



COMMERCIAL AVIATION

Effects of Changes to the Essential Air Service Program, and Stakeholders' Views on Benefits, Challenges, and Potential Reforms

Accessible Version

December 2019

GAO Highlights

Highlights of [GAO-20-74](#), a report to congressional addressees

Why GAO Did This Study

Congress established EAS as part of the 1978 deregulation of the U.S. airline industry. Through the EAS program, DOT provides subsidies to airlines to make service available to communities that airlines would otherwise not serve. Since 2010, several statutory changes have limited eligibility for EAS subsidies by, among other things, changing eligibility requirements. In spite of these changes, program costs have continued to rise, prompting questions about whether additional modifications should be made.

A provision in the Federal Aviation Administration Reauthorization Act of 2018 directed GAO to examine several aspects of the EAS program. This report discusses, among other objectives, (1) how federal laws enacted since 2010 have affected air service to communities funded through the program; and (2) challenges that communities and air carriers face with EAS, and options for reform.

GAO reviewed relevant federal laws, DOT orders, and DOT program data. GAO also interviewed representatives, such as airport managers and local government officials, from 17 communities that have participated in EAS; representatives from 10 of the 11 air carriers that participate in the program; and DOT officials. This report focuses on the EAS program as it operates in the contiguous United States, as there are different rules for EAS in Alaska and Hawaii.

View [GAO-20-74](#). For more information, contact Andrew Von Ah at (202) 512-2834 or vonaha@gao.gov.

December 2019

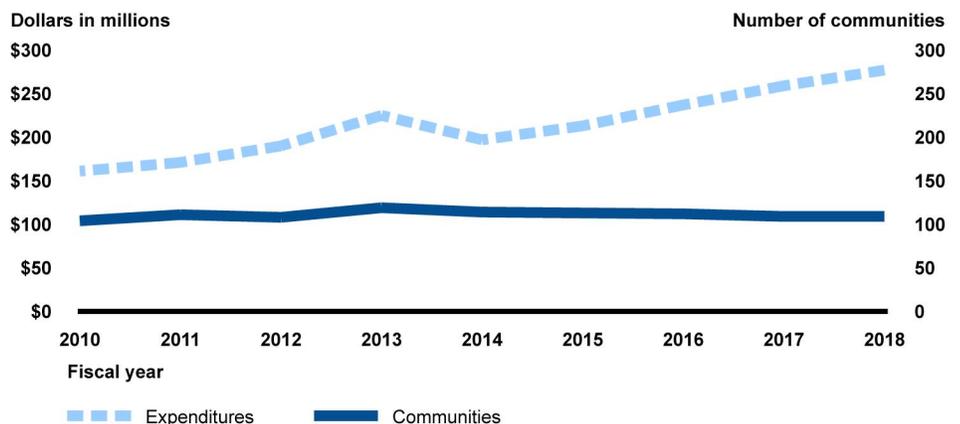
COMMERCIAL AVIATION

Effects of Changes to the Essential Air Service Program, and Stakeholders' Views on Benefits, Challenges, and Potential Reforms

What GAO Found

Statutory changes since 2010 have reduced the number of communities eligible for subsidized air service through the Essential Air Service (EAS) program; however, the Department of Transportation (DOT) granted waivers to most of the communities that applied, resulting in little change in the number of communities receiving EAS. In 2012, statutory changes limited eligibility for the program in the contiguous United States to those communities receiving EAS in fiscal year 2011. Further statutory changes set a maximum average per-passenger subsidy, and a minimum number of passengers, that some communities would have to meet to retain eligibility. DOT also resumed enforcing the \$200 per-passenger subsidy cap for certain communities. While these changes limited eligibility, in some cases the changes also gave DOT the option of providing waivers—most of which DOT granted. Thus, as noted, the overall number of communities receiving EAS remained about the same; however, EAS expenditures increased from \$161 million in fiscal year 2010 to \$277 million in fiscal year 2018 (see figure). DOT officials said this increase was due, in part, to factors affecting the entire airline industry, such as increased labor wages.

