

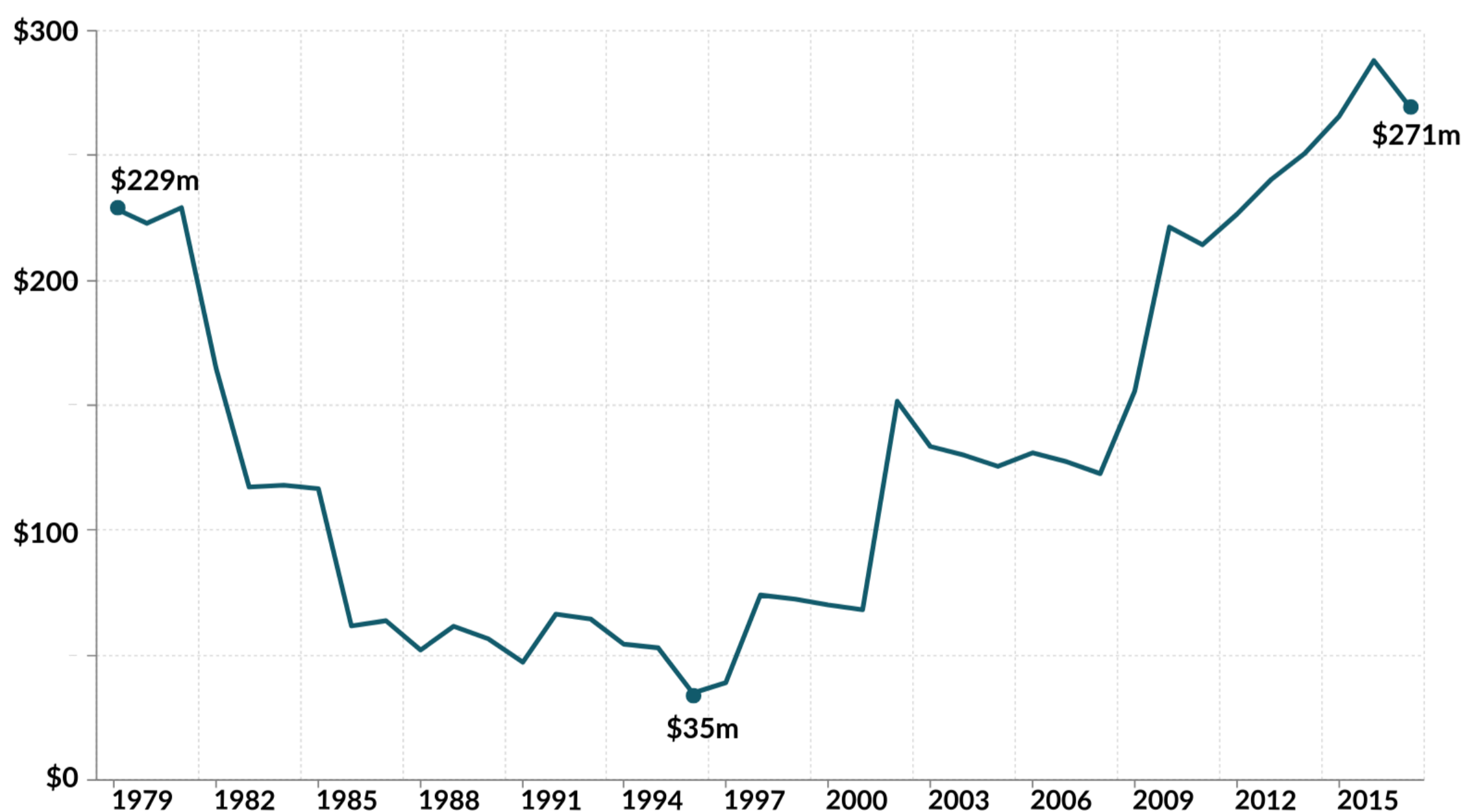
Question: How does the federal government subsidize air service to small communities?

Over the past 15 years, changes in the airline industry have consolidated air service at the largest hub airports while passenger levels at medium hubs have remained consistent.¹ But the smallest of airports usually do not have enough demand to maintain commercial air service. So for nearly 40 years, the federal government has been funding air travel to and from small communities across the United States.

