



Essential Air Service: Frequently Asked Questions

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March 3, 2011

Congressional Research Service

7-5700

www.crs.gov

R41666

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Introduction

The 112th Congress continues to work on reauthorizing the Federal Aviation Administration (FAA). Essential Air Service (EAS) is one of the major issues being debated in the process. A pending House reauthorization bill (H.R. 658) and the reauthorization bill recently approved by the Senate (S. 223) include different provisions affecting the EAS program, and the issue is also addressed in H.R. 408, the Spending Reduction Act of 2011.

This report provides an overview of the EAS program and the legislative issues.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 fares 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 Essential Air Service (EAS) program to ensure that smaller communities would retain a link to the national air transportation system. The purpose of the EAS program is to provide a continuation of service to those small communities that were served by certified air carriers before deregulation, with subsidies if necessary.

The EAS program is now administered by the 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.

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

¹ The major source used for this report is information and data of the Essential Air Service Program provided by the U.S. Department of Transportation (DOT), Office of Aviation Analysis, http://ostpxweb.dot.gov/aviation/X-50%20Role_files/essentialairservice.htm.

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 41731-41742.

How Is EAS Funded?

The EAS program is funded through annual transfers of FAA overflight fees, supplemented by annual appropriations of varying size.

In FY2010, the total EAS authorization was \$200 million. This amount includes \$50 million in annual mandatory funding from FAA overflight fees, along with a discretionary appropriation of \$150 million.

What Are the Eligibility Requirements?

According to the Airline Deregulation Act of 1978 (P.L. 95-504), communities receiving scheduled air service from a certified carrier on October 24, 1978, are 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 streamline the program and make it more efficient, mostly by eliminating subsidy support from communities within a reasonable driving distance from a major hub airport. Communities are excluded from eligibility for subsidies if

- they are located fewer than 70 miles from the nearest large or medium hub airport; or
- they require a rate of subsidy per passenger in excess of \$200, unless the community is more than 210 miles from the nearest hub airport.

These limitations apply only to the contiguous 48 states. However, these eligibility requirements may change depending on the final text of which legislation, if any, is adopted by Congress.

How Many Communities Are Receiving EAS Subsidies?

DOT currently subsidizes air service to serve approximately 150 rural communities across the country that otherwise would not receive any scheduled air service. As of May 1, 2010, DOT was subsidizing service at 109 communities in the contiguous 48 states, Hawaii, and Puerto Rico, and 44 communities in Alaska. **Appendix A** and **Appendix B** provide lists of the subsidized EAS communities and their annual subsidy rates (as of May 1, 2010). In general, DOT subsidizes two to four round trips with small aircraft a day from an EAS community to a major hub airport.

How Does DOT Select EAS Carriers?

DOT issues a request for proposals (RPF) to all scheduled carriers and institutes a carrier selection proceeding using a bid system. However, this is not a low-bid system because DOT is required by the governing statutes to meet the following four criteria when selecting air carriers to serve EAS communities: (1) service reliability, (2) contractual and marketing arrangements with a

larger carrier at the hub, (3) interline arrangements with a larger carrier at the hub, and (4) community views.

These 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 to curb subsidy costs and gives communities and DOT flexibility to switch carriers if appropriate.

What Are the Current Legislative Issues?

The 112th Congress continues to work on legislation reauthorizing the FAA. A pending House bill and the recently approved Senate bill include different provisions with regard to EAS.

An FAA reauthorization bill (H.R. 658) would phase out the program over three years, ending EAS in the contiguous states on September 30, 2013. Only Alaska and Hawaii would be eligible for EAS subsidies afterwards. The current cost of EAS in Alaska is less than \$13 million annually. As of May 1, 2010, EAS flights in Hawaii were subsidy-free. H.R. 658 would reduce the mandatory annual appropriation to the amount necessary to provide EAS in those two states. H.R. 408 would prohibit the spending of any federal money for EAS.

The bill passed by the Senate on February 17, 2011 (S. 223), would extend the program but add more restrictions. Specifically, it would limit EAS subsidies to airports that are 90 miles or more from the nearest medium or large hub, an increase from the current limit of 70 miles. S. 223 would also limit EAS subsidies to locations that have 10 or more enplanements per day, except in Alaska. However, the FAA administrator would be able to waive both the distance requirement and the minimum enplanements requirement. An amendment to the bill offered by Senator McCain (S.Amdt. 4) that proposed to repeal the EAS program altogether was tabled and not included in the Senate-passed version of S. 223.

