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Essential Air Service (EAS): Frequently Asked Questions

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Introduction

On February 14, 2012, President Obama signed into law a four-year reauthorization of Federal Aviation Administration (FAA) programs, the FAA Modernization and Reform Act of 2012 (P.L. 112-95; the 2012 Act). The act is the first long-term authorization for federal civil aviation programs since 2007, and was enacted following 23 short-term extensions.

The Essential Air Service (EAS) program was a focus of controversy during the FAA reauthorization process. The final legislation included policy reforms and changes to the funding of the EAS program. The Consolidated Appropriations Act of 2014 (P.L. 113-76), signed into law by the President on January 17, 2014, provided funding for FY2014, along with some relatively minor changes to the program.

This report provides an overview of the EAS program and discusses the changes introduced by the FAA reauthorization bill and the Consolidated Appropriations Act of 2014.¹

What Is Essential Air Service?

The Airline Deregulation Act of 1978 (P.L. 95-504) gave airlines almost total freedom to determine which domestic markets to serve and what airfares to charge. This raised the concern that communities with relatively low passenger levels would lose service as carriers shifted their operations to serve larger and often more profitable markets.

To address this concern, Congress added Section 419 to the Federal Aviation Act,² which established the EAS program to ensure that smaller communities could retain a link to the national air transportation system. The purpose of the EAS program was to provide a continuation of service to those small communities that were served by certificated air carriers before deregulation, with subsidies if necessary. It continues to ensure at least a minimum level of air service to small communities which would otherwise be unprofitable for commercial airlines to serve.

The EAS program is administered by the Office of the Secretary of the U.S. Department of Transportation (DOT), which determines the minimum level of service required at each eligible community by specifying

- a hub through which the community is linked to the national network;
- a minimum number of round trips and available seats that must be provided to that hub;
- certain characteristics of the aircraft to be used; and
- the maximum permissible number of intermediate stops to the hub.

¹ The major sources for this report are information and data from the U.S. Department of Transportation, Office of Aviation Analysis, <http://www.dot.gov/policy/aviation-policy/small-community-rural-air-service/essential-air-service>, as viewed on January 21, 2014.

² Effective June 1994, the Federal Aviation Act was recodified as subtitles II, III, and V-X of 49 U.S.C., "Transportation." The former Section 419 of the Federal Aviation Act is now 49 U.S.C. Sections 41731-41742.

Where necessary, DOT provides federal subsidies to a carrier to ensure that the specified level of service is provided.

What Are the Eligibility Requirements?

The Airline Deregulation Act of 1978 made communities receiving scheduled air service from a certificated carrier on October 24, 1978, eligible for EAS benefits. At that time, there were 746 eligible communities, including approximately 200 in Alaska.

Over the years, Congress and DOT have worked to limit the scope of the program, mostly by eliminating subsidy support for communities within a reasonable driving distance of a major hub airport. The 2012 FAA Reauthorization Act adopted additional EAS reform measures, including Section 421, which amended the definition of an “EAS eligible place”³ to require a minimum number of daily enplanements.

Under the 2012 Act, for locations to remain EAS-eligible they must have participated in the EAS program at any time between September 30, 2010, and September 30, 2011. An EAS-eligible place is now defined as a community that, during this period, either received EAS for which compensation was paid under the EAS program or received from the incumbent carrier a 90-day notice of intent to terminate EAS following which DOT required it to continue providing service to the community (known as “holding in” the carrier). Starting October 1, 2012, no new communities can enter the program should they lose their unsubsidized service.

This change limits EAS subsidies to those already receiving them and, in effect, eliminates the eligibility of airports that were formerly eligible but did not receive subsidies at any time between September 30, 2010, and September 30, 2011.