In 1979, when the federal government deregulated the airline industry, Congress established the Essential Air Service Program (EAS) to subsidize flights to the smallest airports. The busiest of those airports, Joplin, Missouri, has on average fewer than 160 passengers per day.² Some EAS airports have fewer than a dozen passengers departing per day.

The program was initially intended to last only 10 years, but was extended in perpetuity in 1996. Since then, program costs have risen significantly (Figure 1).³

Figure 1. Essential Air Service spending in millions of constant 2016 dollars (1979-2016).



Source: Office of Aviation Analysis, "Essential Air Service," U.S. Department of Transportation, 2016.

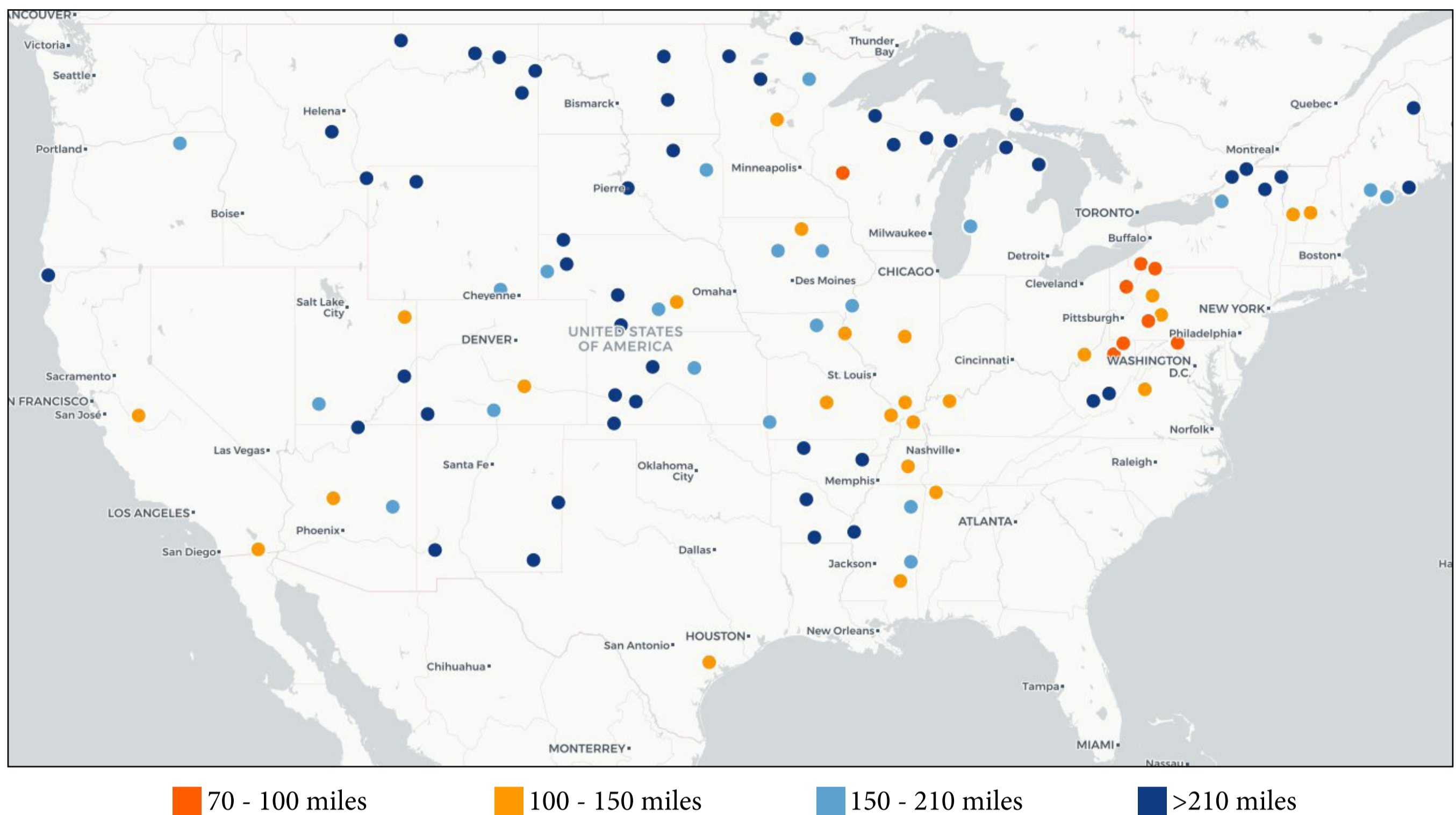
¹ "How has air travel in specific metropolitan areas changed in recent years?" Eno Center for Transportation, 2017.

