

PFC National Perspective

Overview and Best Practices

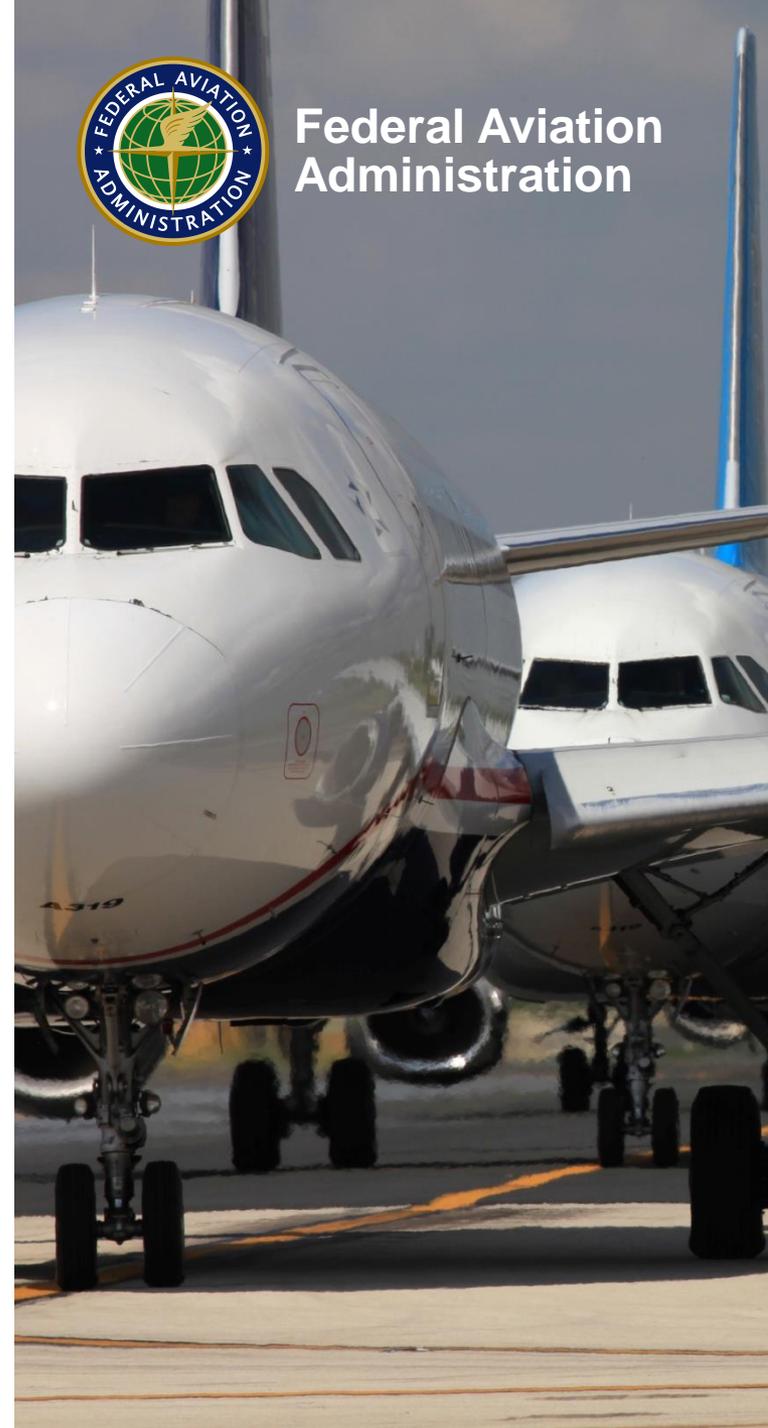
Presented to: Southwest Region PFC Workshop

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Federal Aviation
Administration



Overview of PFC Funding

- **A look at some high-level statistics about PFC approvals and project types**
- **Discuss some changes over time**
- **PFC Order update status**



Passenger Facility Charges (PFC)

- **Program overview**

- The Program has been very successful since its inception in 1990. Airports have used PFC revenue to pay for capital improvements and to secure interim and long term financing for larger, more costly, airport improvements.
- In total, approximately \$91 billion in PFC collections have been approved for projects already completed or for a variety of eligible projects planned for the future (August 2015).
- There are 361 commercial service airports currently collecting a PFC. Most are collecting at the maximum \$4.50 (August 2015).