These EAS communities from FY2011 remain eligible for EAS subsidy if⁴

- they are located more than 70 miles from the nearest large or medium hub airport;
- they require a rate of subsidy per passenger of \$200 or less, unless the community is more than 210 miles from the nearest hub airport;
- the average rate of subsidy per passenger is less than \$1,000 during the most recent fiscal year at the end of each EAS contract, regardless of the distance from hub airport; and
- the communities have an average of 10 or more enplanements per service day during the most recent fiscal year beginning after September 30, 2012, unless these locations are more than 175 driving miles from their nearest medium or large hub airport or unless DOT is satisfied that any decline below 10 enplanements is temporary.

³ 49 U.S.C. §41731.

⁴ The Department of Transportation Appropriations Act of 2000 (P.L. 106-69) Section 332 enacted the 70-mile rule and the \$200-per-passenger subsidy rule.

These limitations apply only to the contiguous 48 states and Puerto Rico. EAS communities in Alaska and Hawaii are exempt from these requirements.

Further, the Consolidated Appropriations Act of 2014 (P.L. 113-76) directed that no EAS funds should be used “to enter into a new contract with a community located less than 40 miles from the nearest small hub airport before the Secretary has negotiated with the community over a local cost share.” This may affect two communities currently receiving EAS subsidies that are within a 40-mile distance from a small hub airport: Lancaster, PA, and Pueblo, CO.

How Is EAS Funded?

The EAS program is funded through annual transfers of overflight fees paid to FAA by foreign aircraft that fly through U.S. airspace but do not land in the country, supplemented by annual appropriations of varying size.

Section 428 of the FAA Modernization and Reform Act authorizes appropriations for the discretionary portion of EAS funding of \$143 million for FY2012; \$118 million for FY2013; \$107 million for FY2014; and \$93 million for FY2015. It also authorizes all overflight fee revenues, rather than just the \$50 million provided historically, to be made immediately available to the EAS program.

The Consolidated Appropriations Act of 2014 provided \$249 million in total EAS funding for FY2014, including \$100 million in mandatory funding and \$149 million in discretionary appropriations. This appropriated level exceeds the amount appropriated in the 2012 Act by \$42 million. Annual EAS funding from FY2011 to FY2015 is shown in **Table 1**.

Table 1. Essential Air Service Funding (FY2011-FY2015)

(in millions)

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|------------------------------|--------|--------|--------|--------|--------|
| Discretionary Appropriations | \$150 | \$143 | \$118 | \$149 | \$93 |
| Overflight Fee Collections | \$50 | \$50 | \$75 | \$100 | \$100 |
| Total Funding | \$200 | \$193 | \$193 | \$249 | \$193 |

Source: U.S. Department of Transportation.

Note: Projected overflight fee collections provided by Office of Management and Budget (OMB) Max Database.

How Does DOT Select EAS Carriers?

DOT issues a request for proposals (RFP) to all scheduled carriers to provide service to an eligible community and institutes a carrier selection proceeding using a bid system. However, DOT does not automatically select the carrier submitting the lowest bid. It is required by law to use the following four criteria when selecting air carriers to serve EAS communities:

- service reliability;
- contractual and marketing arrangements with a larger carrier at the hub;

- interline arrangements with a larger carrier at the hub; and
- community views.

The RFPs from DOT advise air carriers that their proposals for subsidy should be submitted on a sealed bid, “best and final” basis, and set forth the level of service (frequency, aircraft size, and hubs) that would be appropriate for the community given its location and traffic history. Once the carrier proposals are received, DOT formally solicits the views of the communities as to which carrier and option they prefer.

After receiving the communities’ input, DOT issues a decision designating the selected air carrier and specifying the specific service pattern (routing, frequency, and type of aircraft), annual subsidy rate, and effective period of the rate. DOT generally establishes a two-year EAS service contract, which allows for the competitive bidding process and gives communities and DOT flexibility to switch carriers.

What Is EAS Hold-In Authority?

If the last air carrier serving an EAS community wants to discontinue service, it must first file a 90-day notice of its intent to suspend service under the EAS statutes. Hold-in authority prevents the incumbent carrier from suspending service until a replacement carrier begins service.

