DES MOINES International Airport

May 5, 2015

«AddressBlock»

«GreetingLine»

The FAA Reauthorization bill is at a critical juncture. It is vitally important that our Iowa Congressional delegation understands the importance of this legislation to Des Moines International Airport's proposed new $400 million terminal project. You may have already written a letter of support. If so, thank you! If you have not, please do so and encourage your associates, employees, and friends to do the same.

Congress is currently debating FAA Reauthorization funding. An effort is underway to increase Passenger Facility Charge (PFC) user fees to $8.50, up from $4.50. This increase will be one of the most important elements in the financing of the terminal project.

Each enplaned passenger through U.S. airports is assessed at a $4.50 PFC user fee which is included in the ticket price. These PFC's come back to the individual airports for use in capital improvement projects – terminals, runways, etc. Des Moines International Airport currently experiences approximately 1.2 million passenger enplanements. An increase of $4.00 in the PFC user fee will generate an additional $4.8 million annually that may be applied toward the cost of a new terminal. While not a total solution, this may be the single most important initiative to help close the new terminal funding gap.

Thank you for your help.

Sincerely,

Kevin J. Foley
Executive Director

David J. Fisher
Consultant

Attachments: Sample letter and addresses of Iowa's congressional delegation
Airports United – Airport Financing Priorities in 2015

Des Moines Airport Authority, 5800 Fleur Drive, Room # 207, Des Moines, IA 50321; T 515-256-5100; F 515-256-5025; www.dsmairport.com

Sample Letter

Date: _________

Dear Senator/Representative__________________:

I am writing in support of the pending modernization of the FAA Reauthorization bill. Discussion on this bill includes a $4.00 increase in the cap imposed on the Passenger Facility Charge (PFC) user fee to a total of $8.50 per enplaned passenger. To the Des Moines International Airport this is vitally important to help fund its proposed $400 million terminal project. It equates to $4.8 million per year in funding that will help fund a large portion of the necessary bonds for the proposed terminal.

America's airports are a fundamental component of our nation's transportation infrastructure, annually welcoming more than 700 million passengers and processing roughly 27 million metric tons of cargo. Collectively, airports make a tremendous contribution to U.S. GDP -- more than $1.1 trillion -- and employ more than 1.1 million people. To meet the capacity demands of the future with safe, efficient, and modern facilities that passengers and cargo shippers expect, we need to make the investments to maintain and modernize our nation's infrastructure.

Congressional reauthorization of the Federal Aviation Administration (FAA) in 2015 provides us the opportunity to do just that by modernizing the locally-set but federally-capped passenger facility charge (PFC) user fee paid by passengers who use the airport. The PFC user fee has not been adjusted since the year 2000. As a result of significant construction cost inflation over the past decade and a half, the current $4.50 PFC user fee has lost approximately half of its purchasing power.

Modernizing the PFC by adjusting it to $8.50 and indexing it to keep up with inflation will provide airports the self-help they need to make critical infrastructure and safety improvements within their terminal buildings and on their runways. Such is the case with Des Moines International Airport. The proposed new terminal replaces our 1948 terminal and provides for future growth that our current terminal cannot handle.

I hope I can count on your strong support of this legislation – FAA Reauthorization bill.

Thank you,

Sample letter, addresses of Iowa's Congressional delegation and Congressional leaders on the FAA Reauthorization Bill, and supporting documents found at:

http://www.dsmairport.com/about-the-airport/proposed-dsm-terminal-site-study-plan.aspx

Addresses for Iowa's Senators, Representatives, and Congressional Leaders of the FAA Reauthorization Bill

U.S. Senators:

Charles Grassley
135 Hart Senate Office Building
Washington, DC 20510

Joni Ernst
825 B & C Hart Senate Office Building
Washington, DC 20510

Representatives:

Rod Blum, District 1
213 Cannon House Office Building
Washington, DC 20510

Dave Loebsack, District 2
1527 Longworth House Office Building
Washington, DC 20510

David Young, District 3
515 Cannon House Office Building
Washington, DC 20510

Steve King, District 4
2210 Rayburn House Office Building
Washington, DC 20510

Congressional Leaders on the FAA Reauthorization Bill:

The Honorable Bill Shuster
Chairman, Committee on Transportation and Infrastructure
United States House of Representatives
2268 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank LoBiondo
Chairman, Subcommittee of Aviation
United States House of Representatives
2424 Rayburn House Office Building
Washington, DC 20515

The Honorable Peter DeFazio
Ranking Member, Committee on Transportation and Infrastructure
United States House of Representatives
2134 Rayburn House Office Building
Washington, DC 20515

The Honorable Rick Larsen
Ranking Member, Subcommittee on Aviation
Unites States House of Representatives
2113 Rayburn House Office Building
Washington, DC 20515

AirportsUnited

Myths and Facts

As of March 2, 2015

Myth: The Passenger Facility Charge (PFC) is a tax levied on passengers.