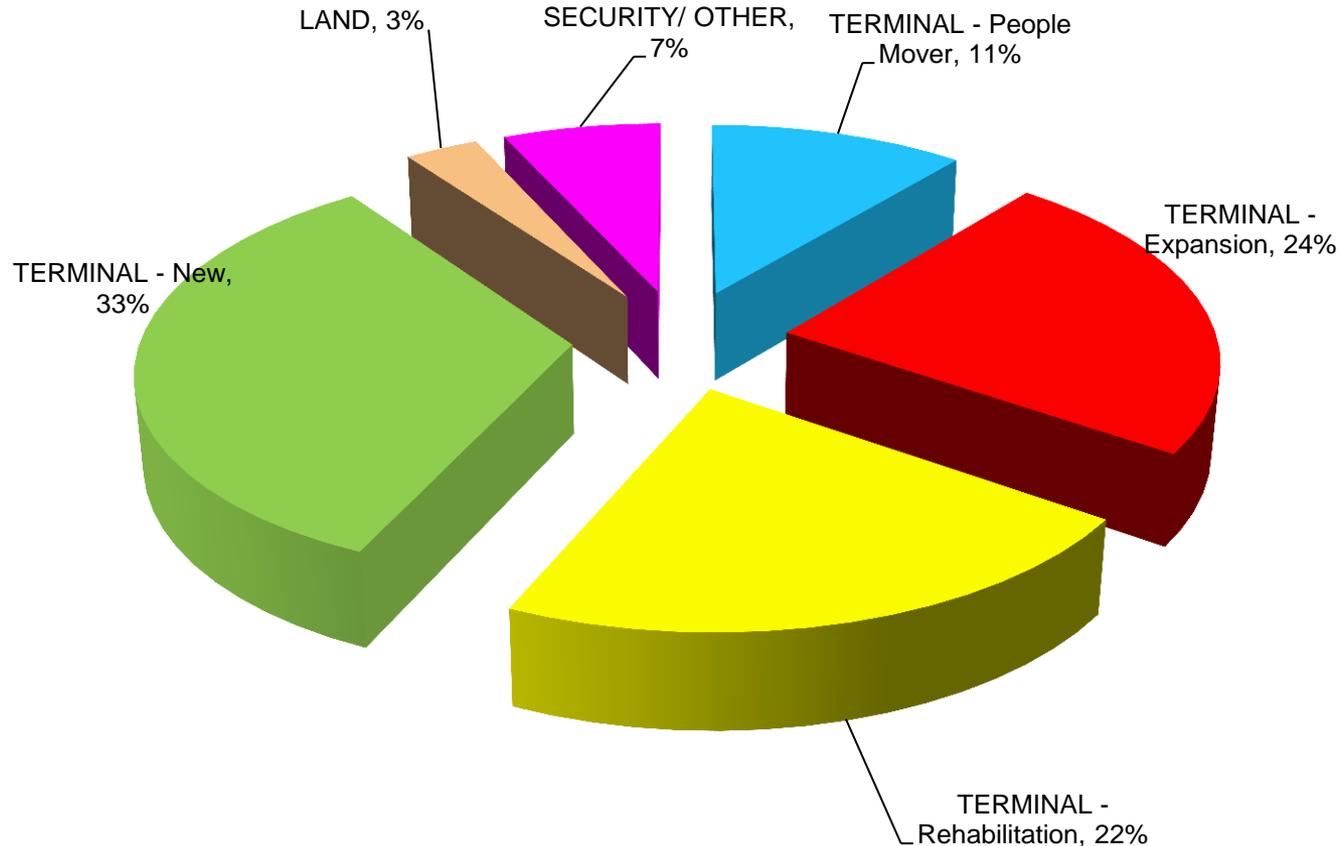
Total amount of approved collections	
Hub Type	(billions)
Large	\$68.26
Medium	\$14.30
Small	\$6.23
Non	\$2.28
Total	\$91.07

Airport Category	Locations Currently Collecting	Collecting at Maximum \$4.50 level
Large	30	29
Medium	31	29
Small	67	65
Non Hub	197	188
Comm. Service	36	31
Total	361	342