The FAA reauthorization language would eventually need to be incorporated into a House bill, because the reauthorization includes an extension of excise taxes and is therefore a revenue measure. Under Article I, Section 7 of the U.S. Constitution, all bills for raising revenue must originate in the House of Representatives.

Appendix A. List of Subsidized EAS outside of Alaska

State	Number of EAS Communities	EAS Community	Hub(s)	Annual EAS Subsidy as of May 1, 2010
AL	1	Muscle Shoals	MEM	\$1,782,928
AR	4	El Dorado/Camden	MEM	\$2,096,517
		Harrison	MEM/MCI	\$1,695,929
		Hot Springs	MEM	\$1,419,102
		Jonesboro	MEM	\$836,241
AZ	4	Kingman	LAS	\$1,275,771
		Page	PHX	\$1,995,273
		Prescott	ONT/DEN	\$1,622,719
		Show Low	PHX	\$1,407,255
CA	4	Crescent City	SFO/SMF	\$1,136,896
		El Centro	LAX	\$662,551
		Merced	LAS	\$1,541,365
		Visalia	ONT	\$1,494,319
CO	3	Alamosa	DEN	\$1,853,475
		Cortez	DEN	\$1,297,562
		Pueblo	DEN	\$1,299,821
GA	2	Athens	ATL	\$1,051,386
		Macon	ATL	\$1,386,306
IA	3	Burlington	STL/ORD	\$2,171,241
		Fort Dodge	MSP	\$1,112,607
		Mason City	MSP	\$1,112,607
IL	3	Decatur	STL/ORD	\$3,082,403
		Marion/Herrin	STL	\$2,053,783
		Quincy	STL	\$1,946,270
KS	6	Dodge City	DEN/MCI	\$1,842,749
		Garden City	DEN/MCI	\$1,884,303
		Great Bend	MCI	\$1,257,617
		Hays	DEN	\$1,954,327
		Liberal/Guymon, OK	DEN	\$1,958,570
		Salina	MCI	\$1,489,435
KY	2	Owensboro	BNA	\$1,068,773
		Paducah	ORD	\$569,923

State	Number of EAS Communities	EAS Community	Hub(s)	Annual EAS Subsidy as of May 1, 2010
MD	1	Hagerstown	BWI	\$1,203,167
ME	4	Augusta/Waterville	BOS	\$2,086,251
		Bar Harbor	BOS	\$2,086,251
		Presque Isle/Houlton	BOS	\$2,643,588
		Rockland	BOS	\$1,522,770
MI	6	Escanaba	DTW/MSP	\$1,435,118
		Hancock/Houghton	ORD	\$1,404,714
		Iron Mountain/Kingsford	DTW/MSP	\$1,435,118
		Ironwood/Ashland, WI	MKE	\$1,492,865
		Manistee	MKE	\$1,799,395
		Muskegon	ORD	\$660,720
MN	2	Chisholm/Hibbing	MSP	\$2,938,878
		Thief River Falls	MSP	\$1,230,322
MO	5	Cape Girardeau	STL	\$1,573,818
		Columbia/Jefferson City	MEM	\$2,186,590
		Fort Leonard Wood	STL	\$1,292,906
		Joplin	MCI	\$997,680
		Kirksville	STL	\$806,169
MS	3	Greenville	MEM	\$1,355,693
		Laurel/Hattiesburg	MEM	\$1,191,435
		Meridian	ATL	\$686,489
MT	8	Glasgow	BIL	\$928,433
		Glendive	BIL	\$1,056,152
		Havre	BIL	\$1,036,616
		Lewistown	DEN	\$1,036,616
		Miles City	DEN	\$1,056,152
		Sidney	DEN	\$2,159,591
		West Yellowstone	SLC	\$427,757
		Wolf Point	BIL	\$928,433
ND	3	Devils Lake	MSP	\$1,459,493
		Dickinson	DEN	\$2,274,177
		Jamestown	MSP	\$1,963,220
NE	7	Alliance	DEN	\$977,609
		Chadron	DEN	\$977,609
		Grand Island	DEN	\$2,271,640
		Kearney	DEN	\$1,978,386