During the 90-day period, DOT will try to find a carrier willing to enter the market on a subsidy-free basis. If unsuccessful, DOT issues an order prohibiting the suspension and requesting proposals for replacement service, either with or without subsidy.

The incumbent carrier is eligible for compensation for being held in after the end of its original 90-day notice period, if it was serving a community subsidy-free. If the incumbent was already serving a community with EAS subsidy, that carrier would continue to receive the same subsidy rate for six months, at which time it is eligible for a rate increase.⁵

How Many Communities Receive EAS Subsidies?

DOT currently subsidizes air service to serve 160 communities across the country that otherwise would not receive any scheduled commercial air service. As of January 1, 2014, DOT was subsidizing service at 117 communities in the contiguous 48 states, Hawaii, and Puerto Rico, and 43 communities in Alaska. In general, DOT subsidizes two to four round trips a day with small aircraft from an EAS community to a major hub airport.

Table 2 provides a list of the subsidized EAS communities in the contiguous 48 states, Hawaii, and Puerto Rico, together with their annual subsidy rates, as of January 1, 2014. **Table 3** lists the subsidized EAS communities in Alaska and their annual subsidy rates (as of January 1, 2014).

⁵ The six-month period discourages carriers from deliberately submitting below-cost proposals to get selected and immediately coming back to DOT hoping to get a higher subsidy rate.

Table 2. List of Subsidized EAS Outside of Alaska

| State | Number of EAS Communities | EAS Community | Hub(s) | EAS Subsidy Rate as of Jan. 1, 2014 | Per Passenger Subsidy YE Sept. 30, 2013 |
|------------|---------------------------|------------------|---------|-------------------------------------|---|
| Alabama | 1 | Muscle Shoals | ATL | \$2,603,365 | \$655 |
| Arizona | 4 | Kingman | LAX | \$1,635,180 | \$984 |
| Arizona | | Page | DEN/PHX | \$2,472,028 | \$196 |
| Arizona | | Prescott | LAX/DEN | \$2,094,325 | \$194 |
| Arizona | | Show Low | PHX/LAX | \$1,672,000 | \$224 |
| Arkansas | 4 | El Dorado/Camden | DAL/MEM | \$1,977,153 | \$255 |
| Arkansas | | Harrison | MEM/MCI | \$2,251,207 | \$204 |
| Arkansas | | Hot Springs | DAL/MEM | \$1,637,012 | \$306 |
| Arkansas | | Jonesboro | STL | \$1,717,781 | \$175 |
| California | 4 | Crescent City | SFO | \$1,996,959 | \$79 |
| California | | El Centro | BUR/SAN | \$1,943,751 | \$327 |
| California | | Merced | LAX | \$1,698,878 | \$353 |
| California | | Visalia | LAX | \$1,697,929 | \$251 |
| Colorado | 3 | Alamosa | DEN | \$2,078,676 | \$149 |
| Colorado | | Cortez | DEN | \$2,240,766 | \$137 |
| Colorado | | Pueblo | DEN | \$1,592,276 | \$174 |
| Georgia | 2 | Athens | BNA | \$1,630,410 | \$443 |
| Georgia | | Macon | ATL/MCO | \$1,998,696 | \$805 |
| Hawaii | 2 | Kalaupapa | HNL/MKK | \$932,509 | N/A |
| Hawaii | | Kamuela | OGG | \$494,291 | N/A |
| Illinois | 3 | Decatur | ORD/STL | \$2,667,922 | \$208 |
| Illinois | | Marion/Herrin | STL | \$2,104,616 | \$105 |
| Illinois | | Quincy | STL | \$1,956,856 | \$94 |
| Iowa | 5 | Burlington | ORD/STL | \$1,917,566 | \$148 |
| Iowa | | Fort Dodge | MSP | \$1,798,693 | \$307 |
| Iowa | | Mason City | MSP | \$1,174,468 | \$166 |
| Iowa | | Sioux City | ORD | \$1,512,799 | \$30 |
| Iowa | | Waterloo | ORD | \$1,541,824 | \$40 |
| Kansas | 6 | Dodge City | DEN | \$1,688,598 | \$144 |
| Kansas | | Garden City | DFW | \$2,919,026 | \$64 |
| Kansas | | Great Bend | DEN | \$1,082,020 | \$546 |
| Kansas | | Hays | DEN | \$2,164,041 | \$120 |
| Kansas | | Liberal/Guymon | DEN | \$2,555,150 | \$211 |
| Kansas | | Salina | MCI | \$1,490,479 | \$317 |
| Kentucky | 2 | Owensboro | STL | \$1,529,913 | \$198 |