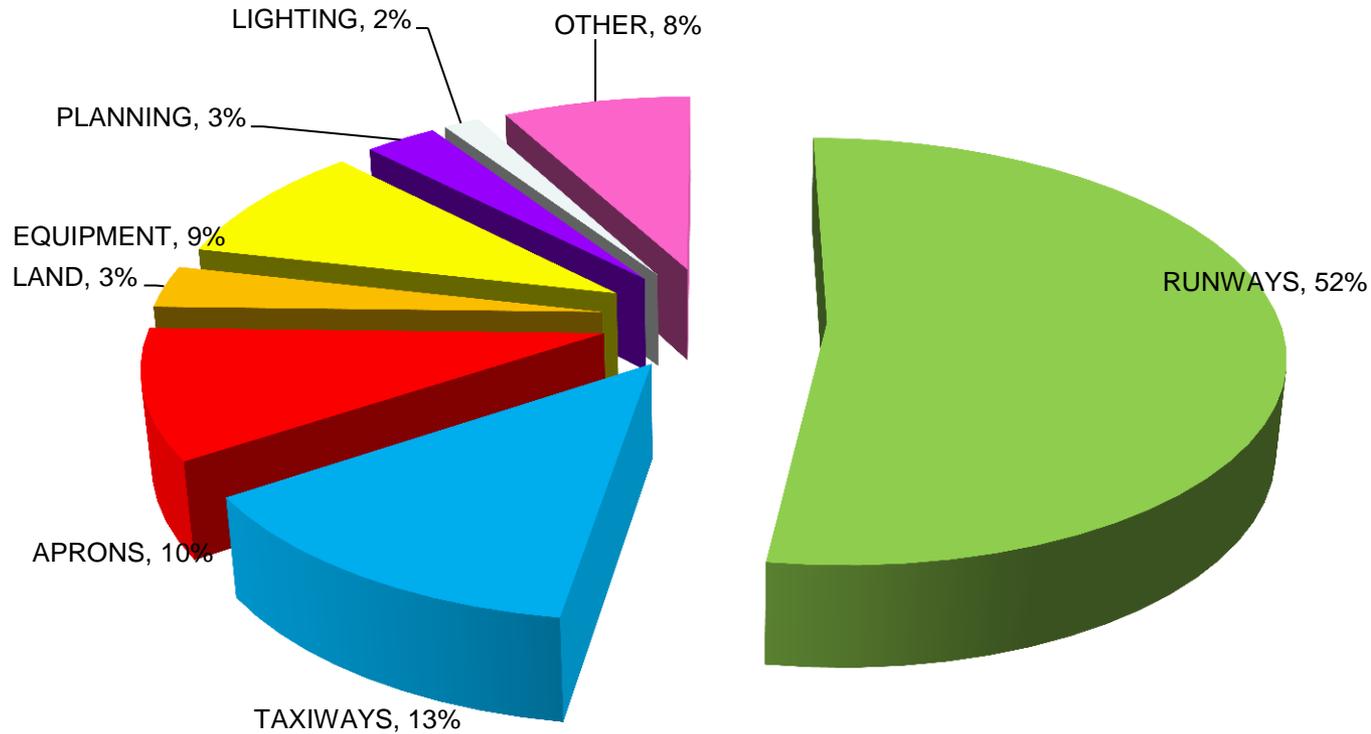
Passenger Facility Charges (PFC)

DISTRIBUTION OF LANDSIDE FUNDING (all airports)



Passenger Facility Charges (PFC)

DISTRIBUTION OF AIRSIDE FUNDING (all airports)



Passenger Facility Charges (PFC)

- **Program trends and outlook:**

- A review of the PFC collections expiring over time revealed a 20% increase in the average period of collection authority (from 6.7 years in the 2003 review to 8.1 years in the 2013 review).
- In the 2013 PFC review, FAA found the following:
 - For Large Hubs, 10 applications had collection durations between 15-30 years, while two extend beyond 30 years
 - For Medium Hubs, six applications had collection durations between 15-30 years, with none beyond 30 years.
 - For Small Hubs, 17 applications had collection durations between 15-30 years, while one extended beyond 30 years.
 - For Non-hubs, 17 applications had collection durations between 15-30 years, while four extended beyond 30 years.
- However, the share of approved collections expiring over the long-term (15-29 years and 30+ years) has remained relatively unchanged for all airport sizes combined.