² When the program was created there were 746 eligible communities, including 237 in Alaska and nine in Hawaii, but only around 300 of those communities have ever received any subsidized service. See: Jeff Davis, "Trump Budget Battles the Legacy of Regulated Routes," Eno Transportation Weekly, April 10, 2017

³ Researchers have provided several reasons for the dramatic increase in costs. See: Rachel Y. Tang, "Essential Air Service (EAS)," Congressional Research Service, 2015.

One rationale for the continuation of EAS is that many airports are very far from medium or large hub airports, leaving local residents and businesses without options. Figure 2 shows that EAS airports are scattered across America, but not all are very far from a large or medium hub airport.

Figure 2. Distance to nearest large or medium hub for airports in the Essential Air Service program (continental U.S. only).



Source: Office of Aviation Analysis, "Essential Air Service," U.S. Department of Transportation, 2017.

On a per-passenger basis, the level of subsidy varies significantly; from close to zero, to several hundred dollars for each passenger flown (Table 1). On the high end of dollars per passenger, 47 percent of the airports within 210 miles of a medium or large hub provide more than \$200 per passenger. The highest per passenger subsidy for these airports during FY2016 was received by the airport in Altoona, Pennsylvania. On average, each of the 3,693 passengers that travelled through that airport during FY2016 cost the U.S. Department of Transportation (U.S. DOT) \$642.

Table 1. Subsidy per passenger for airports in the Essential Air Service program, (FY2016).

EAS airport	State	Distance to large or medium hub	Total passengers	Subsidy per passenger
Morgantown	WV	75	15,009	\$156
Bradford	PA	77	6,068	\$343
Hagerstown	MD	78	7,469	\$241
Jamestown	NY	79	3,537	\$573
Johnstown	PA	84	8,516	\$281
Franklin/Oil City	PA	85	3,657	\$423
Lancaster	PA	86	6,633	\$379
Eau Claire	WI	92	36,400	\$55
Clarksburg/Fairmont	WV	96	9,041	\$255
Prescott	AZ	102	6,244	\$411
Merced	CA	107	16,113	\$182

**Table 1. Subsidy per passenger for airports in the Essential Air Service program, (FY2016).
(continued)**

EAS airport	State	Distance to large or medium hub	Total passengers	Subsidy per passenger
Parkersburg/Marietta, OH	WV	110	8,434	\$406
Quincy/Hannibal, MO	IL	111	15,722	\$155
DuBois	PA	112	5,463	\$412
Altoona	PA	112	3,693	\$642
El Centro	CA	114	5,687	\$231
Victoria	TX	119	3,761	\$546
Pueblo	CO	121	1,786	\$518
Muscle Shoals	AL	122	7,164	\$243
Marion/Herrin	IL	123	18,112	\$141
Brainerd	MN	123	33,519	\$51
Lebanon/White River Jct.	NH	124	19,380	\$160
Decatur	IL	126	15,518	\$184
Cape Girardeau/Sikeston	MO	127	10,524	\$188
Mason City	IA	133	15,186	\$241
Staunton	VA	134	10,512	\$180
Rutland	VT	134	10,244	\$132
Laurel/Hattiesburg	MS	135	23,390	\$170
Fort Leonard Wood	MO	136	15,353	\$179
Owensboro	KY	138	7,815	\$239
Grand Island	NE	138	52,633	\$24
Jackson	TN	139	6,457	\$318
Laramie	WY	145	29,263	\$70
Paducah	KY	146	40,728	\$51
Vernal	UT	150	4,750	\$333
Kirksville	MO	154	9,583	\$169
Fort Dodge	IA	156	13,240	\$281
Muskegon	MI	165	33,491	\$61
Joplin	MO	167	57,079	\$9
Augusta/Waterville	ME	168	9,936	\$189
Watertown	NY	172	33,294	\$70
Show Low	AZ	173	7,138	\$174
Rockland	ME	177	14,097	\$140
Cedar City	UT	179	26,891	\$97
Kearney	NE	181	7,735	\$213
Meridian	MS	185	52,186	\$77
Salina	KS	186	3,227	\$236

