

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6d</u>
Date of Meeting	<u>March 5, 2013</u>

DATE: February 25, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Mark Reis, Managing Director, Aviation Division
Beth Osborne, Manager, Federal Government Relations
SUBJECT: Passenger Facility Charge Policy

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to advocate for federal amendments to the statute governing the Passenger Facility Charge (PFC) program to give locally elected officials at public airports authority to increase the PFCs above the current limit of \$4.50. Possible changes, if any, to local PFC fees would be approved at a future time by local governing boards of public airports, including the Port Commission, before implementation.

SYNOPSIS:

PFCs allow governing boards of airports to impose a nominal user fee on passengers to fund limited types of infrastructure investments that benefit passengers. Local elected governments have the authority to determine whether to levy the PFC and to set the amount, but since 2000, the U.S. Congress has capped the fee at \$4.50, which in today's dollars is worth approximately half of its intended amount. PFC's are an important financing tool for airports nationwide in need infrastructure investments and financing. As Congress grapples with large fiscal challenges, the airport industry (including Airports Council International – North America) is advocating that PFC policy be changed to reduce the federal debt and give local airports more authority to set their own funding structure. If the Commission deems that lifting the spending cap on the PFC locally is appropriate, an increase could lower the cost of capital projects for the airlines, finance projects that would otherwise not be feasible, and create jobs and opportunities for small businesses.

BACKGROUND:

PFC's allow local governing bodies to charge a nominal user fee for airport infrastructure investments that benefit passengers, airlines and communities. Examples include increasing airport capacity, funding noise and environmental mitigation measures, as well as improving safety and security. Most large hub airports, including Sea-Tac, impose PFCs which are collected by airlines as part of the price of passenger tickets and remitted to airports. Project costs paid by PFCs are not included in airline rates.

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Congress has historically limited airports' ability to collect passenger user fees. In 1990, the Federal Aviation Administration (FAA) Authorization Act authorized airport governing bodies to impose a PFC of \$3.00, which was later increased to the current limit of \$4.50 in the FAA Reauthorization bill of 2000.

Problem:

Recently the American Society of Civil Engineers report card gave aviation infrastructure in the United States a grade of "D". Studies show that airports need over \$80 billion in infrastructure investments by 2015, but lack sustainable, long-term funding options. In addition, federal funding is declining for programs that support airports like the Airport Improvement Program (AIP). PFCs are an effective financing tool for airports but, with rising construction costs and inflation, are worth only half of what they were when Congress set the current cap in 2000.

Port of Seattle History:

The Commission voted to collect the maximum PFC of \$4.50 in 2001, and has utilized the funds to build Concourse A, Runway 16R/34L, noise mitigation projects and reconstruct the satellite transit system at Sea-Tac. On October 28, 1997, the Port Commission passed Resolution No. 3253 in support of PFC policy. Specifically, the Resolution resolved to impose the maximum fee of \$3.00 on passengers and stated that PFC's are in the Port's best economic interest and in the interest of airline passengers to "preserve and enhance capacity, safety, security, reduce-mitigate noise, and enhance airline competition".

Current Legislative Opportunity:

Since 2005, the airport industry has advocated for lifting the cap on PFC's. While FAA Reauthorization will not be considered by Congress until 2015, the current debate around spending cuts presents an immediate opportunity for a change in PFC policy. Some Members of Congress are exploring reducing federal spending by decreasing AIP funding while providing local airports more latitude in determining the appropriate level of PFCs at their airports.

As a result, several large hub airports have formed coalitions, and the U.S. Policy Board of ACI-NA has proposed a means of reducing federal AIP spending coupled with changes in PFC rules, including:

- Raising the PFC cap to \$8.50 for all airports and reducing \$1.9 billion from AIP
- Permitting larger airports to elect to raise their PFC further if they forgo AIP funds – saving as much as \$4.4 billion to the U.S. Treasury

A number of legislative vehicles are under consideration in Congress this spring to reduce spending, including bills related to sequestration, the budget, the debt limit, and the Continuing Resolution for FY2013. Some decisions may be made by March 1, 2013.

If Congress approves these changes to the PFC law, local governments would have the authority to set the fee locally. Should that happen, Port staff would evaluate our financing needs and make a recommendation to the Commission as to whether an increase in the local PFC is warranted.

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PROJECT JUSTIFICATION:

Authorization of this request will enable Port staff to participate in national discussions related to PFC policy. If national advocacy is successful, the Commission will have increased authority to determine how best to finance local airport projects that benefit passengers and help meet Century Agenda strategic objectives such as:

- Tripling air cargo volume
- Tripling the value of outbound cargo
- Making Sea-Tac the "Gateway of Choice" for international travel
- Doubling the number of international flights and destinations
- Encouraging the cost-effective expansion of domestic and international passenger and cargo service
- Being the greenest and most energy efficient port in North America

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- PowerPoint presentation
- Resolution No. 3253
- Resolution No. 3464

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- October 28, 1997 - Resolution No. 3253, adopted
- July 16, 1998 – Resolution No. 3284 (Master PFC Resolution), as amended, adopted
- July 16, 1998 – Resolution No. 3285 as amended (PFC Series Resolution), adopted
- September 25, 2001 – Resolution No. 3464, to set the Passenger Facility Charge at SeaTac International Airport to \$4.50, adopted
- October 26, 2010 – Resolution No. 3643 to authorize PFC revenue refunding bonds, adopted
- February 5, 2013 – Commission Briefing