EAS Expenditures and Communities for Fiscal Years 2010 through 2018



Source: GAO analysis of the Department of Transportation Essential Air Service (EAS) data. | GAO-20-74

Community officials and air carriers GAO interviewed cited several challenges associated with EAS and suggested options for reform. For example, some carriers said it was difficult to find and retain pilots due to an insufficient supply of qualified pilots. At the same time, pilot wages have increased, making it difficult to provide quality service without exceeding the subsidy caps. Some carriers and community officials noted that the \$200 subsidy cap has not changed for several years to account for inflation or these increased costs. To address these and other challenges, stakeholders suggested a number of options, such as indexing the \$200 subsidy cap to inflation or allowing communities that lost eligibility to re-apply for the program. Several of these reforms would result in additional program costs.

Contents

Letter		1
	Background	4
	EAS Can Provide a Number of Benefits to Communities	10
	Statutory Changes Have Limited Communities' EAS Eligibility, but Nearly One-Third of Communities in the Program Continue to Receive Service through Waivers	13
	EAS Program Stakeholders Cited Challenges to Retaining Eligibility and Suggested Options for Reform	22
	Agency Comments	32
<hr/>		
Appendix I: List of Entities GAO Interviewed		34
Appendix II: Federal Laws Enacted Since 2010 That Affect the Essential Air Service Program		35
Appendix III: GAO Contact and Staff Acknowledgments		37
Appendix IV: Accessible Data		38
	Data Tables	38
<hr/>		
Tables		
	Table 1: Reasons That Communities in the Contiguous United States Lost Eligibility and Funding for Essential Air Service (EAS) since 2010	16
	Table 2: Federal Agencies, Communities, and Air Carriers GAO Interviewed	34
<hr/>		
Figures		
	Figure 1: Communities in the Contiguous United States Receiving Subsidized Air Service through the Essential Air Service Program as of October 1, 2018	5
	Figure 2: Sources of Essential Air Service's Funding for Fiscal Years 2010 through 2018	6
	Figure 3: Essential Air Service Communities that Received Waivers from the Department of Transportation (DOT) from Fiscal Year 2014 through Fiscal Year 2019	18

Figure 4: Essential Air Service Expenditures and Communities Served in the Contiguous United States as of October 1 for Fiscal Years 2010 through 2018, Nominal Dollars	21
Figure 5: Of the 55 Essential Air Service Communities in the Contiguous United States Subject to the \$200 Subsidy Cap in 2018, the Number within Current and Inflation-Adjusted Subsidy Caps	29
Figure 6: Changes in Federal Law since 2010 That Restrict Communities' Eligibility for the Essential Air Service (EAS) Program	35
Figure 7: Changes in Federal Law since 2010 that Increase Flexibility of Operations for the Essential Air Service (EAS) Program	36
Accessible Data for EAS Expenditures and Communities for Fiscal Years 2010 through 2018	38
Accessible Data for Figure 2: Sources of Essential Air Service's Funding for Fiscal Years 2010 through 2018	38
Accessible Data for Figure 3: Essential Air Service Communities that Received Waivers from the Department of Transportation (DOT) from Fiscal Year 2014 through Fiscal Year 2019	39
Accessible Data for Figure 4: Essential Air Service Expenditures and Communities Served in the Contiguous United States as of October 1 for Fiscal Years 2010 through 2018, Nominal Dollars	44
Accessible Data for Figure 5: Of the 55 Essential Air Service Communities in the Contiguous United States Subject to the \$200 Subsidy Cap in 2018, the Number within Current and Inflation-Adjusted Subsidy Caps	45
Accessible Data for Figure 6: Changes in Federal Law since 2010 That Restrict Communities' Eligibility for the Essential Air Service (EAS) Program	45
Accessible Data for Figure 7: Changes in Federal Law since 2010 that Increase Flexibility of Operations for the Essential Air Service (EAS) Program	46

Abbreviations

AEAS	Alternate Essential Air Service
AIP	Airport Improvement Program
DOT	Department of Transportation
EAS	Essential Air Service
FAA	Federal Aviation Administration

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



December 10, 2019

Congressional Addressees

As part of the 1978 deregulation of the U.S. airline industry, Congress established the Essential Air Service (EAS) program to ensure that communities continued to have access to the nation's air transportation system.¹ To accomplish this access, the Department of Transportation (DOT) selects air carriers willing to provide commercial air service with subsidies to eligible communities that would not otherwise receive it.² During fiscal year 2018, the program received \$288 million in appropriations, and at the end of fiscal year 2018, 108 communities were receiving service under the program in the contiguous United States, and 65 communities were receiving service in Alaska and Hawaii. We have previously reported that Congress should consider re-examining the program's objectives, given changes in the airline industry and other factors. Since 2010, several legislative changes have been enacted that have limited access to EAS subsidies by, among other things, changing eligibility requirements. Despite these changes, program costs have continued to rise, prompting questions about whether additional modifications should be made to EAS to make it more cost-effective and to improve service to small communities.

