likely vehicle for increasing the PFC cap. The authorization of the existing PFC caps currently extends through September 2015.
5. Include policy recommendation(s) as applicable .
   a. The state should include as one of its future federal legislative priorities the raising of the current $4.50 cap on PFCs.

Conclusion/Recommendation

Provide overall conclusion & recommendation for next steps.

An increase in the Passenger Facility Charge (PFC) ceiling is among the highest priorities for California airports. It will allow CA airports to have adequate funding for local priorities in such areas as the maintenance and modernization of our airport facilities, capacity expansion, and safety and security. There are various airport construction and modernization projects underway or in planning stages at California airports that will create thousands of good-paying jobs and revenues for local and regional economies. Increasing the PFC ceiling from will ensure adequate funding of these projects and facilitate both their completion and the creation of much-needed new jobs.

Reference Materials

1. Identify the organizations that have supported and/or opposed the proposal already.
   a. Proposals to raise the PFC have been supported by a wide group of airport industry and trade groups, including the Airports Council International – North America, the American Association of Airport Executives, and the California Airports Council. Airline trade groups (specifically Airlines for America, which represents most of the major commercial aviation providers) oppose the raising of the PFC charge.
2. Include links to the documentation for reference.
   a. http://www.aci-na.org/static/entransit/Passenger%20Facility%20Charges%20Fact%20Sheet%202011%20FINAL.pdf
   b. http://www.faa.gov/airports/pfc/monthly_reports/media/category.pdf
   c. http://www.faa.gov/airports/pfc/monthly_reports/media/landside.pdf
   d. http://www.faa.gov/airports/pfc/monthly_reports/media/airside.pdf

Statewide Transportation System Needs Assessment Revenue Report Worksheet

	- Include Projected $M -																							
Proposed Revenue Sources	Highways	Local Roads	Public Transit	Inter-City Rail	Freight Rail	Seaports	Airports	Land Ports	Intermodal Facilities	Bike/Ped	System Preservation Annual Yield Projected ($M)	System Expansion Annual Yield Projected ($M)	System Management Annual Yield Projected ($M)	(Total Yield) Potential Net Annual Funds Generated ($M)	Assumptions	Authority or Responsibility for Implementation? (Federal, State, Regional)	Existing or New Funding Mechanism	Requirements for Implementation? (High, Moderate, Low)	Period for Implementation (Short Term - less than 2 Yrs; Long Term 2 Yrs +)	Sustainability (Long-Term Viability) Long Term or Moderate or Short Term	Application	Description of Policy, Legislative or Other Action Required	Publications Supporting Proposal	Notes
Airport Passenger Facility Charge (PFC) Increase							x				TBD	TBD	TBD	Varies, could yield $200M in new funding if all airports were to take advantage of ability to increase PFC charge locally	Requires congressional authorization to raise existing PFCs and airports to increase PFCs locally with FAA approval for	Federally-authorized, but locally imposed and collected	Existing	High	Long	Long	federally-authorization but locally implemented	Requires congressional approval through federal legislation	multiple (described in narrative)	

Statewide Transportation System Needs Assessment Revenue Report Worksheet

	- Include Projected $M -																							
Proposed Revenue Sources	Highways	Local Roads	Public Transit	Inter-City Rail	Freight Rail	Seaports	Airports	Land Ports	Intermodal Facilities	Bike/Ped	System Preservation Annual Yield Projected ($M)	System Expansion Annual Yield Projected ($M)	System Management Annual Yield Projected ($M)	(Total Yield) Potential Net Annual Funds Generated ($M)	Assumptions	Authority or Responsibility for Implementation? (Federal, State, Regional)	Existing or New Funding Mechanism	Requirements for Implementation? (High, Moderate, Low)	Period for Implementation (Short Term - less than 2 Yrs; Long Term 2 Yrs +)	Sustainability (Long-Term Viability) Long Term or Moderate or Short Term	Application	Description of Policy, Legislative or Other Action Required	Publications Supporting Proposal	Notes