Fact: PFCs are locally-collected user fees paid by passengers when they use airport facilities to help defray the costs of building airport infrastructure. Thus, PFCs are a classic user fee – paid only by those who use the airport and spent only on projects at that airport. While Congress has set a PFC cap, the federal government does not collect PFCs, nor does the federal government spend PFC dollars. As such, PFCs represent the passenger's direct investment in airport infrastructure.

The highly-respected and non-partisan Congressional Research Service agrees. In a January 2015 report, CRS accurately describes the PFC as "a state, local, or port authority fee, not a federally imposed tax deposited into the Treasury."

Myth: If Congress updates the PFC cap, demand for travel will go down.

Fact: Modernizing the PFC to restore its purchasing power would not have a significant impact on demand as the airlines claim. At a time when the airlines are charging passengers $25 to check a bag and $200 to change their tickets, the argument that a modest $4 adjustment in the PFC cap would somehow dramatically impact demand doesn't hold up. In fact, since 2009, airfares have increased more than 23 percent. Revenue from bag fees and other ancillary fees have also increased dramatically in recent years. But rather than going down, enplanements have actually *increased.*

Myth: Because of their sterling credit ratings, airports can simply fund all necessary projects through bond financing.

Fact: Airports are incredibly proud of their financial prudence and strong credit ratings. However, many airports are unable to go to the bond market or issue new bonds to finance their capital projects. Many airports have reached the limits of their debt capacity and either cannot finance new projects or have had to phase-in their projects over a longer timeframe, increasing the costs and delaying the benefits for passengers. Bonds are not a revenue source, but simply a financing mechanism that must be repaid. Airports must have a source of revenues to pay back bonds, and PFCs are a very important source of revenues for airports to do so.

Myth: Airports have "ample resources" such as unrestricted cash reserves to fund needed improvement projects

Fact: Like many Americans and businesses around the country, airports wisely put aside cash reserves in a contingency fund in case of an emergency. Such reserve funds help airports be prepared to cover loss of revenue when a carrier terminates service or declares bankruptcy. And cash reserves are often required or encouraged by bond rating agencies. Complying with the rating agencies' guidance on reserves helps airports maintain their strong credit ratings and preserve access to lower interest rates, which benefit airlines and travelers.

Reserves that are required by financing agreements cannot simply be spent or the airport loses the financing benefits of having the reserves. These reserves have helped keep financing costs down on the almost $84 billion in airport debt that FAA reported for 2012.

Myth: Airlines have invested and will invest in all necessary airport infrastructure improvements.

Fact: In some instances, airlines do directly invest in infrastructure, but incumbent carriers tend to support those infrastructure projects that they believe will advance their own interests, such as expansion of facilities to facilitate their own operations. Often times they are not as eager to support projects that benefit their competitors or bring in new competition. Yet from the airport, community, and air passenger perspectives, such investments are important because they help reduce or hold down airfares and provide more alternatives for air travelers.

Myth: The current Passenger Facility Charge (PFC) provides airports with all the resources they need to make needed infrastructure upgrades.

Fact: In 2013, airports collected $2.8 billion in PFC revenue. According to ACI-NA's latest Capital Needs Survey, airports of all sizes need more than $15.1 billion annually in infrastructure improvements to fix aging runways and terminals, relieve congestion and delays, and spur new airline competition. That's up from ACI-NA's previous estimate, and it's far more than the $6.2 billion that airports received from both PFCs and AIP last year.

What's more, the purchasing power of the PFC has declined over the years due to inflation in construction costs. In order simply to restore the PFC to the same purchasing power of a $4.50 PFC in 2000, it is necessary to modernize the PFC cap to $8.50 today.

Of course, this would only allow PFCs to catch up with construction cost inflation that has already occurred. Going forward, the cap needs to be automatically adjusted periodically to prevent further erosion of PFCs. Modernizing the PFC cap is a good, fiscally-responsible way to ensure that airports have the resources they need to increase capacity, promote competition, and enhance safety without burdening the federal budget.

