



**Stacey Heaton, Executive Director**

**Interested Party Testimony Before the**

**Ohio Senate General Government and Agency Review Committee**

**May 15, 2019**

Chairman Schuring, Vice Chair Rulli, Ranking Member O'Brien, and members of the committee, my name is Stacey Heaton and I serve as the Executive Director for the Ohio Aviation Association, 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,' State leadership has not fully recognized the great asset it has in its airports and how to best utilize 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. The first is a program for air service development to connect Ohio to more destinations in the U.S. and around the world; the second is to increase an existing program which supports general aviation capital improvement needs, and the third is to invest in the future of aviation through the creation of an aviation education fund.

#### **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 and 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.

We have asked Senator Kunze to submit language on this topic to be included in the Senate's version of the operating budget. We hope you will support this important program.

#### **Ohio Airport Grant Program**

Next, OAA is advocating for an increase from \$5.9 to \$16 million, annually, in the Airport Grant Program (GRF 777471) that would be used to assist Ohio general aviation airports in keeping up with ongoing maintenance 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.

We have asked Senator Hackett to submit language to increase funding for this grant program from \$5.9 million to \$16 million a year and permit expanded eligibility. We hope you all will support this language in the Senate's version of the operating budget as well.

### **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.

Senator Hackett will be introducing language for this important workforce development program.

### **Conclusion**

Thank you again for the opportunity to present testimony to 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. I am happy to answer any questions you may have.

## 2019 Issue Brief: Air Service Development

**Issue: The competition for new international and domestic air service, which provides significant economic impacts to the State, has increased significantly due to investment of neighboring states in partnerships with air carriers while FAA regulations restrict the ability of airports to fund air service development partnerships.**



### Background:

- ✈ Across the U.S., the competition to foster economic development and talent attraction through international and domestic air service is increasing due to airline consolidation and a shortage of qualified pilots.
- ✈ Given the significant cost of dedicating an aircraft to operate a new route (up to \$60 million annually), air carriers often look for financial incentives to reduce some of the risk in providing service, particularly in unproven markets.
- ✈ While 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, which can provide over \$50 million in economic impacts for an international flight and \$30 million for a new domestic route<sup>1</sup>.

### Implications for Ohio:

- ✈ Ohio is at a competitive disadvantage in terms of economic and workforce development as its neighbors have invested significant state dollars in attracting air service to enhance their business expansion, export growth, and talent attraction efforts.
- ✈ Indiana is investing \$5.5 million per year for Delta Air Lines service from Indianapolis to Paris while Pennsylvania is investing \$3 million per year for British Airways flights between Pittsburgh and London.

