

**Testimony Before the Ohio Senate Finance Committee by
Stacey Heaton, Executive Director, Ohio Aviation Association**

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Chair Dolan, Vice Chair Burke, Ranking Member Sykes, and finance committee members, good morning and thank you for your time. My name is Stacey Heaton and I serve as the Executive Director for the Ohio Aviation Association (OAA), a non-profit association which educates, communicates, and advocates for airports that serve Ohioans. We educate both the general public and public leaders alike about the value of airports and aviation as a whole.

Ohio's diverse system of commercial service, cargo, and general aviation airports connect citizens, businesses, and communities to destinations around the US and the world while providing significant economic impacts to Ohio's economy. We are an industry that fosters economic development in many sectors including agriculture, manufacturing, medical, and technology research; across all regions of the state; and generates tax revenue for both state and local governments. Yet, despite the aviation industry's significant impact, and Ohio's status as the 'Birthplace of Aviation,' the state is only reinvesting a small amount of the revenue generated from these great airports and how to unlock the full potential of these assets to spur additional economic activity in Ohio. The OAA is advocating that the general assembly support our agenda of meaningful investments to help boost Ohio's economic competitiveness.

I am here today to discuss three amendments to H.B. No. 166 we are advocating for that will help the aviation industry spur economic development and bolster Ohio's competitiveness.

Ohio Airport Grant Program

OAA is advocating for an increase from \$5.9 to \$16 million, annually, in the Airport Improvement Grant Program that would be used to assist Ohio's general aviation airports in keeping up with ongoing infrastructure needs. These funds would be used to help meet the local share required to accept FAA funding as well as for the current direct grant program from the State. In a 2014 ODOT study, it was

indicated that an investment of approximately \$20 million, annually, would be required to maintain existing general aviation airport pavements. We are not seeking the full \$20 million identified in the study.

So you might ask, where will this money come from? In the same 2014 ODOT study, it was shown that airport USERS provide the State's general revenue fund with approximately \$16 million annually in sales tax from aviation fuel and related services alone. Plus, 'Other general aviation goods and services' were estimated at an additional \$13.7 million in sales tax revenue. I would like to point out that the study was based on 2012 data – a time when the nation was struggling to rebound from the 2008 financial crisis. Not only has the nation rebounded from the financial crisis, so has aviation. In addition, Ohio has increased its sales tax and has added a Petroleum Activity Tax to aviation fuel since that study.

We seek the airport-user generated tax revenue to be reinvested into the airport system with less restrictive uses to meet its many needs. The eligibility criteria for the Airport Grant Program needs to be expanded. The current grant programs are highly restrictive regarding the allowed uses, which has hindered the ability of airports to increase economic development and vitality. The types of airports that can use the funding is also currently restrictive: commercial service airports are not eligible for State funding at this time regardless of the value it brings to general aviation users.

Senator Hackett is the primary amendment sponsor (SC-3827: Airport improvement line item). We hope you all will support this language in the Senate's version of the operating budget.

Air Service Development Grant Fund

Many people, both for business and pleasure, access Ohio through our commercial service airports. Despite our robust network of commercial service airports, Ohio is falling behind its neighbors in the number of U.S. and international destinations citizens, businesses, and those looking to move to the state can access through our airports. The airlines that operate these flights make significant capital and operational investment by placing one of their multi-million-dollar aircraft in our communities. Given

the significant risk of an airline selecting to operate a new route, air carriers often look for financial incentives to reduce some of the risks, particularly in unproven markets. While the Federal Aviation Administration (FAA) regulations prohibit airports from directly subsidizing air carriers to provide service, many states and communities have partnered to develop air service incentive funds to support new air service. Depending on several key factors such as city-pairs, type of aircraft, and frequency, these flights can provide over \$50 million in economic impacts for an international flight and up to \$30 million for a new domestic route. Examples of recent, close-to-home investments:

- Indiana is investing \$5.5 million per year for Delta Air Lines service from Indianapolis to Paris.
- Pennsylvania is investing \$3 million per year for British Airways flights from Pittsburgh to London.

In fact, 19 states either have an air service incentive program or provide incentive funding on an ad-hoc basis to support new domestic or international air service. This should be no surprise. We consistently hear from economic development experts that the quality of direct commercial air service to a region is one of the top criteria for site selectors who are making recommendations on where significant corporate employment centers are to be located.

Ohio can be more competitive in air service with a \$15 million Air Service Development Grant Fund to support new international and domestic air service as well as increase capacity on existing routes. State incentive grants would be leveraged with matching funds from economic development organizations, chambers of commerce, and communities, who would provide risk abatement funds to air carriers.

Senator Kunze is the Senate lead for this important amendment (SC2886). We hope you will support this program that is vital to both business and non-business travelers.

Aviation Student Loan Program

And finally, airports and airplanes are of little use without a highly trained workforce of pilots, mechanics, and other trained staff to operate them. The U.S. has a shortage of pilots and mechanics. Boeing estimates over 790,000 pilots and 754,000 aviation mechanics will be needed over the next 20 years to keep pace with the growth of air travel, which the International Air Transport Association predicts will double over the same time period. Importantly, a shortage of pilots has the potential to negatively impact the State of Ohio. According to the Regional Airline Association, 58% of total commercial departures from Ohio in 2017 were on regional airlines. Flights provided by regional airlines are most susceptible to being cut due to pilot shortages. At Ohio's smaller commercial airports of Akron/Canton, Dayton, and Toledo, regional airlines made up 72%, 84%, and 77% respectively.

The pilot shortage is also being exasperated by a change in the way aspiring pilots obtain their licenses. In the 1980s, roughly two-thirds of airline pilots were former military. Recently, that percentage has dropped to less than one-third. This means that many young aspiring aviators now must pay for their own flight education. That can be very costly, easily exceeding \$100,000-\$150,000. Given that the Federal Stafford Loan program for undergraduates is capped at \$57,500, many students and their parents must find private sources of capital to fund their education, limiting the potential for some students to pursue a career in aviation.

The OAA recommends the development of a revolving loan fund of \$15 million for aviation degrees administered by the Department of Higher Education to provide access to low-interest loans to support training for students entering aviation-related careers at Ohio universities, community colleges, and technical schools. This would make careers in aviation accessible to Ohio's students while also positioning the State to attract more aviation-related businesses as we build a large and well-trained

aviation workforce. This is a one-time budget request since the program would be replenished as students repay their student loans back into the fund.

Senator Hackett is the primary amendment sponsor for this important workforce development program (SC-3828: Aviation Student Loan Revolving Loan Program).

Conclusion

Thank you again for the opportunity to present testimony before you today to share our ideas on how the aviation industry can partner with Ohio leaders to help make Ohio stronger. We hope you will support and include these requests. In my written testimony submission, I included briefs on each of the three subjects for additional information. I am happy to answer any questions you may have.