Passenger Facility Charges (PFC)

- **Program trends and outlook (continued):**
 - The vast majority of hub airports currently collect PFCs at the \$4.50 maximum level, which limits the potential growth in PFC revenues to growth in passenger activity absent any changes in the maximum PFC level.
 - 96 of top 100 airports enplaning passengers currently collect a PFC (Omaha, NE, Memphis, TN, Greenville, SC, Westchester, NY are not currently collecting)
 - As of August 2015, about \$91 billion in PFC collections have been approved over the Program's history. Through CY14, \$44 billion of that approved amount had been collected, leaving \$47 billion in future collections for approved projects.



Passenger Facility Charges (PFC)

- FY 2015 PFC Program Overview**

- Approximately \$2.26 billion in PFC collections have been approved for projects this Fiscal Year (October, 2014 – September, 2015).

Hub Type	10/2014 - 9/2015 (billions)	
Large	\$1.57	69%
Medium	\$0.48	21%
Small	\$0.12	5%
Non	\$0.09	4%
Total	\$2.26	100%

Category	10/2014 - 9/2015 (billions)	
Airside	\$0.71	31%
Landside	\$1.40	62%
Noise	\$0.05	2%
Access	\$0.10	4%
Total	\$2.26	100%

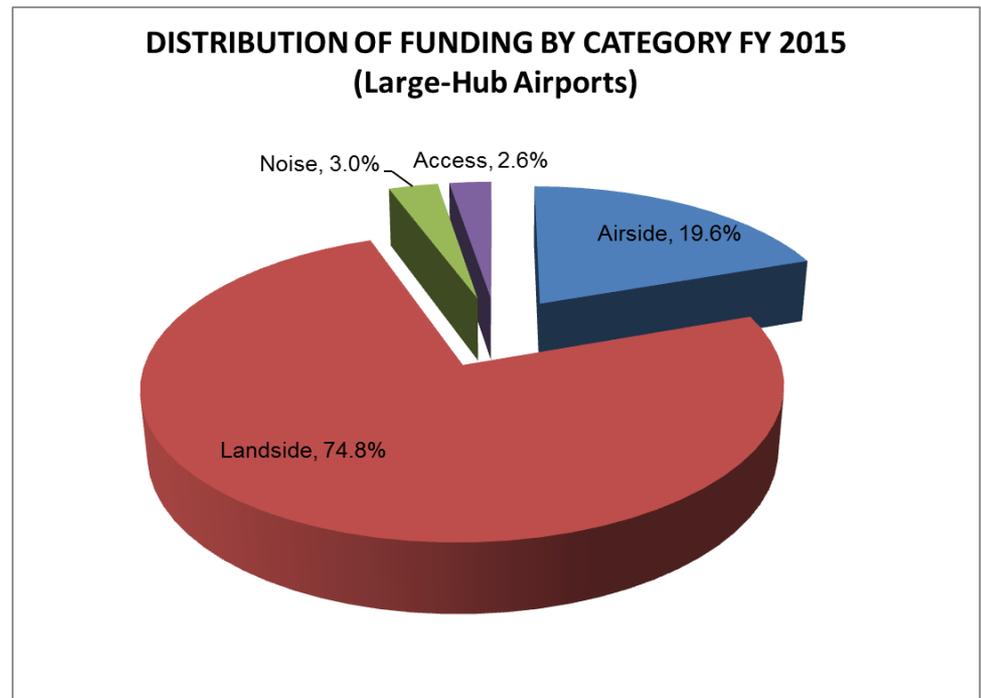


Passenger Facility Charges (PFC)

- **Large-Hub Airports Collecting PFC – FY 2015**

- Approximately \$1.568 billion in PFC collections have been approved for projects this Fiscal Year (October, 2014 – September, 2015).