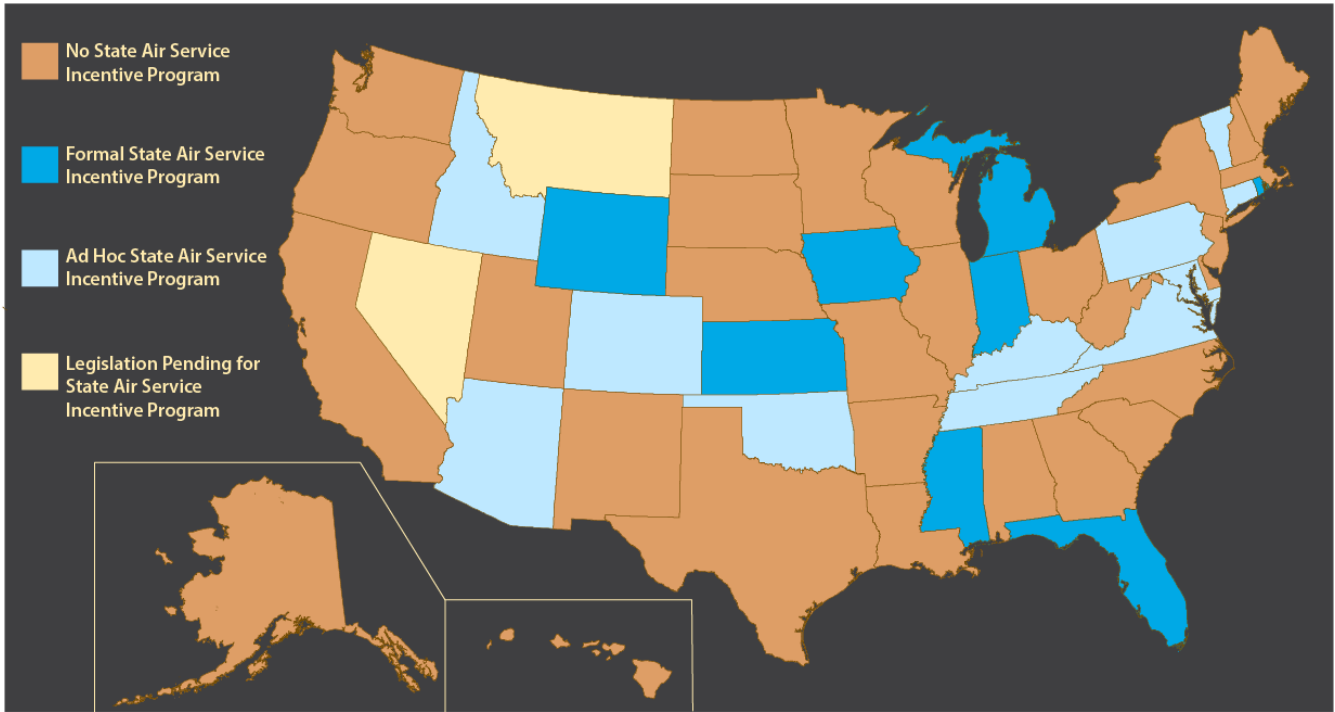
### Solutions to Enhance Air Service in Ohio:

- ✈ Develop a \$15 million state air service development grant fund to support new international and domestic air service as well as increased 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.



## FAQ's

- 1. What economic benefits will the State see from this investment?** Around the country, it has been shown that new international and domestic air service provides significant economic benefits and tax revenues to states. An analysis of a new British Airways flight from Pittsburgh to London estimated the flight would generate \$57 million in economic impact and 560 jobs<sup>ii</sup>. A statewide study of the State of Wyoming's \$21.5 million air service incentive program found increased air service resulted in an economic impact of over \$523 million, or \$24 for every \$1 invested by the State. In addition, new air service supported by incentives from 2004-2015 resulted in tax revenues of \$30.8 million, over \$9 million more than the state's \$21.5 million investment.
- 2. Isn't this really considered a local issue and why should the State get involved?** As Ohio competes with not only other states but other countries for economic and workforce development, air service is a crucial decision-making factor for businesses and talent in deciding where to locate. A recent study ranked ease of access to the international destinations as the 5<sup>th</sup> most important factor in attracting talent to a State or region<sup>iii</sup>. Additionally, a study found 70% of expanding companies identified air connectivity as an important factor in their decision-making process and often ranks as one of the Top 5 considerations<sup>iv</sup>. This is particularly true for businesses who have complex supply chains, many of whom are naturally drawn to Ohio for its market access and ground logistics advantages.
- 3. Why can't the airports use incentives to compete for new air service?** The FAA significantly restricts what an airport can do to attract air service. While airport can offer incentives such as waiving landing fees or providing marketing support, they are prohibited from directly subsidizing air carrier to provide new service. Therefore, communities must form partnerships between state government, local government, and the private sector to develop incentive programs for new air service.
- 4. How do we determine how to divide incentive funds among the scheduled service commercial airports (Akron, Cleveland, Columbus, Dayton, Toledo, and Youngstown)?** Due to the stringent restrictions imposed by the FAA, airports cannot participate in the determination of where air service development funds would be allocated by the State. The State could develop an oversight board or engage an air service development firm to develop an overall strategy and set of investment guidelines for the allocation of grants.
- 5. Are other states investing in air service?** A recent analysis found 19 states either have an air service incentive program or have providing incentive funds on an ad-hoc basis to support new domestic or international air service<sup>v</sup>. Two additional states, Montana and Nevada, have pending legislation to create new air service incentive programs. In many cases, states partner with local communities and the private sector to leverage matching funds to increase the scale of the incentive package.



