Policy Brief: Aid for Airports Should be Used to Make Airports Safer and Healthier Now, And for the Next Crisis

- **The American Rescue Plan included $8 billion in support for airports[1]**
- **Airports should use relief funds to increase local resiliency against future pandemics and emergencies**
- **Any money allocated by airports to reduce airline costs should come with accountability and oversight**

Airports are critical infrastructure for cities and states that are funded by public resources.[2] They connect people across the country and around the world. Airports have been at the epicenter of the COVID-19 pandemic, but have received significantly less government aid than the $54 billion allocated to airlines.[3] On top of that, airports often use relief funds allocated to them to pass additional aid on to airlines, instead of using those resources to invest in building resiliency in local infrastructure.

- **US Airlines get billions in aid from federal government and have accumulated large reserves of capital.** Since the start of the COVID-19 crisis, the federal government has allocated $54 billion in grants and an additional $25 billion in low cost loans from the federal government.[4] In addition, since the start of the pandemic the airlines have raised tens of billions of dollars in additional capital from private lending or from issuing additional shares.[5]

- **Support for local airports has been more modest. Raising additional capital can be challenging.[6]** In comparison, as part of the CARES Act and two subsequent stimulus bills, airports received a total of $18 billion.[7] Yet, airports already had massive infrastructure needs even prior to the pandemic, US airports had an estimated $128 billion in additional infrastructure funding needs for the period 2019-2023.[8] Airport revenue, whether it comes from Passenger Facility Charges or non-aeronautical revenue, is extremely dependent on passenger traffic.[9] As a result, the impact of COVID on airport finances has been severe. Airports Council International estimated North American airport revenues declined by 64% in 2020.[10]

- **Airlines have opposed more sustainable infrastructure funding for airports.** In March, 2021, Lance Lyttle, the Managing Director of the Seattle-Tacoma International Airport urged lawmakers to provide additional support for airports. In his testimony, he specifically called for Congress to "provide a path to sustainable airport investment through a long-overdue adjustment to the federal cap on local PFCs."[11] The federally authorized Passenger Facility Charge program allows airports to collect a fee from each traveling passenger. These funds are then used to fund airport development projects. The PFC is currently capped at $4.50 per passenger per flight segment[12] and has been at this level for 20 years[13], while construction costs have risen significantly.[14] Unfortunately, rather than support an increase in PFCs, airlines have campaigned against any increase, blocking airports access to needed capital.[15]

- **Airport assistance has often gone to reduce airline costs**. Yet, in many cases, top US airports have chosen to apply their portion of federal government assistance to directly reduce airlines' payments to the airport.

  - In March, 2021, the Port Authority of New York and New Jersey warned of a $1.7 billion revenue loss due to coronavirus traffic declines. PANYNJ noted that, of the $450 million received from the federal government as part of the CARES Act, "half the funding flowed to the Port Authority, $218 million. The rest went to the airlines."[16]
  - At the nation's largest airport, Hartsfield-Jackson Atlanta International Airport, funds received from the CARES Act have been allocated to "airline cost centers", which has the impact of reducing the amounts airlines are required to pay the airport.[17]
  - At San Francisco International Airport, for example, the airport told bond investors that they planned to "apply $254.8 million of CARES Act funds in Fiscal Year 2020-2021 as an offset to operating expenses, *thus reducing the airline revenue requirement*."[18] (emphasis added).
  - At Dallas-Fort Worth International Airport, the airport chose to "reimburse itself primarily for debt service in estimated amounts that are projected to offset a significant portion of the lost revenue

and airline net revenue." According to a bond statement issued in August, 2020, the airports FY20 and FY21 forecasts incorporate $299 million into airport revenue, which has the impact of directly lowering the Cost Per Enplanement.[19]

- In Los Angeles, the airport reported that, as of December 31, 2020, they expected to "use all of its $323.6 million in federal CARES Act grants to pay LAX Maintenance and Operation Expenses and debt service." The airport explains that "The portion of the LAX Maintenance Operation Expenses and debt service assumed to be paid by CARES Act grants has been excluded from the projections of airline rentals, rates, fees and charges and airline revenues."[20]
- In Minneapolis, though the Metropolitan Airports Commission has argued that they did not use CARES Act funds to support airlines, the Commission was specific in "using the CARES Act as a proxy" to arrive at the number of $41 million "in the form of credits towards airlines rates and charges."[21]

Airports and the public should insist on oversight and accountability for any additional support for the airlines.

The American Rescue Plan Act of 2021 has recently been signed by President Biden. The law includes $8 billion in additional aid to airports.[22] The bill specifies that the funds can be used to fund operations and debt service payments.[23]

No rational observer would disagree regarding the depth of the crisis in the global aviation industry. Swift action was needed at all levels of government to support aviation workers and to safeguard our aviation infrastructure, built in large part with public support.[24]

Yet, this crisis is not impacting airlines alone. Airports are a critical piece of the aviation ecosystem in the United States. Publicly-owned and run airports should ensure that their actions, particularly when it comes to taxpayer funds, support public interests.

When airports receive the funds authorized under the American Rescue Plan, those responsible for determining how money is allocated should consult with a wide variety of airport stakeholders, including those who work at or live near the airport. When money is allocated in ways that directly reduce airline costs, it should be done with accountability. For example,

- In Houston, when the City created options for deferred airline lease payments, it did so through a lease amendment known as the "COVID-19 Airline Blanket Amendment." The City included a provision which required airlines to comply with a recent Mayoral Executive Order that created a living wage for airport workers at Houston's Bush Intercontinental Airport and the William P. Hobby Airport.[25]
- At the Minneapolis St. Paul International Airport, the airport provided financial relief to signatory airlines, capped at $41 million. The airport included nine separate terms and conditions, including ensuring that airlines are current with all payment obligations, and that airlines waive any claims relating to financial relief provided by MAC to concessionaires.[26]

Airports should invest federal rescue resources into making airports safer and healthier for consumers and airport personnel, both now and for future emergencies. Money received from the federal government as part of the American Recovery Act of 2021 can also be used by the airport to build resiliency at the airport against future pandemics or other crises. Specific proposals might include:

- Hiring and training additional staff to improve airport cleanliness and full compliance with best practices for limiting the spread of infectious disease. Subject to further FAA guidance, airports should potentially consider providing this training to current front-line service workers at the airport as well.
- Investing in development projects related to combating the spread of pathogens at the airport such as replacing or upgrading a heating, ventilation and air conditioning (HVAC) system, reconfiguring the terminal to accommodate increased social distancing or additional health screening locations.

Endnotes

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