



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; hereinafter referred to as the 2012 FAA Reauthorization 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 this legislative process. The final legislation included policy reforms and changes to the funding of the EAS program.

This report provides an overview of the EAS program and discusses the changes introduced by the FAA reauthorization bill.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 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.

The EAS program is administered by the Department of Transportation (DOT),³ 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 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, as viewed on September 20, 2012.

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.

³ The EAS program is administered by the Office of the Secretary of Transportation.

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 streamline the program and make it more efficient, mostly by eliminating subsidy support for communities within a reasonable driving distance from a major hub airport. The 2012 FAA Reauthorization Act adopted additional EAS reform measures, including Section 421, which amends the definition of an “EAS eligible place”⁴ to require a minimum number of daily enplanements.

Under the 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 if⁵

- 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;
- the communities have an average of 10 or more enplanements per service day during the most recent fiscal year beginning after September 30, 2012,⁶ unless these locations are more than 175 driving miles from their nearest medium or

⁴ 49 U.S.C. §41731.

⁵ 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.

⁶ In effect, it would push the implementation of these criteria into FY2014.

large hub airport or if DOT is satisfied that any decline below 10 enplanements is temporary.⁷

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

How Is EAS Funded?

The EAS program is funded through annual transfers of fees paid to FAA by foreign aircraft overflying the United States, supplemented by annual appropriations of varying size. In FY2011, the total EAS authorization was \$200 million, including \$50 million in annual mandatory funding from FAA overflight fees, along with a discretionary appropriation of \$150 million.

Section 428 of the FAA Modernization and Reform Act authorizes appropriation for the discretionary portion of EAS funding of \$143 million for FY2012, followed by gradually decreasing annual funding over the next three years: \$118 million for FY2013; \$107 million for FY2014; and \$93 million for FY2015. However, it also authorizes all overflight fee revenues, rather than just the \$50 million provided historically, to be made immediately available to the EAS program.

Consequently, while there seem to be annual reductions in spending levels for the program, these discretionary funding cutbacks are expected to be matched by an increase in mandatory funds generated by an increase in the revenues from overflight fees charged on foreign aircraft that fly through U.S. airspace but do not land in the country. As a result, funding of the EAS program is projected to remain at \$193 million each year from FY2013 to FY2015 (see **Table 1**).

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

(in Millions)

	FY2011	FY2012	FY2013	FY2014	FY2015
Discretionary Appropriation	\$ 150	\$ 143	\$ 118	\$ 107	\$ 93
Overflight Fee Collections	\$ 50	\$ 50	\$ 75	\$ 86	\$ 100
Total Funding	\$ 200	\$ 193	\$ 193	\$ 193	\$ 193

Source: U.S. Department of Transportation.

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

⁷ An April 2000 General Accounting Office (GAO) report, *Essential Air Service: Changes in Subsidy Levels, Air Carrier Costs, and Passenger Traffic* (GAO/RCED-00-34), provided analysis of EAS passenger traffic and subsidy levels. This minimum-enplanement requirement could affect a small number of EAS communities, based on historical data.

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 because DOT is required by the governing statutes 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.⁸

⁸ 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.

How Many Communities Are Receiving EAS Subsidies?

DOT currently subsidizes air service to serve more than 160 communities across the country that otherwise would not receive any scheduled commercial air service. As of May 1, 2012, DOT was subsidizing service at 120 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 October 1, 2012. **Table 3** lists the subsidized EAS communities in Alaska and their annual subsidy rates (as of October 1, 2012).

Table 2. List of Subsidized EAS Outside of Alaska

State	Number of EAS Communities	EAS Community	Hub(s)	EAS Subsidy Rate as of Oct. 1, 2012
Alabama	1	Muscle Shoals	MEM	\$2,603,365
Arizona	4	Kingman	PHX	\$1,168,390
Arizona		Page	PHX	\$1,559,206
Arizona		Prescott	LAX/DEN	\$1,832,233
Arizona		Show Low	PHX	\$1,719,058
Arkansas	4	El Dorado/Camden	DAL/MEM	\$2,436,074
Arkansas		Harrison	MEM/MCI	\$2,080,318
Arkansas		Hot Springs	DAL/MEM	\$1,474,388
Arkansas		Jonesboro	STL	\$1,717,781
California	4	Crescent City	SFO	\$1,996,959
California		El Centro	LAX	\$1,852,091
California		Merced	LAX	\$1,698,878
California		Visalia	LAX	\$1,697,929
Colorado	3	Alamosa	DEN	\$2,078,676
Colorado		Cortez	DEN	\$2,240,766
Colorado		Pueblo	DEN	\$1,592,276
Georgia	2	Athens	ATL	\$1,051,386
Georgia		Macon	ATL	\$1,946,266
Hawaii	1	Kalaupapa	HNL/MKK	\$932,772
Illinois	3	Decatur	ORD/STL	\$2,750,435
Illinois		Marion/Herrin	STL	\$2,053,783
Illinois		Quincy	STL	\$1,946,270