**6. Is it possible an air carrier still might not add new service with incentives on the table?** Unfortunately, as aircraft are mobile assets that can serve destinations around the globe, air carriers retain much of the leverage in negotiations for air service. However, incentives are one tool that can be used to foster a long-term relationship to build sustainable domestic and international air service in the State of Ohio.

<sup>i</sup> Wyoming Aeronautics Department. 2016 Air Service Return on Investment Analysis. <http://www.dot.state.wy.us/files/live/sites/wydot/files/shared/Aeronautics/Air%20Service/Reports/Wyoming%20ASEP%20ROI%20Analysis.pdf>

<sup>ii</sup> <https://triblive.com/local/allegheeny/13901591-74/nonstop-flight-from-pittsburgh-to-london-starting-april-2>

<sup>iii</sup> [http://www.ubc.net/sites/default/files/talentattractionmanagement\\_handbook\\_tendensor.pdf](http://www.ubc.net/sites/default/files/talentattractionmanagement_handbook_tendensor.pdf)

<sup>iv</sup> <https://siteselection.com/issues/2014/mar/airport-cities.cfm>

<sup>v</sup> Analysis of State Air Service Incentive Funds. Center for Regional Development, Bowling Green State University.

## 2019 Issue Brief: Ohio's General Aviation Airport Infrastructure Investment

**Issue: Year after year, Ohio's general aviation airports have significant unmet funding needs and the use of the funds have significant restrictions.**

### Background:

✈ Airports provide a service. Airports provide the venue to move people and goods, attract businesses to our State, are key to multi-modal transportation, support law enforcement, provide access for critical emergency medical services, support agriculture growth, provide aeronautical access to researchers, manufacturers, assemblers, and repair stations that support airlines and operators of all sizes in global aerospace marketplace, and are key to the future of unmanned aerial aircraft.

#### Airports in Ohio:

- 97 General Aviation and 7 Commercial Airports
- 123,000 Jobs
- \$4.2 B in Payroll
- \$13.3 B in Economic Output

✈ According to data compiled in 2012 during the State Economic Impact Study, it was estimated that general aviation, alone, contributes **\$29.6 million in revenue** to the State's General Revenue Fund annually. Due to age of the data, increased sales tax in the state, and increased activity, it is estimated to be significantly higher today.

✈ Over the last **10 years**, the State of Ohio appropriated **only** approximately 1 years' worth of the general aviation tax revenue back into the general aviation airport infrastructure. Below is a summary of the last three years of requests versus actual funding through the Direct Grants Program:

FY 17-FY19 Direct Grant Totals (Source: ODOT Aviation)	
Total number of requested projects	196
Total Funding Requested	\$61.1 million
Total number of funded projects	41
Total Funded	\$11.7 million

### Implications for Ohio:

- ✈ The airport system of Ohio will continue to be challenged to maintain a safe and efficient system that serves the valuable businesses and communities potentially leading to a loss of businesses from the State.
- ✈ General aviation activities also take place on commercial service airports; however, commercial service airports are not eligible for any State funding. This forces the commercial service airports, and their air carriers, to bear the burden of general aviation activities.