Section 452 of the FAA Reauthorization Act of 2018 includes a provision for us to examine the EAS program.³ This report discusses:

- what EAS communities and available studies indicate is the economic effect of air service on small communities;
- how federal laws enacted since 2010 and DOT's issuance of waivers have affected EAS and air service to communities funded through the program; and

¹The program was initially enacted for 10 years, and was later extended for another 10 years. In 1996, the 10-year time limit was removed. EAS is currently authorized under the FAA Reauthorization Act of 2018 (Pub.L.No.115-254, 132 Stat. 3186.) through FY2023.

²Airline Deregulation Act of 1978, Pub. L. No. 95-504, § 33, 92 Stat. 1705, 1732.

³Pub. L. No. 115-254, § 452, 132 Stat. 3186, 3348.

- challenges that selected communities and air carriers face with EAS and options they identify for EAS reform.⁴

To address all three objectives, we interviewed representatives, such as airport managers and local government officials, from 17 selected communities who have participated in EAS within the contiguous United States. Of these communities, 14 are currently part of the EAS program, and three were previously eligible to receive subsidized air service through the EAS program. We selected these communities based on several factors, including that those selected provide a mix of communities that participated in the Alternate Essential Air Service (AEAS) program and those that did not,⁵ a mix of those that received waivers and those that did not, a range in the distance from larger airports, and geographic dispersion throughout the contiguous United States.⁶ We asked community representatives about the economic effect of air service on the local economy, the effect of statutory changes since 2010 on air service to their communities, actions they have taken to increase enplanements or reduce ticket prices, the challenges they currently face in the EAS program, and options for future reform of the program. See appendix I for a list of communities we interviewed.

To determine what available studies indicate regarding a link between air service and the economies of small communities, we reviewed 13 economic studies that examined whether the availability and extent of air service was associated with economic growth in a local area. We identified these studies based on search results using the keywords “airport”, “air service” and “airline service”, in conjunction with “proximity”, “distance”, or “access” and “community”, “region”, or “rural”, and “airport”, “air service”, and “airline service” in conjunction with “economic development” from databases such as ProQuest®, ProQuest Dialog®, Scopus, Nexis®, and EBSCO Information Services. Out of our larger search results, we identified 13 relevant studies. We focused primarily on

⁴Due to a lack of available studies addressing the economic effect of specific EAS reforms, we examined the economic effect of air service on local economies generally.

⁵AEAS is a program that allows communities to forgo subsidized EAS for a prescribed amount of time in exchange for a grant to be used for options that may better suit their transportation needs. All communities currently in the AEAS program use grant funds to secure public-charter air service.

⁶This review focuses on communities in the contiguous United States because EAS communities in Alaska and Hawaii are exempt from most EAS eligibility requirements.

studies that were empirical and published between 2008 and 2018.⁷ By using varied model structures and techniques, most of the studies we reviewed examined whether the level of airline activity—such as enplanements or number of flight departures—appeared to influence local economic factors. Economic factors analyzed in these studies included growth in population and employment as well as the level or growth of per-capita income and regional economic output. For each of the 13 identified studies, an economist reviewed the study and prepared a summary of the findings that were elicited from the study. Then the studies and findings were then reviewed by a senior social science analyst. In addition, for the 6 studies where we cite specific findings, a second economist conducted an additional review to verify the appropriateness of the study.