State	Number of EAS Communities	EAS Community	Hub(s)	Annual EAS Subsidy as of May 1, 2010
		McCook	DEN	\$1,583,277
		North Platte	DEN	\$1,860,229
		Scottsbluff	DEN	\$1,535,085
NH	1	Lebanon/White River Junction,VT	BOS/HPN	\$2,245,669
NM	4	Alamogordo/Holloman AFB	ABQ	\$1,169,337
		Carlsbad	ABQ	\$1,046,284
		Clovis	ABQ	\$1,517,277
		Silver City/Hurley/Deming	ABQ	\$1,442,174
NV	1	Ely	DEN	\$1,864,717
NY	6	Jamestown	CLE	\$1,350,803
		Massena	ALB	\$1,297,613
		Ogdensburg	ALB	\$1,353,916
		Plattsburgh	BOS	\$1,379,257
		Saranac Lake/Lake Placid	BOS	\$1,366,538
		Watertown	ALB	\$1,228,334
OR	1	Pendleton	PDX	\$1,608,394
PA	6	Altoona	IAD	\$1,394,423
		Bradford	CLE	\$1,350,803
		DuBois	CLE	\$2,020,095
		Johnstown	IAD	\$1,394,423
		Lancaster	BWI	\$1,372,474
		Oil City/Franklin	CLE	\$1,226,773
PR	2	Mayaguez	SJU	\$980,980
		Ponce	SJU	\$740,416
SD	2	Huron	DEN	\$1,781,159
		Watertown	MSP	\$1,338,321
TN	1	Jackson	BNA	\$1,225,628
TX	1	Victoria	IAH	\$1,593,922
UT	3	Cedar City	SLC	\$1,477,125
		Moab	DEN	\$1,798,370
		Vernal	DEN	\$1,421,478
VA	1	Staunton	IAD	\$1,911,466
VT	1	Rutland	BOS	\$797,141
WI	1	Eau Claire	ORD	\$1,732,372

State	Number of EAS Communities	EAS Community	Hub(s)	Annual EAS Subsidy as of May 1, 2010
WV	5	Beckley	IAD	\$2,092,844
		Clarksburg	IAD	\$1,058,325
		Greenbrier/White Sulphur Spr./Lewisburg	CLE	\$2,330,725
		Morgantown	IAD	\$1,058,325
		Parkersburg/Marietta	IAD	\$2,190,281
WY	2	Laramie	DEN	\$1,215,603
		Worland	DEN	\$1,735,814
Total	109			\$163,010,029

Source: U.S. Department of Transportation (DOT), Office of Aviation Analysis, *U.S. Subsidized EAS Report*, May 1, 2010.

Note: Information provided in Appendix A is subject to change.

Appendix B. List of Subsidized EAS in Alaska

Alaskan EAS Community	Hub	EAS Subsidy Rate as of May 1, 2010
Adak	ANC	\$1,483,122
Akutan	DUT	\$654,964
Alitak	ADQ	\$15,219
Amook Bay	ADQ	\$12,175
Angoon	JNU	\$101,359
Atka	DUT	\$513,803
Cape Yakataga	YAK	\$39,000
Central	FAI	\$203,360
Chatham	JNU	\$8,640
Chisana	TOK	\$65,546
Circle	FAI	\$203,360
Cordova	ANC/JNU	\$2,726,212
Elfin Cove	JNU	\$92,886
Excursion Inlet	JNU	\$34,659
Funter Bay	JNU	\$8,640
Gulkana	ANC	\$251,300
Gustavus	JNU	\$340,777
Healy Lake	FAI	\$77,683
Hydaburg	KTN	\$86,755
Icy Bay	YAK	\$39,000
Kake	JNU	\$314,302
Karluk	ADQ	\$29,481
Kitoi Bay	ADQ	\$12,175
Lake Minchumina	FAI	\$42,560
Manley	FAI	\$42,085
May Creek	GKN	\$86,676
McCarthy	GKN	\$86,676
Minto	FAI	\$42,085
Moser Bay	ADQ	\$15,219
Nikolski	DUT	\$469,786
Olga Bay	ADQ	\$15,219
Pelican	JNU	\$92,886
Petersburg	JNU/KTN	\$673,598
Port Alexander	SIT	\$60,083

Alaskan EAS Community	Hub	EAS Subsidy Rate as of May 1, 2010
Port Bailey	ADQ	\$12,175
Port Williams	ADQ	\$12,175
Rampart	FAI	\$86,701
Seal Bay	ADQ	\$12,175
Tenakee	JNU	\$63,748
Uganik	ADQ	\$12,175
West Point	ADQ	\$12,175
Wrangell	JNU/KTN	\$673,598
Yakutat	ANC/JNU	\$2,726,212
Zachar Bay	ADQ	\$12,175
Total		\$12,564,599

Source: U.S. Department of Transportation (DOT), Office of Aviation Analysis, *Alaska Subsidized EAS Report*, May 1, 2010.

Note: Information provided in Appendix B is subject to change.

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