## FAQ's

- 1. How are General Aviation airports funded?** All general aviation airports that are a part of the National Plan of Integrated Airports System (NPIAS), receive an annual non-primary entitlement grant of \$150,000 from the Federal Aviation Administration (an amount set in 2001). Currently, general aviation airport grants require a 10% local share. Ohio has stepped up to assist since 2016 by paying  $\frac{1}{2}$  of the local cost, or 5% of the total grant. Ohio also has a direct grant program that funds a handful of airport projects around the state each year. These funds are highly restricted regarding allowed uses. Neither the FAA or ODOT take into consideration any economic development ability in its priority ranking and as such does little to address priorities that enhance Ohio's economic vibrancy.
- 2. OAA is seeking \$16 Million for General Aviation, isn't that a lot?** The latest Ohio Airports Focus Study, completed by ODOT in 2014, indicates that an annual investment of over **\$19 million is required** (in 2014 dollars) simply to keep the existing General Aviation system *maintained*. Simply maintaining the pavement systems is imperative and there isn't enough to meet that need. Airports also have pressing needs outside of pavements that don't receive consideration due to funding use restrictions and lack of funding. Hangars, instrument approach equipment, and public terminal needs are examples of need at several general aviation airports.
- 3. Aren't airports part of the Motor Vehicle Tax funding in Ohio? No.** The Ohio Motor Vehicle Fund was established to primarily address the state highway and roadway system. While some modifications have been made to this fund and its uses, it generally is limited to the roadway system establishment and maintenance. Any airport funding in Ohio currently comes from airport fuel sales which are subject to the Ohio sales and use tax and these proceeds are included in the General Revenue Fund. This requires prioritization and budgeting each bi-annual cycle as part of the state's budget process.
- 4. Where do you propose the funding come from?** We propose that the sales tax from aviation fuels and related services simply be returned to the airports. We seek the airport-user generated monies to be reinvested into the airport system with less restrictive uses to meet its many needs.
- 5. What do the citizens of Ohio get for this investment?** The State's airports move people and goods each and every day. The economic impact of this activity exceeds \$13 Billion annually. Airports that can accommodate business-type aircraft are consistently listed as a top consideration in corporate site selections. General Aviation airports serve businesses and corporations in nearly every city and county as an effective competitive tool. Additionally, commercial service airports also service business general aviation and having the use restriction removed aids in upkeep of those facilities.





## 2019 Issue Brief: Aviation Workforce Development

**Issue: Over the next 20 years, Boeing estimates a global shortage of 790,000 pilots and 754,000 aircraft mechanics.**



### Implications for Ohio:

- ✈ A shortage of qualified pilots can lead to air service cuts in smaller communities **threatening** air service at Ohio's small and non-hub airports (Toledo, Akron-Canton, Dayton, and Youngstown). According to the Regional Airline Association, 58% of departures in Ohio are operated by regional carriers and would be risk from the pilot shortage <sup>i</sup>.
- ✈ The shortage of qualified pilots and mechanics presents an **opportunity** for Ohio to attract aviation businesses looking for a well-trained workforce and while retaining students in high wage careers (average starting salary of over \$59,000<sup>ii</sup>).
- ✈ Interest in aviation careers has increased but there remain **barriers** to entry including the high cost of training, lack of access to financing (the federal student loan program cap is \$57,500 for undergraduate programs) and the long training period (up to 6 years for pilots to earn requisite hours).
- ✈ While Ohio has a robust system of universities, community colleges, technical schools, and high schools providing flight and maintenance instruction to thousands of students, many of these programs require significant capital **investments** to accommodate increased demand.

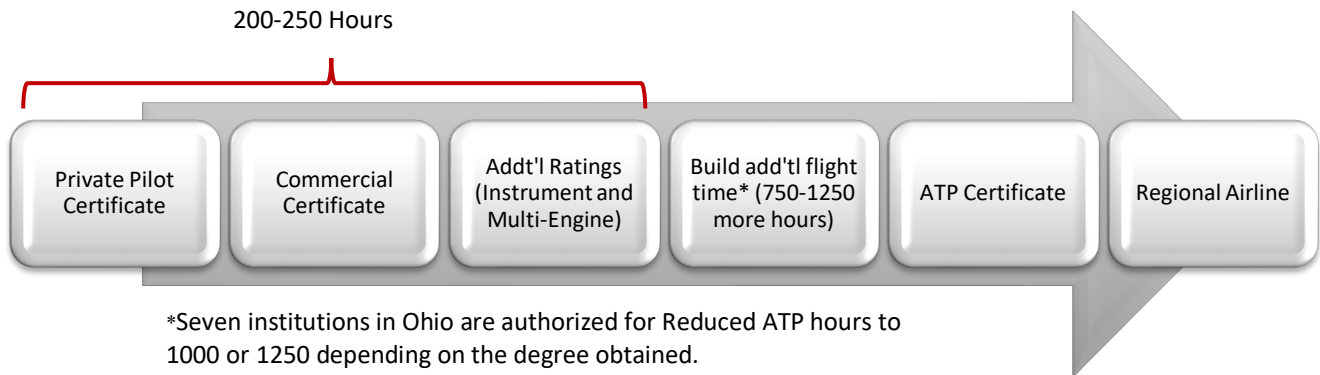
### Solutions to Make Ohio an Aviation Workforce Leader:

