

## **PASSENGER FACILITY CHARGES**

As existing airport infrastructure ages and the demands on these facilities increase, airports are increasingly funding more projects, 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 local airport user fees known as Passenger Facility Charges (PFCs). Since their inception in 1990, PFCs have become a foundation of airport capital investment, funding projects that benefit their local communities and meet existing airline and passenger traffic, improve levels of service and accommodate future projected growth. Airports need to invest now to bring facilities up to modern standards and to meet the needs of the forecasted growth in service that the Federal Aviation Administration predicts.

### **WHAT ARE PFCs?**

PFCs were first authorized by Congress in 1990 and are tied directly to local airport-related projects that 1) preserve or enhance safety, security and capacity of the national air transportation system, 2) reduce noise from an airport that is part of the system or 3) provide opportunities for enhanced competition between or among air carriers. Original legislation permitted airports to charge a PFC in \$1.00 increments up to \$3.00. The legislation changed in 2000, allowing airports to charge up to \$4.50 (although additional regulatory hurdles were added). There have been no adjustments to the PFC program since 2000 diminishing the real purchasing power of PFCs. When adjusted for inflation, the \$4.50 in 2000 is the equivalent of \$2.42 today.

PFCs have resulted in over \$86.6 billion in airport capital investments since implementation in 1990. The share of U.S. airport capital investment attributable to PFCs is currently estimated to be 30 percent or greater. 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. The PFC program has also funded projects to replace or modernize aging airport infrastructure. 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.

Additionally, when a large or medium hub airport implements a PFC, they must forego either 50 or 75 percent of their AIP entitlements to the FAA (depending on the level of the PFC). The "Small Airport Fund" is the recipient of 87.5 percent of these forgone entitlements with the remaining 12.5 percent going into the AIP discretionary program. In FY2013, the PFC turn back resulted in almost \$406 million additional dollars for small airports.

### **NEED FOR MODERNIZATION**

Local communities need a modernized PFC to meet their infrastructure needs. Airports Council International-North America estimates, based on its' 2013 Capital Needs Survey, that over \$14 billion per year is needed just to fund the current capital programs at airports.

PFCs play a major role in easing the ever-changing responsibilities on airports but the power of this critical user fee has slowly been eroded by time. It is time for the PFC to be modernized to keep up with the growing traffic demands and safety and security changes for the benefit of its passengers, airlines and communities.