State	Number of EAS Communities	EAS Community	Hub(s)	EAS Subsidy Rate as of Oct. 1, 2012
Iowa	5	Burlington	ORD/STL	\$1,976,872
Iowa		Fort Dodge	MSP	\$1,798,693
Iowa		Mason City	MSP	\$1,174,468
Iowa		Sioux City	ORD	\$1,512,799
Iowa		Waterloo	ORD	\$1,541,824
Kansas	6	Dodge City	DEN	\$1,688,598
Kansas		Garden City	DFW	\$2,919,026
Kansas		Great Bend	DEN	\$1,082,020
Kansas		Hays	DEN	\$2,164,041
Kansas		Liberal/Guymon	DEN	\$2,555,150
Kansas		Salina	MCI	\$1,490,479
Kentucky	2	Owensboro	STL	\$1,529,913
Kentucky		Paducah	ORD	\$1,710,775
Maine	4	Augusta/Waterville	BOS	\$1,362,616
Maine		Bar Harbor	BOS	\$1,631,223
Maine		Presque Isle/Houlton	BOS	\$4,341,967
Maine		Rockland	BOS	\$1,420,545
Maryland	1	Hagerstown	BWI	\$1,368,273
Michigan	9	Alpena	DTW	\$2,554,977
Michigan		Escanaba	DTW	\$2,833,558
Michigan		Hancock/Houghton	ORD	\$934,156
Michigan		Iron Mountain/Kingsford	DTW/MSP	\$2,512,971
Michigan		Ironwood/Ashland	MKE	\$1,747,326
Michigan		Manistee	MDW	\$2,143,294
Michigan		Muskegon	ORD	\$1,576,067
Michigan		Pellston	DTW	\$1,055,322
Michigan		Sault Ste. Marie	DTW	\$1,676,136
Minnesota	5	Bemidji	MSP	\$1,338,293
Minnesota		Brainerd	MSP	\$1,356,764
Minnesota		Chisholm/Hibbing	MSP	\$2,517,770
Minnesota		International Falls	MSP	\$1,107,900
Minnesota		Thief River Falls	MSP	\$1,881,815
Mississippi	4	Greenville	MEM	\$3,522,398
Mississippi		Hattiesburg/Laurel	MEM	\$2,965,667
Mississippi		Meridian	ATL	\$1,681,857
Mississippi		Tupelo	MEM	\$3,522,398

State	Number of EAS Communities	EAS Community	Hub(s)	EAS Subsidy Rate as of Oct. 1, 2012
Missouri	4	Cape Girardeau	STL	\$1,469,715
Missouri		Fort Leonard Wood	STL	\$2,437,766
Missouri		Joplin	DFW	\$2,778,756
Missouri		Kirksville	STL	\$1,648,249
Montana	9	Butte	SLC	\$672,230
Montana		Glasgow	BIL	\$1,166,049
Montana		Glendive	BIL	\$1,193,391
Montana		Havre	BIL	\$1,162,329
Montana		Lewistown	BIL	\$1,325,733
Montana		Miles City	BIL	\$1,621,821
Montana		Sidney	BIL	\$2,932,152
Montana		West Yellowstone	SLC	\$389,412
Montana		Wolf Point	BIL	\$1,502,378
Nebraska	7	Alliance	DEN	\$1,108,701
Nebraska		Chadron	DEN	\$1,108,701
Nebraska		Grand Island	DFW	\$2,215,582
Nebraska		Kearney	DEN	\$1,965,740
Nebraska		McCook	DEN	\$1,796,795
Nebraska		North Platte	DEN	\$1,871,765
Nebraska		Scottsbluff	DEN	\$1,507,185
Nevada	1	Ely	LAS	\$1,752,067
New Hampshire	1	Lebanon/White River Jct.	BOS/HPN	\$2,347,744
New Mexico	3	Carlsbad	ABQ	\$1,350,253
New Mexico		Clovis	ABQ	\$1,592,157
New Mexico		Silver City/Hurley/Deming	ABQ	\$1,594,092
New York	6	Jamestown	CLE	\$1,639,254
New York		Massena	ALB	\$1,708,911
New York		Ogdensburg	ALB	\$1,702,697
New York		Plattsburgh	BOS	\$2,685,207
New York		Saranac Lake/Lake Placid	BOS	\$1,366,538
New York		Watertown	ORD	\$3,047,972
North Dakota	3	Devils Lake	MSP	\$2,797,467
North Dakota		Dickinson	DEN	\$2,019,177
North Dakota		Jamestown	MSP	\$1,987,655
Oregon	1	Pendleton	PDX	\$1,502,521
Pennsylvania	6	Altoona	IAD	\$1,998,594