- ✈ Develop a revolving loan fund (\$15-20 million) to provide access to low-interest loans to finance training for students entering aviation related careers at Ohio universities and community colleges.
- ✈ Develop a mechanism to provide a one-time capital infusion to each of Ohio's collegiate aviation programs and technical colleges to allow the state's training programs to accommodate increased demand for training in aviation careers.
- ✈ Develop a task force to identify ways to strategically market Ohio's aviation workforce to airlines, aircraft maintenance and repair companies, and other aviation-related businesses.



**FAQ's**

- 1. What is the process, timing, and cost for a civilian to become an Airline Pilot?** Ultimately, an Airline Transport Pilot (ATP) certificate is required to fly for an airline, with a minimum of 1,500 flight hours. A typical flow of pilot training is shown below. There are three ways to achieve these: 1) a college or university with a degree, or 2) a local flight school with no degree, or 3) a dedicated training center with no degree. While a degree is not required to be an airline pilot, it is highly predictive of whether a student can perform well at airline training.



Requirements	Timing	Cost
Obtain an ATP Certificate -with a degree (most successful method)  Note: only collegiate education programs offer access to federal loans.	4-6 years	Total cost for collegiate aviation training to \$150,000 to \$200,000 <sup>iii</sup>

- 2. What is the process for becoming an aircraft airframe and powerplant (A&P) mechanic and how much does it cost?**

Requirements	Timing	Cost
<ul style="list-style-type: none"> <li>• Must be 18 years old; and,</li> <li>• Obtain 18 months of practical experience with airframes and power plants <u>or</u> graduate from an FAA-approved aviation maintenance technician school; and,</li> <li>• Pass three written, oral, and practical exams</li> </ul>	16-36 months	Average cost of a two-year associates A&P program is \$40,430 <sup>iv</sup> .



3. **How do we keep these pilots and mechanics in Ohio?** The short answer is that it happens with additional air service and expanding training programs in the state. Airline pilots can live anywhere they choose, but a recent study found around 50 percent choose to live close to their domicile<sup>v</sup>, the location they report to each day. Ohio has three regional jet crew domiciles (Columbus, Cleveland, and Dayton) and has pilots and mechanics who live in Ohio and commute to major air carrier bases at Detroit Metro and Cincinnati/Northern Kentucky. Airlines select crew domiciles based on operational need and workforce availability. Therefore, as Ohio continues to grow its aviation training programs, it will become a more attractive option for airlines looking to make air service and maintenance facility investments.
  
4. **What have other states done to enhance their aviation workforce efforts?** Across the country, States are investing in aviation training facilities as a way to leverage federal investment, attract new businesses, and retain their workforce through providing high wage jobs. The State of Georgia recently invested \$35 million in a new Technical College Aviation Academy in Chattahoochee while the State of Delaware invested \$3.4 million in aircraft at Delaware State University<sup>vi</sup>. Additionally, States funds have been matched by Economic Development Administration (EDA) grants for aviation flight and maintenance training expansion projects in Illinois, Louisiana, and California<sup>vii</sup>.

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<sup>i</sup> RAA October 2018 Workforce Update. <https://www.raa.org/news/423275/RAA-Industry-Update-October.htm>

<sup>ii</sup> RAA October 2018 Workforce Update. <https://www.raa.org/news/423275/RAA-Industry-Update-October.htm>

<sup>iii</sup> Air Line Pilots Association. 2017. <http://www.alpa.org/news-and-events/air-line-pilot-magazine/navigating-pathways-to-success>

<sup>iv</sup> National Center for Education Statistics. 2017-2018. <https://nces.ed.gov/ipeds/>

<sup>v</sup> The Effects of Commuting on Pilot Fatigue. National Research Council. 2011. <https://www.nap.edu/download/13201#>

<sup>vi</sup> <https://delawarestatenews.net/news/the-skys-the-limit-dsu-invests-in-new-fleet-of-planes/>

<sup>vii</sup> <https://www.eda.gov/news/press-releases/2018/09/27/oakland-ca.htm>