| State | Number of EAS Communities | EAS Community | Hub(s) | EAS Subsidy Rate as of Jan. 1, 2014 | Per Passenger Subsidy YE Sept. 30, 2013 |
|-------------|---------------------------|-------------------------|---------|-------------------------------------|---|
| Kentucky | | Paducah | ORD | \$2,034,160 | \$51 |
| Maine | 4 | Augusta/Waterville | BOS | \$1,362,616 | \$121 |
| Maine | | Bar Harbor | BOS | \$1,631,223 | \$160 |
| Maine | | Presque Isle/Houlton | BOS | \$3,892,174 | \$179 |
| Maine | | Rockland | BOS | \$1,420,545 | \$97 |
| Maryland | 1 | Hagerstown | IAD | \$1,785,638 | \$738 |
| Michigan | 9 | Alpena | DTW/MSP | \$3,098,472 | \$96 |
| Michigan | | Escanaba | DTW | \$2,833,558 | \$98 |
| Michigan | | Hancock/Houghton | ORD | \$690,976 | \$14 |
| Michigan | | Iron Mountain/Kingsford | MSP | \$2,512,971 | \$134 |
| Michigan | | Ironwood/Ashland | MSP | \$1,747,326 | \$345 |
| Michigan | | Manistee/Ludington | MDW | \$2,055,781 | \$427 |
| Michigan | | Muskegon | ORD | \$1,389,952 | \$44 |
| Michigan | | Pellston | DTW | \$1,077,413 | \$20 |
| Michigan | | Sault Ste. Marie | DTW | \$1,676,136 | \$40 |
| Minnesota | 5 | Bemidji | MSP | \$1,338,293 | \$30 |
| Minnesota | | Brainerd | MSP | \$1,356,764 | \$47 |
| Minnesota | | Chisholm/Hibbing | MSP | \$2,517,770 | \$120 |
| Minnesota | | International Falls | MSP | \$1,107,900 | \$40 |
| Minnesota | | Thief River Falls | MSP | \$1,881,815 | \$435 |
| Mississippi | 4 | Greenville | ATL | \$3,522,398 | \$604 |
| Mississippi | | Laurel/Hattiesburg | ATL | \$2,965,667 | \$251 |
| Mississippi | | Meridian | ATL | \$2,417,808 | \$178 |
| Mississippi | | Tupelo | ATL | \$3,522,398 | \$308 |
| Missouri | 4 | Cape Girardeau/Sikeston | STL | \$1,627,966 | \$134 |
| Missouri | | Fort Leonard Wood | STL | \$2,905,794 | \$173 |
| Missouri | | Joplin | DFW | \$342,560 | \$7 |
| Missouri | | Kirksville | STL | \$1,649,248 | \$145 |
| Montana | 7 | Butte | SLC | \$735,956 | \$14 |
| Montana | | Glasgow | BIL | \$2,046,800 | N/A |
| Montana | | Glendive | BIL | \$1,944,467 | N/A |
| Montana | | Havre | BIL | \$2,036,254 | N/A |
| Montana | | Sidney | BIL | \$3,777,579 | N/A |
| Montana | | West Yellowstone | SLC | \$535,141 | \$50 |
| Montana | | Wolf Point | BIL | \$2,145,326 | N/A |