State	Number of EAS Communities	EAS Community	Hub(s)	EAS Subsidy Rate as of Oct. 1, 2012
Pennsylvania		Bradford	CLE	\$1,087,306
Pennsylvania		DuBois	CLE	\$2,228,996
Pennsylvania		Franklin/Oil City	CLE	\$915,101
Pennsylvania		Johnstown	IAD	\$1,998,594
Pennsylvania		Lancaster	BWI	\$1,647,112
Puerto Rico	1	Mayaguez	SJU	\$1,198,824
South Dakota	3	Aberdeen	MSP	\$1,198,222
South Dakota		Huron	DEN	\$1,742,886
South Dakota		Watertown	MSP	\$1,710,324
Tennessee	1	Jackson	BNA/MEM	\$1,149,703
Texas	1	Victoria	IAH	\$2,294,036
Utah	3	Cedar City	SLC	\$1,859,403
Utah		Moab	DEN	\$1,816,486
Utah		Vernal	DEN	\$1,299,194
Vermont	1	Rutland	BOS	\$797,141
Virginia	1	Staunton	IAD	\$3,394,629
West Virginia	5	Beckley	IAD	\$2,512,494
West Virginia		Clarksburg	IAD	\$1,728,125
West Virginia		Greenbrier/White Sulphur Springs	ATL/IAD	\$3,484,710
West Virginia		Morgantown	IAD	\$1,488,219
West Virginia		Parkersburg/Marietta	CLE	\$2,642,237
Wisconsin	2	Eau Claire	ORD	\$1,733,576
Wisconsin		Rhineland	MSP	\$1,519,619
Wyoming	3	Cody	SLC	\$352,058
Wyoming		Laramie	DEN	\$1,181,572
Wyoming		Worland	DEN	\$1,770,336
Total	120			\$218,344,908

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

Note: Information provided in **Table 2** is subject to change.

Table 3. List of Subsidized EAS in Alaska

Alaskan EAS Community	Hub(s)	EAS Subsidy Rate as of Oct. 1, 2012
Adak	ANC	\$1,675,703
Akutan	DUT	\$710,157
Alitak	ADQ	\$13,179
Amook Bay	ADQ	\$13,179
Angoon	JNU	\$145,734
Atka	DUT	\$492,894
Cape Yakataga	YAK	\$39,000
Central	FAI	\$137,799
Chatham	JNU	\$6,311
Chisana	TOK	\$81,040
Circle	FAI	\$137,799
Cordova	ANC/JNU	\$2,154,200
Elfin Cove	JNU	\$75,391
Excursion Inlet	JNU	\$27,111
Funter Bay	JNU	\$13,273
Gulkana	ANC	\$262,220
Gustavus	JNU	\$538,550
Healy Lake	FAI	\$104,703
Hydaburg	KTN	\$151,773
Icy Bay	YAK	\$39,000
Kake	JNU	\$163,621
Kitoy Bay	ADQ	\$13,179
Lake Minchumina	FAI	\$93,080
Manley	FAI	\$45,534
May Creek	GKN	\$88,346
McCarthy	GKN	\$88,346
Minto	FAI	\$45,534
Moser Bay	ADQ	\$13,179
Nikolski	DUT	\$595,508
Olga Bay	ADQ	\$13,179
Pelican	JNU	\$185,721
Petersburg	JNU/KTN	\$1,707,994
Port Alexander	SIT	\$75,293
Port Bailey	ADQ	\$13,179
Port Williams	ADQ	\$13,179

Alaskan EAS Community	Hub(s)	EAS Subsidy Rate as of Oct. 1, 2012
Rampart	FAI	\$97,679
Seal Bay	ADQ	\$13,179
Tenakee	JNU	\$135,576
Uganik	ADQ	\$13,179
West Point	ADQ	\$13,179
Wrangell	JNU/KTN	\$1,707,994
Yakutat	ANC/JNU	\$2,154,200
Zachar Bay	ADQ	\$13,179
Total		\$14,122,056

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

Note: Information provided in **Table 3** is subject to change.

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