Category	10/1/14 - 9/29/15 (millions)	
Airside	\$306.67	19.6%
Landside	\$1,173.50	74.8%
Noise	\$47.48	3.0%
Access	\$40.40	2.6%
Total	\$1,568.05	100.0%

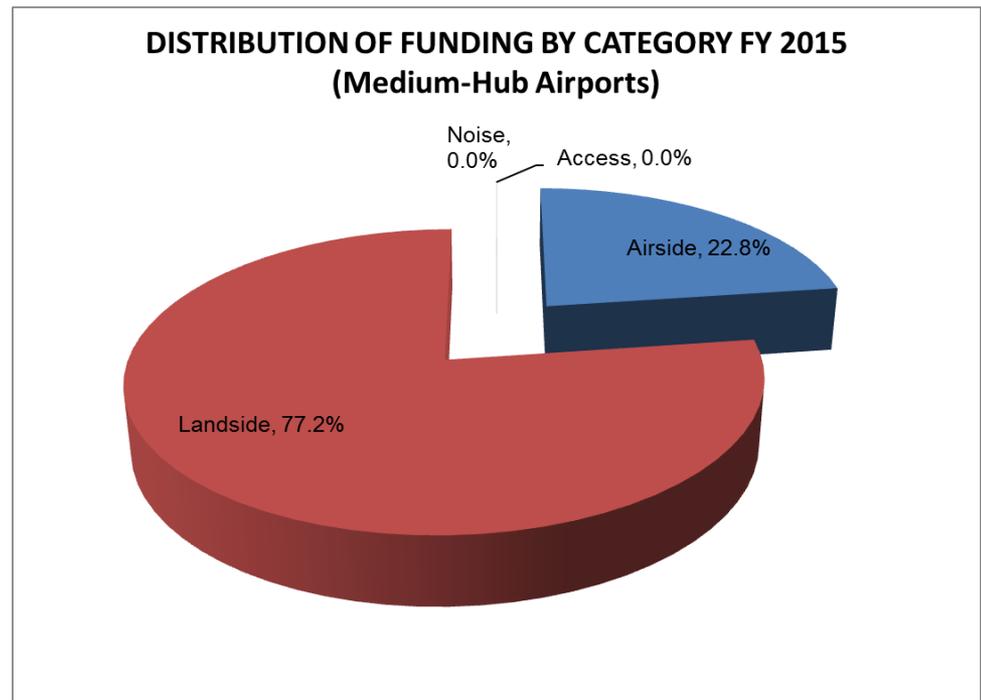


Passenger Facility Charges (PFC)

- **Medium-Hub Airports Collecting PFC – FY 2015**

- Approximately \$477 million in PFC collections have been approved for projects this Fiscal Year (October, 2014 – September, 2015).

Category	10/1/14 - 9/29/15 (millions)	
Airside	\$108.80	22.8%
Landside	\$368.18	77.2%
Noise	\$0.00	0.0%
Access	\$0.05	0.0%
Total	\$477.03	100.0%