To determine how federal laws enacted since 2010 and the issuance of waivers have affected EAS and air service to communities funded through the program, we reviewed relevant federal laws and DOT orders to identify changes since 2010 related to EAS and to determine the number of communities that lost eligibility as a result of those changes. We reviewed appropriations and expenditures data to determine how EAS funding levels have changed since 2010. While we did not independently assess the accuracy of the data, we compared the data to previously reported figures and presented the data to relevant stakeholders; we determined the data to be reliable for our purposes. We also reviewed waivers that DOT has granted to EAS-subsidized communities to determine how many waivers DOT granted and the reasons it did so, and we interviewed DOT officials to obtain information about the process used to grant waivers.

To identify the challenges that communities and air carriers face with EAS and options that exist for EAS reform, we interviewed representatives of communities as described above as well as representatives of 10 of the 11 air carriers that are currently providing EAS in the contiguous United States. We requested interviews with all 11 air carriers; 10 agreed to be interviewed and one declined. (See appendix I for a list of the air carriers we interviewed.) We also interviewed DOT officials to determine how DOT selects air carriers to provide EAS and to identify the steps DOT takes to oversee air carrier performance.

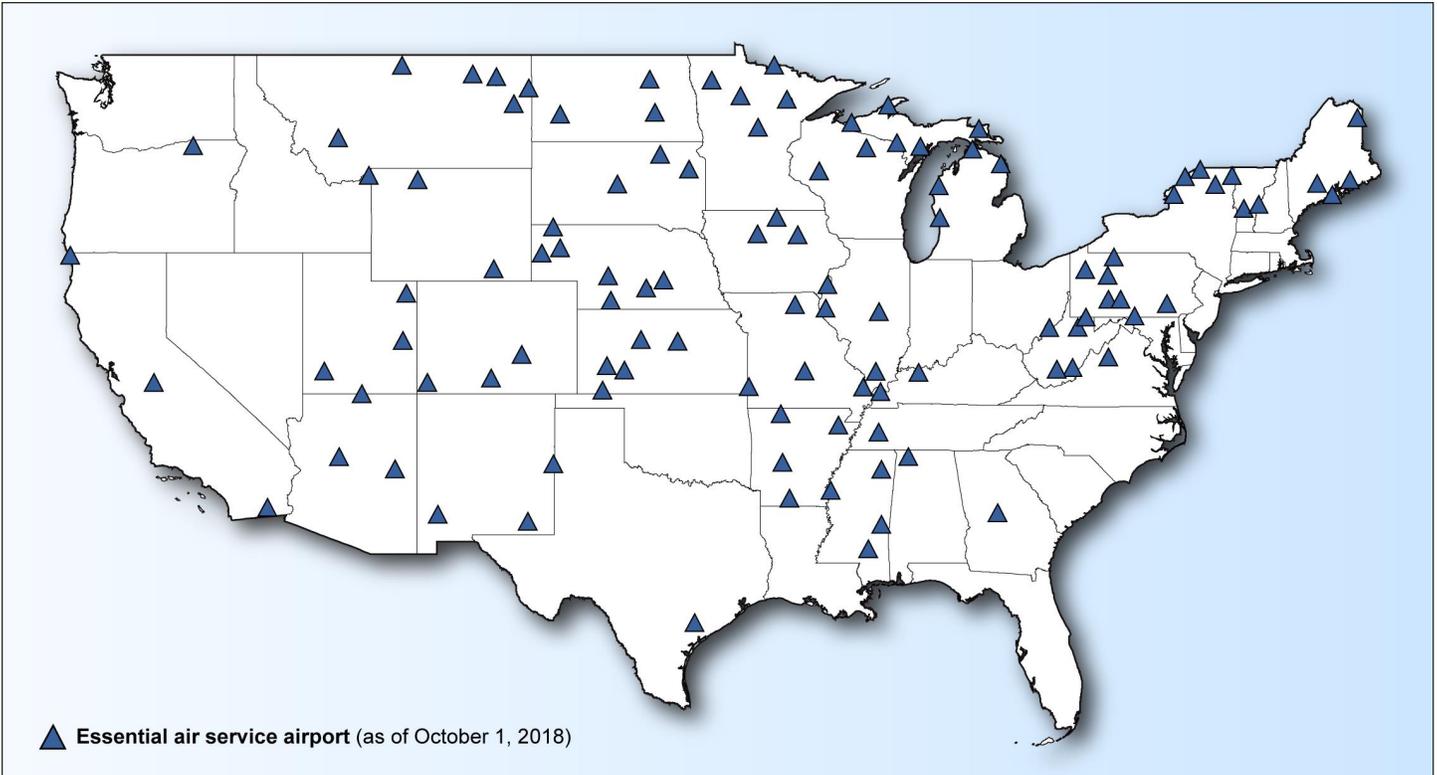
⁷We also focused on studies that address the ambiguity in the direction of causality between air service and local economic conditions using statistical methods.