Myth: The Airport and Airway Trust Fund (AATF) has $4.7 billion in uncommitted funds that can be used to pay for airport improvement projects.

Fact: The uncommitted balanced helps maintain the liquidity of the trust fund. If the government were to spend the uncommitted balance, it would bankrupt the AATF, essentially turning it into another highway trust fund. Moreover, the AATF is used for much more than just airport infrastructure projects. The AATF funds a host of other modernization initiatives like NextGen, as well a majority of FAA operational costs.

Unfortunately, a healthy uncommitted balance in the AATF doesn't mean that AIP funding is automatically secure or that federal grants and revenue from an outdated PFC cap are enough to cover airport capital needs.

Despite an increasing Trust Fund balance, AIP funding has been reduced from $3.515 billion in FY11 to $3.35 billion in FY15 – about a 5 percent cut. Moreover, rising construction costs have chipped away at the purchasing power of both AIP funding and the $4.50 PFC. To make matters worse, Congress diverted $253 million in AIP funds to pay for FAA operations during the first round of sequestration in 2013. With sequestration slated to last through 2021, airports may very well experience additional and potentially deeper AIP cuts in the years ahead.

AIP is an important source of funding for airport infrastructure projects. It's unlikely that Congress will increase AIP federal funding for airports even if there happens to be a high uncommitted balance in the Trust Fund. Considering the downward pressure on federal funding and rising airport capital needs, it is now more important than ever that Congress modernize the PFC cap to $8.50 and provide airports with the self-help they need to finance a greater share of infrastructure projects with local revenues.

Myth: U.S. airlines are still carrying fewer passengers or operating fewer flights than they did in 2007.

Fact: We expect 2014 enplanements to meet or exceed pre-recession traffic levels. Air carriers may be operating fewer aircraft through intense capacity discipline. However, the fact that airlines are often using larger aircraft and are achieving higher load factors than in previous years means that airport facilities are being stressed by concentrated numbers of passengers. Therefore, terminals often need to be expanded or rehabilitated, and airfield facilities need to be updated and reconstructed to maintain safety. Modernizing the PFC cap will provide airports with the resources they need to finance increasing capital needs.

Airports United

AIRPORT FINANCING PRIORITIES IN 2015

America's airports are powerful economic engines, generating more than $1.1 trillion in annual activity and supporting more than 9.6 million jobs. Modernizing the Passenger Facility Charge (PFC) user fee and maintaining the Airport Improvement Program (AIP) are the best options for strengthening our nation's airport system to meet the needs of today and the challenges of tomorrow.

- **Strengthen Local Control Over Local Investment Decisions**
    - It is time to get Washington out of the way of local airport investment decisions by modernizing the PFC cap to $8.50 and indexing it for inflation.
    - At no cost to the federal government, this would restore the PFC's lost purchasing power and provide airports with the ability to set their own levels based on locally-determined needs to ensure the continued safety, security, and modernization of their facilities.
    - At a time when there is mounting pressure to reduce federal spending, modernizing the federal government's PFC cap is the most free-market option to provide airports with the locally controlled self-help they need to finance vital infrastructure projects.
    - As important economic drivers in their local communities, airports need a modernized PFC to upgrade their facilities and attract new air service.
- **Airport Investment Promotes Competition**
    - New investments in airports can be valuable tools in helping local communities attract new air carriers, which increases competition and leads to lower fares for passengers.
    - Airports – many of which are tapped out on their ability to bond in a financially responsible manner – need additional resources to build the terminals, gates, and ramps necessary to attract new air carriers and entice existing ones to expand service.
    - The traveling public gets more choices and lower fares when airports can build the facilities that provide more airline options and more service alternatives.
- **Airports Have Tremendous Unmet Needs**
    - Airports of all sizes need over $15.14 billion annually in infrastructure improvements to modernize aging runways and terminals, relieve congestion and delays, and spur new airline competition – far more than the $6.2 billion that airports received last year from both PFCs and AIP.
    - The PFC cap set in Washington has not kept pace with rising construction costs and inflation since it was last adjusted to $4.50 in 2000, and its purchasing power has eroded by 50 percent. In addition, AIP has been reduced by hundreds of millions of dollars in recent years.
    - Many airports – even those with sterling credit ratings – have reached their debt capacity and either cannot finance new projects or have had to phase in their projects over a longer timeframe, increasing the costs and delaying the benefits for passengers.
    - Modernizing the PFC and maintaining AIP funding are critical to airports of all sizes throughout the country.