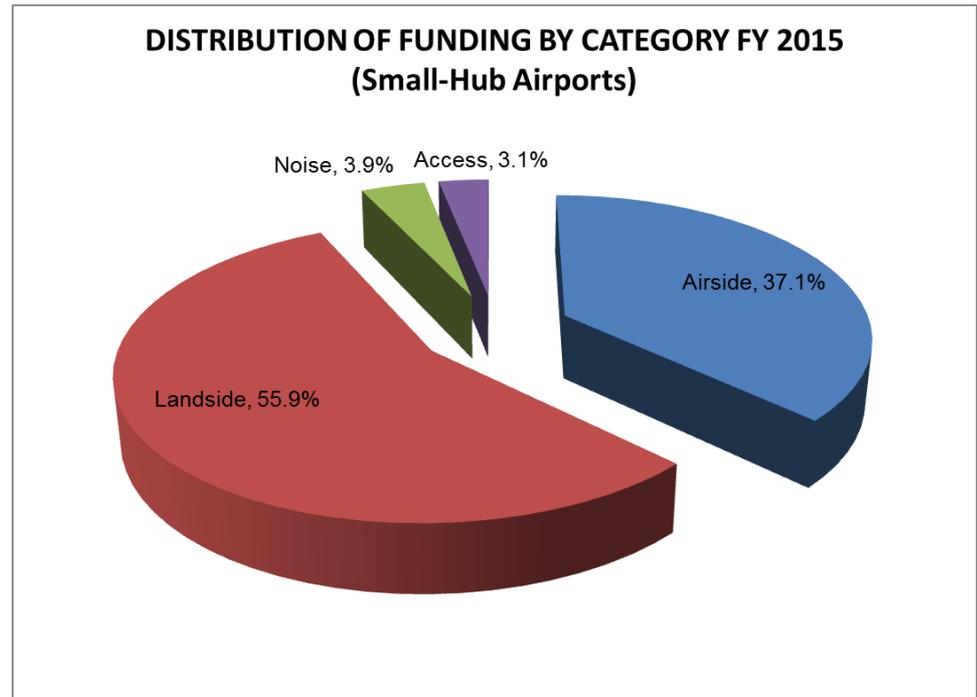


Passenger Facility Charges (PFC)

- **Small-Hub Airports Collecting PFC – FY 2015**

- Approximately \$115 million in PFC collections have been approved for projects this Fiscal Year (October, 2014 – September, 2015).

Category	10/1/14 - 9/29/15 (millions)	
Airside	\$42.89	37.1%
Landside	\$64.52	55.9%
Noise	\$4.55	3.9%
Access	\$3.56	3.1%
Total	\$115.52	100.0%

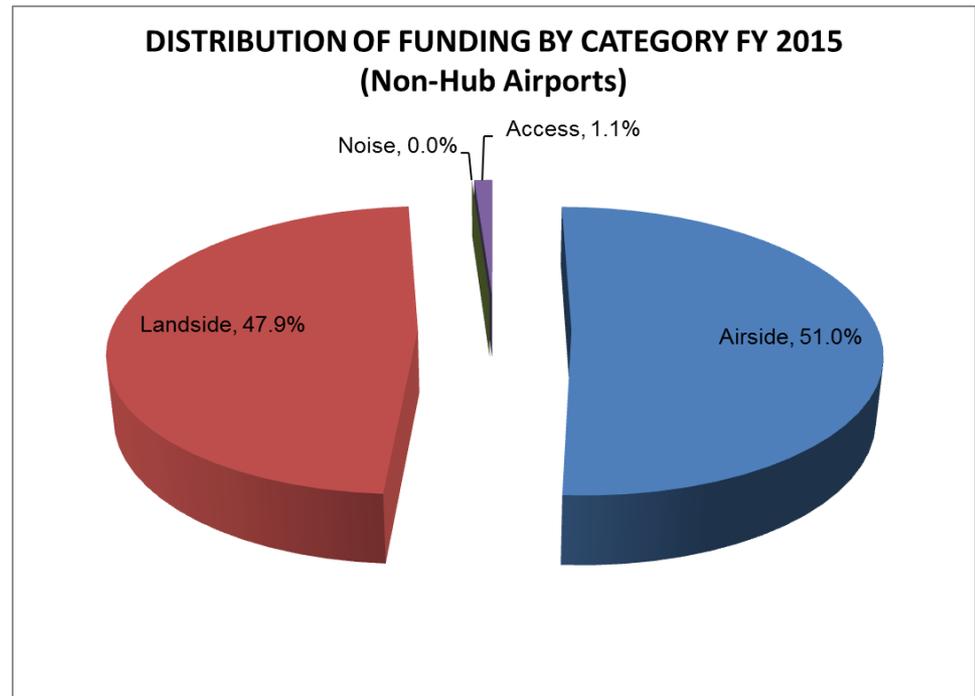


Passenger Facility Charges (PFC)

- **Non-Hub Airports Collecting PFC –FY 2015**

- Approximately \$99 million in PFC collections have been approved for projects this Fiscal Year (October, 2014 – September, 2015).