We conducted this performance audit from November 2018 to December 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Airline Deregulation Act of 1978, which established the EAS program, specifies that if DOT determines that air service will not be provided without subsidy, DOT shall use EAS program funds to award a subsidy to a carrier willing to provide service. As of October 1, 2018, 108 communities within the contiguous United States (as well as 65 in Alaska and Hawaii) were receiving EAS (see fig.1).

Figure 1: Communities in the Contiguous United States Receiving Subsidized Air Service through the Essential Air Service Program as of October 1, 2018



Source: GAO presentation of Department of Transportation data and Mapinfo (map). | GAO-20-74

Note: While the program subsidizes communities, the map shows the airports from which the communities receive the service.

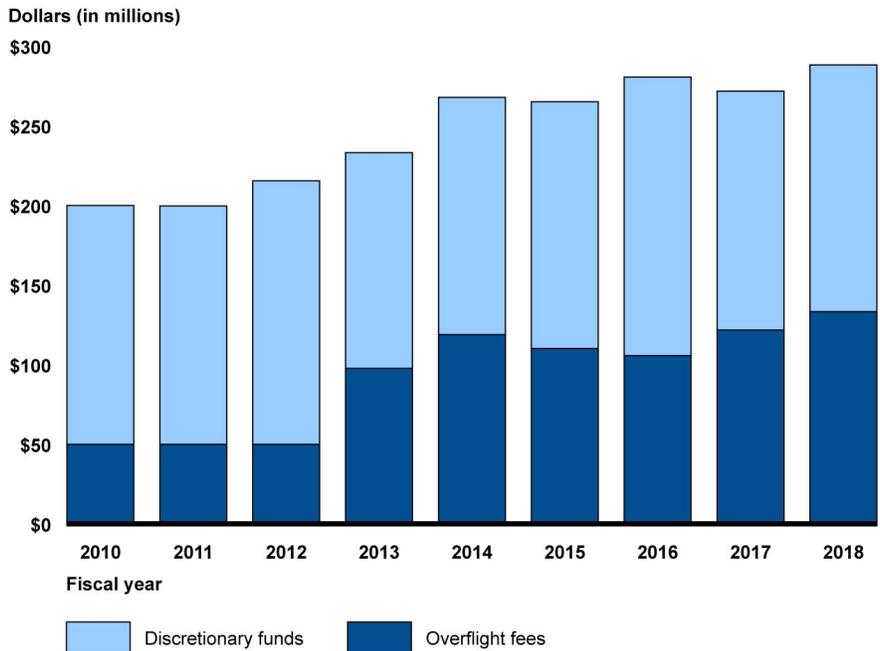
To be eligible for EAS, a community must:

- be located more than 70 miles from the nearest large or medium hub airport;
- require a subsidy per passenger of \$200 or less, unless the community is more than 210 miles from the nearest large or medium hub airport or unless DOT decides to issue a waiver;
- have a subsidy per passenger of less than \$1,000 during the most recent fiscal year at the end of each EAS contract, regardless of the distance from a hub airport;
- have had an average of 10 or more enplanements per service day during the most recent fiscal year, unless the community is more than 175

- driving miles from the nearest medium or large hub airport or unless DOT is satisfied that any decline below 10 enplanements is temporary; and
- have received subsidized EAS in fiscal year 2011 or were provided a 90-day termination notice by an air carrier, and the Secretary required the air carrier to continue such service to the community.