| State | Number of EAS Communities | EAS Community | Hub(s) | EAS Subsidy Rate as of Jan. 1, 2014 | Per Passenger Subsidy YE Sept. 30, 2013 |
|---------------|---------------------------|---------------------------|---------|-------------------------------------|---|
| Nebraska | 7 | Alliance | DEN | \$1,309,865 | \$406 |
| Nebraska | | Chadron | DEN | \$1,309,865 | \$290 |
| Nebraska | | Grand Island | DFW | \$1,837,021 | \$41 |
| Nebraska | | Kearney | DEN | \$1,752,904 | \$66 |
| Nebraska | | McCook | DEN | \$1,976,338 | \$510 |
| Nebraska | | North Platte | DEN | \$1,697,510 | \$102 |
| Nebraska | | Scottsbluff | DEN | \$1,398,351 | \$73 |
| New Hampshire | 1 | Lebanon/White River Jct. | BOS/HPN | \$2,347,744 | \$120 |
| New Mexico | 3 | Carlsbad | ABQ | \$1,397,081 | \$260 |
| New Mexico | | Clovis | DEN | \$1,954,490 | \$622 |
| New Mexico | | Silver City/Hurley/Deming | PHX | \$2,098,460 | \$749 |
| New York | 6 | Jamestown | CLE | \$1,940,272 | \$307 |
| New York | | Massena | ALB/BOS | \$2,090,949 | \$215 |
| New York | | Ogdensburg | ALB/BOS | \$1,702,697 | \$160 |
| New York | | Plattsburgh | BOS | \$2,470,834 | \$168 |
| New York | | Saranac Lake/Lake Placid | BOS | \$1,366,538 | \$130 |
| New York | | Watertown | ORD | \$3,356,349 | \$88 |
| North Dakota | 2 | Devils Lake | MSP | \$2,797,467 | \$501 |
| North Dakota | | Jamestown | MSP | \$1,987,655 | \$383 |
| Oregon | 1 | Pendleton | PDX | \$1,834,708 | \$215 |
| Pennsylvania | 6 | Altoona | IAD | \$1,998,594 | \$255 |
| Pennsylvania | | Bradford | CLE | \$1,940,272 | \$452 |
| Pennsylvania | | DuBois | CLE | \$2,587,029 | \$264 |
| Pennsylvania | | Franklin/Oil City | CLE | \$1,293,515 | \$413 |
| Pennsylvania | | Johnstown | IAD | \$1,998,594 | \$163 |
| Pennsylvania | | Lancaster | IAD | \$2,504,174 | \$635 |
| Puerto Rico | 1 | Mayaguez | SJU | \$1,198,824 | \$111 |
| South Dakota | 3 | Aberdeen | MSP | \$1,198,222 | \$24 |
| South Dakota | | Huron | MSP | \$1,929,349 | \$554 |
| South Dakota | | Watertown | MSP | \$1,710,324 | \$193 |
| Tennessee | 1 | Jackson | BNA/MEM | \$1,115,210 | \$229 |
| Texas | 1 | Victoria | IAH | \$2,294,036 | \$352 |
| Utah | 3 | Cedar City | SLC | \$2,317,439 | \$98 |
| Utah | | Moab | DEN | \$1,798,772 | \$208 |