Category	10/1/14 - 9/29/15 (millions)	
Airside	\$50.61	51.0%
Landside	\$47.56	47.9%
Noise	\$0.00	0.0%
Access	\$1.11	1.1%
Total	\$99.28	100.0%



Important Initiatives

- **PFC Review and Order Update**
 - Began in late 2012
 - Two phases – Review first then Order
 - Review consisted of an internal FAA process and procedure review
 - Also included an industry outreach with Airports, Airlines, and Financial/Consultant Communities
 - FAA issued a Summary of the Review (including the outreach) in February 2013

PFC Order

- **Order is old and out-of-date, started with updating to match current statute and rule, then adding items from study results**
- **All chapters and appendices have been drafted and edited for “plain language”**
- **Has been vetting within FAA, now undergoing legal review**
- **Public review to take place early next calendar year**
- **Scheduled publication – September 30, 2016**

Schedule

- **Plan on sending out for Public review by early 2016**
- **Public release is planned for the end of September, 2016**



Best Practices for PFC Application Approvals



Advance Coordination/Draft Review

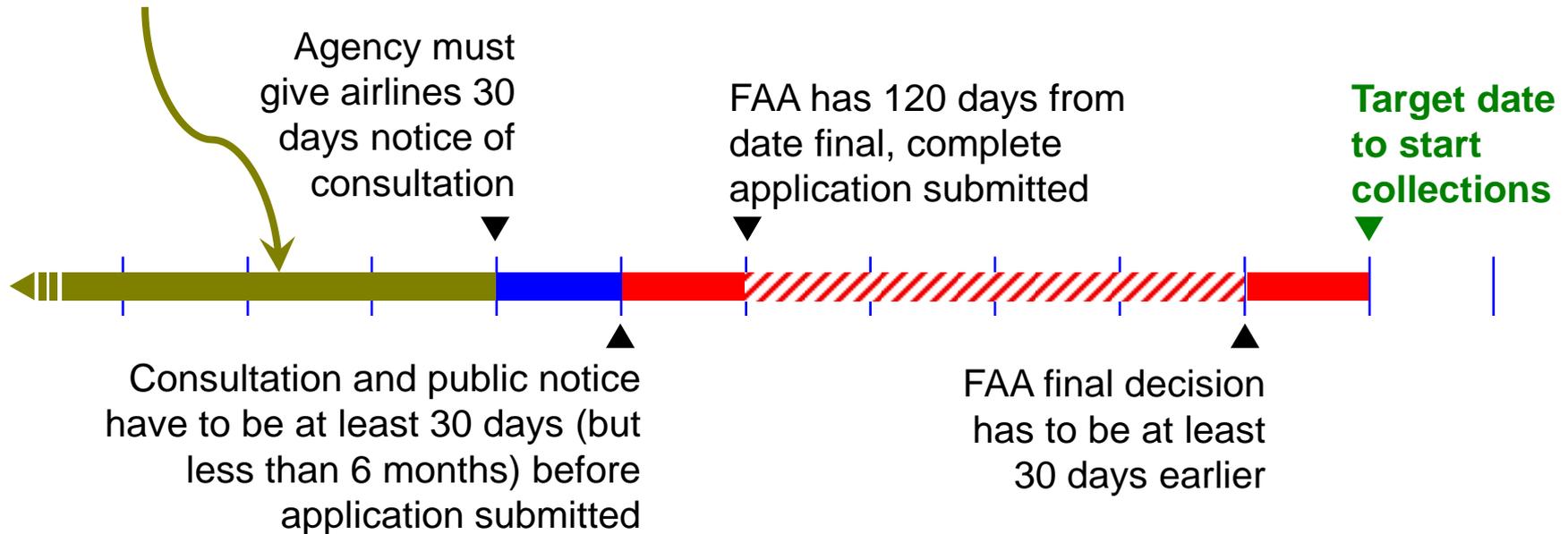
- **Over the history of the program, FAA has found that PFC application reviews work better for all with advance coordination between FAA and the Public Agency**
- **It is best if the Public Agency can reach an understanding with the FAA on critical items such as eligibility, justification, PFC objective, and as needed, significant contribution**
- **In more complex cases, FAA review of draft applications is also important**
- **REMEMBER – the FAA can provide advice, but must avoid prejudging the final decision**

Application Development Best Practices

- **Concise, clear discussion of project eligibilities, justifications, objectives, and significant contribution when applicable**
- **Use clear, understandable facts and supporting details**
- **Use studies when available, most often necessary for significant contribution**
- **Double check numbers (funding calculations and dates)**
- **Make sure details conform to prior applications**