EAS is funded through appropriations from a combination of discretionary funding provided through annual appropriations acts, and overflight fees, which are collected by the Federal Aviation Administration (FAA) from foreign aircraft traveling over U.S. airspace without taking off or landing in the United States. Historically, the amount of overflight fees provided to EAS has been \$50 million per year, but the FAA Modernization and Reform Act of 2012 directed that all overflight fees be directed to EAS, an action that which resulted in an increased proportion of the program being funded by overflight fees (see fig. 2).⁸

Figure 2: Sources of Essential Air Service’s Funding for Fiscal Years 2010 through 2018



Source: GAO analysis of DOT data. | GAO-20-74

⁸Pub. L. No. 112-95, § 428(b), 126 Stat. 11, 99.

The minimal level of service each community is required to receive—the minimum number of roundtrips and passenger seats that must be provided, certain characteristics of aircraft to be used, and the maximum number of permissible stops to a medium or large hub airport—are all established in law.⁹ In general, current law requires that an EAS carrier provide the following:

- service to a hub airport, defined as an FAA-designated medium- or large-hub airport;¹⁰
- two daily round trips, 6 days a week, with not more than one intermediate stop to the hub;
- flights at reasonable times taking into account the needs of passengers with connecting flights and at prices that are not excessive compared to prices of other air carriers for like service between similar places;
- service in an aircraft with an effective capacity of at least 15 passengers, under certain circumstances,¹¹ unless the affected community agrees in writing to the use of smaller air craft;
- service in an aircraft with at least two engines and using two pilots;¹² and
- service with pressurized aircraft under certain circumstances.¹³

⁹FAA classifies airports as: (1) primary large hub: 1 percent or more of national annual passenger boardings; (2) primary medium hub: at least 0.25 percent but less than 1 percent of national annual passenger boardings; (3) primary small hub: at least 0.05 percent but less than 0.25 percent of national annual passenger boardings; (4) primary nonhub: more than 10,000 annual passenger boardings but less than 0.05 percent of national annual passenger boardings; and (5) non-primary nonhub: at least 2,500 but no more than 10,000 annual passenger boardings.

¹⁰If the nearest medium- or large-hub airport is more than 400 miles from the eligible place, DOT may instead require service to a small hub or a nonhub airport.

¹¹Aircraft with at least 15-passenger capacity are required for communities that averaged more than 11 daily boardings in any year from 1976 through 1986, according to DOT guidance. This provision has not been applied for several years due to an annual exemption in DOT Appropriations Acts. The latest extension is to December 20, 2019. Pub. L. No. 116-69, § 101 (Nov. 21, 2019).

¹²Service in an aircraft with at least two engines and using two pilots is required unless service has been provided without two engines and two pilots for more than 60 consecutive days at any time since October 31, 1978.

¹³49 U.S.C. § 41732(b)(6). Service is to be provided by pressurized aircraft, when that service is provided by aircraft that regularly fly above 8,000 feet in altitude.

DOT awards contracts to individual air carriers to serve EAS communities on a rolling basis throughout the year. According to DOT officials, DOT takes the following steps:

- DOT issues a request for proposals to all carriers to provide air service to an eligible community.
- Air carriers submit proposals that include the size of the aircraft to be used, the frequency of service, potential hubs, and the amount of subsidy required. Air carriers request subsidies at a level to cover the difference between their projected revenues and expenses, and to provide a profit.¹⁴ While there are no limits on the amount of subsidy that a carrier can request in its proposal, a community can become ineligible for EAS if the annual subsidy exceeds \$1,000 per passenger regardless of distance from the nearest hub airport or \$200 per passenger if it is located fewer than 210 miles from the nearest large or medium hub airport.
- DOT reviews the proposals and selects an air carrier to provide air service to the community, generally for a contract period ranging from 2 to 5 years. When selecting air carriers to provide service to EAS communities, DOT is directed by statute to consider five factors: service reliability, contracting and marketing arrangements with a larger carrier at the hub, “interline agreements”¹⁵ with a larger carrier at the hub, whether the air carrier has included a plan in its proposal to market its service to the community, and user preferences. In addition, the Secretary may consider the relative subsidy requirements of the carriers. By statute, the subsidy is set at an amount to cover the difference between the carrier’s projected costs of operation and its expected passenger revenues, while providing the carrier with a profit element typically equal to 5 percent of total operating expenses.

DOT awards a contract and pays air carriers based on the number of flights completed in the prior month. Air fares on EAS routes are set at the air carrier’s discretion without input from DOT.