| State | Number of EAS Communities | EAS Community | Hub(s) | EAS Subsidy Rate as of Jan. 1, 2014 | Per Passenger Subsidy YE Sept. 30, 2013 |
|---------------|---------------------------|-------------------------------|---------|-------------------------------------|---|
| Utah | | Vernal | DEN | \$1,297,615 | \$78 |
| Vermont | 1 | Rutland | BOS | \$1,360,481 | \$126 |
| Virginia | 1 | Staunton | IAD | \$3,394,629 | \$120 |
| West Virginia | 5 | Beckley | IAD | \$2,512,494 | \$335 |
| West Virginia | | Clarksburg/Fairmont | IAD | \$1,728,125 | \$147 |
| West Virginia | | Greenbrier/W. Sulphur Springs | ATL/IAD | \$3,484,710 | \$254 |
| West Virginia | | Morgantown | IAD | \$1,728,125 | \$85 |
| West Virginia | | Parkersburg/Marietta | CLE | \$2,587,029 | \$158 |
| Wisconsin | 2 | Eau Claire | ORD | \$1,546,536 | \$40 |
| Wisconsin | | Rhineland | MSP | \$1,519,619 | \$45 |
| Wyoming | 3 | Cody | SLC | \$627,696 | \$23 |
| Wyoming | | Laramie | DEN | \$1,635,346 | \$74 |
| Wyoming | | Worland | DEN | \$1,987,148 | \$356 |
| Total | 117 | | | \$223,977,011 | \$655 |

Source: Office of Aviation Analysis, U.S. Department of Transportation.

Note: Airports marked N/A experienced a change of carrier during the fiscal year or otherwise have insufficient data to determine annual cost per passenger. EAS subsidy rates are subject to change. Airports more than 210 miles from their respective nearest hub airports are exempt from the \$200-per-passenger subsidy rate cap.

Table 3. List of Subsidized EAS in Alaska

| Alaskan EAS Community | Hub(s) | EAS Subsidy Rate as of Jan. 1, 2014 |
|------------------------------|---------------|--|
| Adak | ANC | \$2,057,114 |
| Akutan | DUT | \$579,220 |
| Alitak | ADQ | \$11,333 |
| Amook Bay | ADQ | \$11,333 |
| Angoon | JNU | \$145,734 |
| Atka | DUT | \$822,445 |
| Central | FAI | \$152,902 |
| Chatham | JNU | \$11,472 |
| Chisana | TOK | \$81,040 |
| Circle | FAI | \$152,902 |
| Cordova | ANC/JNU | \$2,145,356 |
| Diomedede | OME/WAA | \$188,760 |
| Elfin Cove | JNU | \$75,391 |
| Excursion Inlet | JNU | \$27,111 |
| Funter Bay | JNU | \$13,416 |
| Gulkana | ANC | \$269,189 |
| Gustavus | JNU | \$536,339 |
| Healy Lake | FAI | \$104,703 |
| Hydaburg | KTN | \$151,773 |
| Kake | JNU | \$177,574 |
| Kitoy Bay | ADQ | \$11,333 |
| Lake Minchumina | FAI | \$102,300 |
| Manley | FAI | \$45,534 |
| May Creek | GKN | \$103,099 |
| McCarthy | GKN | \$103,099 |
| Minto | FAI | \$45,534 |
| Moser Bay | ADQ | \$11,333 |
| Nikolski | DUT | \$324,998 |
| Olga Bay | ADQ | \$11,333 |
| Pelican | JNU | \$185,721 |
| Petersburg | JNU/KTN | \$1,738,290 |
| Port Alexander | SIT | \$75,293 |
| Port Bailey | ADQ | \$11,333 |
| Port Williams | ADQ | \$11,333 |
| Rampart | FAI | \$76,416 |

| Alaskan EAS Community | Hub(s) | EAS Subsidy Rate as of Jan. 1, 2014 |
|------------------------------|---------------|--|
| Seal Bay | ADQ | \$11,333 |
| Tatitlek | ANC | \$93,080 |
| Tenakee | JNU | \$135,576 |
| Uganik | ADQ | \$11,333 |
| West Point | ADQ | \$11,333 |
| Wrangell | JNU/KTN | \$1,738,290 |
| Yakutat | ANC/JNU | \$2,145,356 |
| Zachar Bay | ADQ | \$11,333 |
| Total | | \$14,729,690 |

Source: Office of Aviation Analysis, U.S. Department of Transportation.

Note: EAS subsidy rates are subject to change.

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