



**Testimony Before the Ohio Senate Finance Committee by
Stacey Heaton, Executive Director
June 14, 2019**

Chair Dolan, Vice Chair Burke, Ranking Member Sykes, and finance committee members, good morning and thank you for your time. I am Tony Fiore, an attorney with Kegler Brown Hill + Ritter and legislative counsel for the Ohio Aviation Association (OAA), a non-profit association which educates, communicates, and advocates for airports that serve Ohioans. I am here on behalf of OAA's Executive Director, Stacey Heaton, to discuss aviation in Ohio.

First and foremost, OAA is extremely grateful that the airport improvement fund has received a bump in the Senate substitute version of HB 166. For this, we thank you. We are disappointed that we were unsuccessful in our story to explain the importance of why the State should assist with an Air Service Development Fund or an Aviation Education Fund. I am here today to try to make the story a little clearer.

Ohio's diverse system of airports include commercial service, cargo, and general aviation airports. These 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. Our industry helps attract businesses to our State and college students to our universities. Our industry listens to its community's needs and attempts to implement services to put Ohio in the best possible light to attract people for both pleasure, education, and business. We, in a nut-shell, help connect Ohio to the future, the innovators, and the investors. And, we help keep the businesses that are here now – and those that want to grow.

I am here today to discuss our three recommended amendments to HB 166 which 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. While we are extremely grateful for the Senate's bump of \$1.25 million over the biennium, there is still a huge need. We have 14 airports that have taken the time to provide written testimony about the projects for which these grants have been used. These letters also explain how important the grant program is to each of their communities. We hope to report back to our airports a better outlook for airport investment.

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. 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.

And finally, relating to the airport grant program, we have been advocating for a change in the eligibility criteria; you have delivered on that request in Sub. HB 166. We thank you for this effort!

Air Service Development Grant Fund

Let me start by shedding a little light on the current Commercial Airline industry. Many moons ago, the theory was that a hub and spoke system was the most efficient way to move people and passengers. Then the Southwest Airline model made its debut which utilized a point-to-point system, very efficiently. Since that time, many air carriers have attempted to model their operations similarly to a point-to-point system. In a recent article about Pittsburgh International Airport, its CEO either had to live with the pains of having a massive hub structure (terminal layouts in a hub system are very different than a non-hub terminal) or change its strategy. The article titled "Taking Flight" can be found here: <http://bit.ly/2WEJ7B2>

In short, the way to make it work was one flight at a time. Working with local business, they built up partnerships and relationships with their communities and local businesses and slowly they are increasing flights. Ohio's commercial service airports have great relationships with their area chambers and businesses, but we are lacking one thing: an incentive program. Despite Ohio's 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:

- IN is investing \$5.5 million per year for Delta Air Lines service from Indianapolis to Paris.
- PA 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.

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.

Conclusion

Thank you again for the support you have shown to-date. Thank you again for the opportunity to present testimony before you and continue to share our ideas on how the aviation industry can partner with Ohio leaders to help make Ohio stronger.