**Table 1. Subsidy per passenger for airports in the Essential Air Service program, (FY2016).
(continued)**

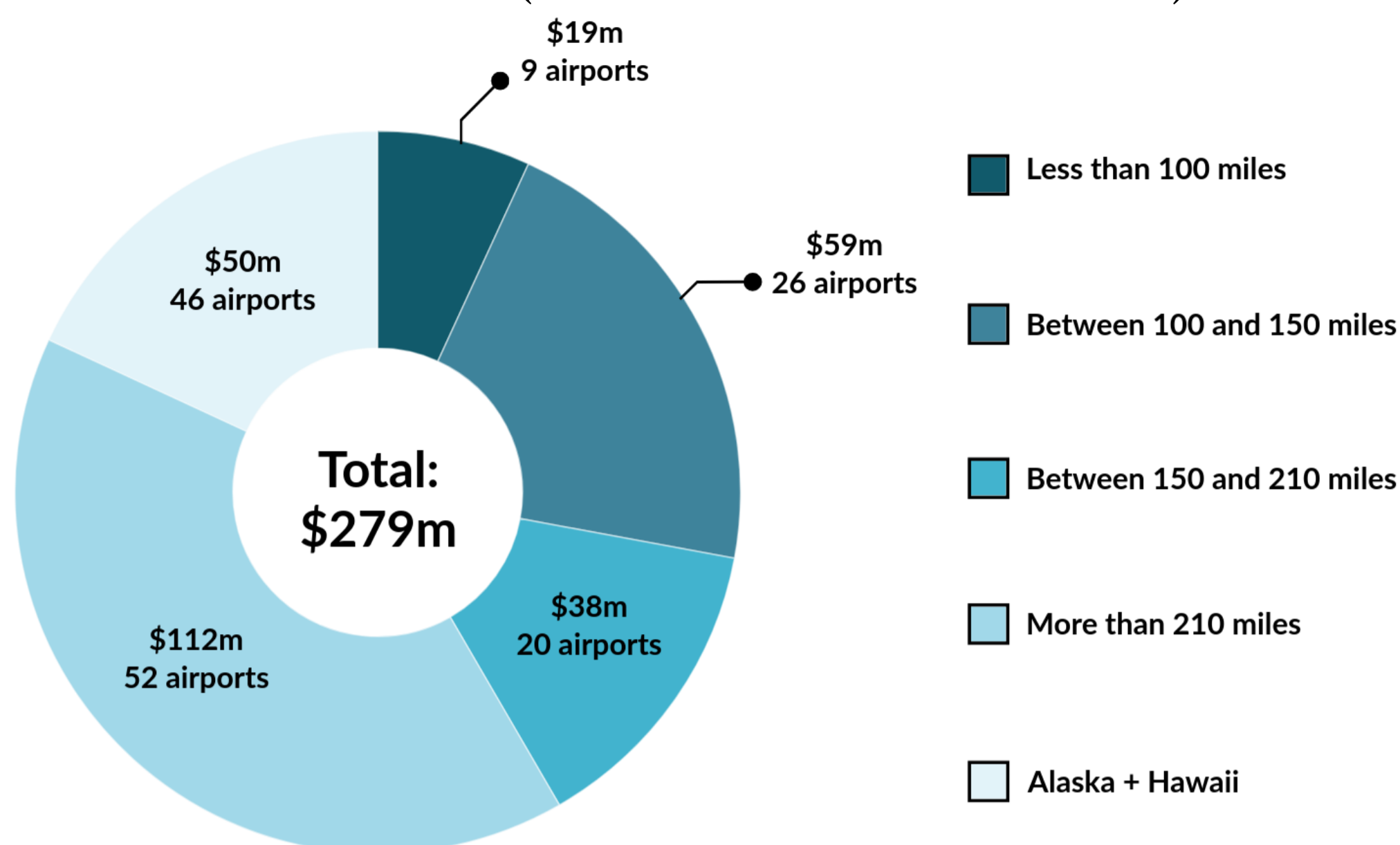
EAS airport	State	Distance to large or medium hub	Total passengers	Subsidy per passenger
Burlington	IA	188	12,801	\$173
Waterloo	IA	189	50,456	\$26
Scottsbluff	NE	192	5,856	\$267
Chisholm/Hibbing	MN	199	25,127	\$106
Tupelo	MS	203	5,576	\$387
Alamosa	CO	205	6,764	\$296
Pendleton	OR	205	6,969	\$238
Watertown (SD)	SD	207	1,575	\$193
Beckley	WV	211	4,127	\$599
Ironwood/Ashland, WI	MI	213	9,697	\$366
Bemidji	MN	213	47,919	\$25
Rhineland	WI	216	43,046	\$48
Iron Mountain/Kingsford	MI	223	22,621	\$131
Ogdensburg	NY	223	8,233	\$275
Escanaba	MI	227	30,849	\$114
Silver City/Hurley/Deming	NM	229	10,099	\$338
Greenbrier/W. Sulphur Springs	WV	230	9,023	\$389
Manistee/Ludington	MI	233	5,777	\$319
Alliance	NE	233	4,010	\$528
Clovis	NM	233	9,098	\$356
Saranac Lake/Lake Placid	NY	233	9,547	\$192
Alpena	MI	236	17,615	\$122
Jonesboro	AR	239	8,761	\$221
Plattsburgh	NY	243	13,432	\$213
Cortez	CO	255	6,640	\$257
North Platte	NE	255	6,893	\$237
Bar Harbor	ME	256	16,070	\$124
McCook	NE	256	2,076	\$778
Massena	NY	256	10,554	\$256
Moab	UT	256	5,124	\$432
Harrison	AR	263	4,192	\$436
Aberdeen	SD	270	52,742	\$20
Greenville	MS	279	7,943	\$239
Carlsbad	NM	280	5,752	\$429
Page	AZ	282	6,926	\$308
Hays	KS	284	15,601	\$156