Regulatory timetable for PFC applications

Strongly urge advance coordination with ADO, including review of draft consultation and application materials



Best Practices for PFC Oversight, Reporting, and Audit



PFC Post-decision Oversight

- **The PFC application is approved**
- **Collections are underway**
- **What are the Public Agency's responsibilities now?**

Items mandated by statute/regulation

- **Statute says that the Secretary will make rules regarding the execution of the statute**
 - Prescribe the time and form that the PFC takes effect
 - Require air carriers and foreign air carriers to collect PFCs and remit to public agencies promptly
 - Require that the charge be noted on the ticket
 - May permit the PFC to be waived for:
 - Excluded class (1% rule)
 - Fewer than 2,500 passengers and receives scheduled service
 - Community of less than 10,000 not connected to land highway

Items mandated by statute/regulation

- **Regulation incorporates those items in the statute**
- **In particular, those items relating to:**
 - Prescribe the time and form that the PFC takes effect (AKA – charge effective and charge expiration dates, and duration of collection)
 - Require air carriers and foreign air carriers to collect PFCs and remit to public agencies promptly (Notification to air carriers)
 - Duration of authority before project implementation

Items mandated by statute/regulation

- **Other items (from Regulation):**
 - Amending an approved application
 - Use of excess PFC revenue
 - ***Collection, Handling and Remittance of PFCs***
 - Public agency notification to collect PFCs
 - Collection of PFCs on tickets issued in the U.S.
 - Collection of PFCs on tickets issued outside the U.S.
 - Handling of PFCs including covered air carriers
 - Remittance of PFCs
 - Collection compensation

Items mandated by statute/regulation

- **Other items (from Regulation):**
 - *Reporting, Recordkeeping, and Audits*
 - Reporting requirements for public agencies
 - Reporting requirements for collecting air carriers
 - Recordkeeping and auditing for public agencies
 - Recordkeeping and auditing for air carriers
 - Federal oversight
 - FAA may periodically audit and/or review the use of PFC revenue by a public agency
 - FAA may periodically audit and/or review the collection and remittance of air carriers
 - Public agencies and carriers shall allow for access to books, etc.

What does this mean?

- **FAA has a responsibility to monitor PFC collection and remittance practices of both the public agencies and the air carriers**
- **HOWEVER, statute and regulation developed around Congress' intent to have each party check on the other**
- **More specific authority (and enforcement tools) with public agencies**
- **More robust oversight – SOAR collection, disbursement, and implementation data in SOAR as reported (in most cases) directly from public agencies**

SOAR has a wealth of information...

- **Provides fundamental details about an airport's collection, disbursement, and project status**
- **Quickly can see where a public agency's information is missing or incomplete**
- **Certain patterns and trends provide clues as to the use of PFC revenue by a public agency**

So what are the concerns?

- **Public agency is coming up on its charge expiration date, but not collected enough on its application**
- **Handling of interest (no negative interest is allowed)**
- **Use of collected PFC revenue – public agency has a large amount of unexpended PFC revenue – why?**

So what are our concerns?

- **Duration concerns are most common and have the most impact to the public agency**
- **HQ has improved our reporting to A4A and ATPCO so that in cases where there has been an oversight, we can minimize or eliminate the impact**
- **While the primary responsibility for uninterrupted collects is with the public agencies, it is important that the Regions/ADOs monitor ongoing collections and assist the public agencies**

Disbursements

- **SOAR information provides the FAA insight into which projects a P/A is expending its PFC revenue on**
- **Project disbursements can be compared to project completion information and projects that are lagging can be identified**
- **In some cases, the FAA may be of help in identifying improved oversight practices for the public agency's PFC account**

PFC Audits

- Remember to send to the FAA once issued
- PFC can be a separate audit or part of an annual 2 CFR Part 200 (formerly A-133) audit
- If part of a 2 CFR Part 200 audit, PFC must be addressed separately, including required audit reporting
- PFC funds should be reported by the public agency in a separate schedule
- Findings and questioned costs relating to PFC's should also be presented separately (not be combined with any other findings and questioned costs noted in a 2 CFR Part 200 audit).

Discussion

- **Questions?**
- **Best practices to share?**
- **How do you coordinate with ASW/ADOs post PFC decision?**