**Table 1. Subsidy per passenger for airports in the Essential Air Service program, (FY2016).
(continued)**

EAS airport	State	Distance to hub	Total passengers	Subsidy per passenger
El Dorado/Camden	AR	285	6,643	\$211
Chadron	NE	290	8,213	\$264
International Falls	MN	298	23,598	\$93
Hot Springs	AR	300	4,296	\$321
Garden City	KS	300	52,302	\$26
Thief River Falls	MN	305	4,321	\$504
Crescent City	CA	314	17,616	\$198
West Yellowstone	MT	332	17,019	\$29
Jamestown (ND)	ND	333	20,208	\$150
Hancock/Houghton	MI	334	49,101	\$26
Dodge City	KS	345	3,592	\$470
Sault Ste. Marie	MI	347	41,631	\$46
Liberal/Guymon, OK	KS	356	4,119	\$396
Presque Isle/Houlton	ME	358	24,325	\$195
Pellston	MI	367	52,731	\$23
Pierre	SD	394	5,627	\$108
Devils Lake	ND	402	14,207	\$234
Butte	MT	415	50,609	\$17
Cody	WY	449	49,060	\$22
Glendive	MT	607	5,212	\$359
Sidney	MT	658	16,326	\$211
Havre	MT	668	4,609	\$427
Wolf Point	MT	686	7,090	\$306
Glasgow	MT	709	6,471	\$314

Source: Office of Aviation Analysis, "Essential Air Service," U.S. Department of Transportation, 2017.

Figure 3. FY2016 spending on Essential Air Service airports, grouped by distance to large or medium hubs (for those in the continental U.S.).



Note: totals might not add up due to rounding.

Source: Office of Aviation Analysis, "Essential Air Service," U.S. Department of Transportation, 2016.

Figure 3 shows that most EAS funding goes toward airports that are more than 100 miles from a large or medium hub.

Since the 1990s, Congress has tried to reign in the EAS program costs by imposing limitations on the program via minimum number of enplanements and caps on subsidies. These measures are to be taken into consideration only for existing service. Current limitations include:

- Limiting the program to communities further than 70 miles from a large or medium hub.
- Requiring a minimum of 10 daily enplanements.
- Capping the per-passenger subsidies at \$200 for communities less than 210 miles from a medium or large hub (and \$1,000 for the others).

For existing service, U.S. DOT enforced the \$200 maximum per passenger subsidy rule between 1990 and 2006, which led to 39 communities losing service during that period. But in 2006 U.S. DOT stopped enforcing the rule.⁴ While in 2014 U.S. DOT announced that they would once more enforce the \$200 limit, in FY2016 there were still 26 airports above the threshold.⁵

EAS program costs have increased four-fold in real terms in the last 15 years (Figure 1). In fact, U.S. DOT still has criteria for considering adding new communities to EAS, including reliability, connections with other airlines at larger hubs, and community views, but notably none of them include cost.⁶

Aside from cutting the program completely, which the Trump administration proposed in their initial 2018 budget outline (but eventually became a 50 percent reduction in the final version of the budget), Congress and U.S. DOT could consider several options to save money on the program (Table 2):⁷

- Increase the 70-mile minimum distance to a medium or large hub.
- Enforce the \$200 per-passenger cap for airports within 210 miles of such a hub.
- Enforce the 10 enplanements per day minimum for airports within 175 miles of medium and large hubs.

⁴ Since 2006, only one airport (Brooking, South Dakota), has lost service because it exceeded the \$200 per passenger subsidy limit. U.S. DOT has, however, kept enforcing the \$1,000 per passenger maximum subsidy, and three airports lost service due to that cap in 2016. Since 2012 8 airports lost service because of the \$1,000 rule. See U.S. Department of Transportation, "Essential Air Service Communities Eliminated Due to Per-Passenger Subsidy Cap (Updated October 2016)," 2016.

⁵ Office of Aviation Analysis, "Notice of Enforcement Policy, \$200 Per Passenger Subsidy Cap," U.S. Department of Transportation, 2014.

⁶ Rachel Y. Tang, 2015.

⁷ Jeff Davis, "White House Releases Full FY18 Budget Request," *Eno Transportation Weekly*, May 23, 2017.

Table 2. Potential annual savings for the EAS program.

Saving measure	Annual savings (millions of dollars)
EAS only for airports >100 miles from medium or large hub	\$19.0
EAS only for airports >150 miles from medium or large hub	\$77.8
Enforce \$200 per passenger cap	\$54.0
Enforce minimum of 10 daily enplanements	\$15.8

**Excludes double counting. Source: Office of Aviation Analysis, "Essential Air Service," U.S. Department of Transportation, 2016.*

Each of the options for reducing the cost of EAS produce only modest savings. Even in a scenario where EAS is only provided to airports that are a minimum of 150 miles from a medium or large hub, the \$200 passenger cap is enforced, and the 10 daily enplanements are enforced, the potential savings would only amount to \$114.3 million. Additionally, EAS is a relatively small program when compared to the broader federal aviation spending: less than two percent of \$16 billion per year.

How does the federal government subsidize air service to small communities?

Answers:

- The Essential Air Service program distributes approximately \$270 million per year to support commercial air service to small airports. Unfortunately most Americans will never take advantage of this program, as the busiest EAS airport serves on average only 160 passengers per day.
- Public subsidies play an important role in guaranteeing air access to many small communities. However, EAS also subsidizes service to communities that have reasonable ground access to medium and large hubs. Rules created to decrease costs associated with the program have not been enforced.
- The EAS program could be cut back, but it represents only a small portion of overall federal expenditures in aviation.

Eno wishes to acknowledge its Aviation Working Group, a standing advisory body that provides Eno staff with guidance and expertise on all matters related to aviation policy. The opinions expressed are those of Eno and do not necessarily reflect the views of our supporters.

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