¹⁴In order to evaluate air carrier proposals, DOT requires that air carriers adequately describe the service being proposed and the annual amount of subsidy being requested. The Department requests that proposals include information concerning proposed schedules, projected block hours, and financial data supporting subsidy requests including information on their projected expenses and revenues. DOT then can review the data supplied by the air carrier in making its decision on an air carrier selection case.

¹⁵“Interline agreements” are agreements between two airlines that provide for the mutual acceptance by the participating airlines of passenger tickets, baggage checks, and cargo waybills, as well as establish uniform procedures in these areas.

In 2003, the Vision 100—Century of Aviation Reauthorization Act¹⁶ established the AEAS, which allows communities to forgo subsidized EAS for a prescribed amount of time in exchange for a grant to spend on options that may better suit their transportation needs. For example, a community under AEAS may use the grant to purchase an aircraft to meet transportation needs or may receive some flexibility on operating requirements. Under AEAS, the community must still adhere to EAS eligibility requirements, and the maximum annual grant amount may not exceed the annual EAS subsidy at the time of application to the program or what DOT would pay to maintain EAS at the eligible community.¹⁷ For example, if an air carrier received a subsidy of \$1 million per year to serve a community and the community decides to leave EAS and enter AEAS, then the grant amount to the community under AEAS may not be more than \$1 million per year. As of September 2019, 8 of the 108 EAS communities in the contiguous United States were participating in the AEAS.¹⁸

In addition, federal funds are available to support airports—including airports that receive subsidized EAS—through the Airport Improvement Program (AIP).¹⁹ AIP grants are awarded to public entities to make capital improvements—such as runway and taxiway improvements.²⁰ The level

¹⁶Pub. L. No. 108-176, § 405, 117 Stat. 2490, 2544.

¹⁷Department of Transportation, *Establishment of Alternate Essential Air Service Pilot Program Pursuant to VISION 100 — 49 U.S.C. § 41745*, Docket OST-2004-18715.

¹⁸AEAS communities include Beckley, WV; Crescent City, CA; Fort Leonard Wood, MO; Macon, GA; Manistee/Ludington, MI; Page, AZ; Parkersburg, WV/Marietta, OH, and Tupelo, MS.

¹⁹The Small Community Air Service Development Program (SCASDP) is also a source of federal funds for airports, although EAS communities are not eligible for support with a SCASDP grant. DOT may award up to 40 grants each year to communities with non- or small-hub airports that have demonstrated air service deficiencies or higher than average fares. Communities use these grants to pursue different strategies to enhance air service. See GAO, *Small Community Air Service Development: Process for Awarding Grants Could Be Improved*, [GAO-19-172](#) (Washington, D.C., Mar. 26, 2019).

²⁰To be eligible for AIP grants, airports must be part of the National Plan of Integrated Airport Systems. FAA relies on airports, through their planning process, to identify individual projects for funding consideration. Federal law and FAA's rules establish which types of airport development projects are eligible for AIP's funding. Generally, most types of airfield improvements—such as runways, lighting, navigational aids, and land acquisition—are eligible. AIP-eligible projects for airport areas serving travelers and the general public—called “landside development”—include entrance roadways, pedestrian walkways and movers, and common space within terminal buildings, such as waiting areas.

of AIP funding that an airport receives is based on the number of annual enplanements at the airport. For fiscal year 2018, airports with 10,000 or more passengers were entitled to at least \$1 million; airports with between 8,000 and 10,000 passengers were entitled to \$600,000, and airports with fewer than 8,000 passengers were eligible for \$150,000. Thus, the number of enplanements at an airport receiving subsidized EAS may affect the amount of AIP funds for which the airport is eligible.

EAS Can Provide a Number of Benefits to Communities

Officials from the 14 communities receiving EAS that we interviewed cited several economic benefits of the local air service they receive:²¹

- **Economic development, including the ability to attract and retain businesses and professionals:** When asked what benefits they received from local air service, officials from all 14 communities mentioned that having access to reliable air service through EAS was crucial for economic development in their community, including the ability to attract and retain businesses and professionals. In three of the communities, officials told us that the first question a business asks when deciding to locate to the area is if air service is available.
- **Increased tourism to the community:** When asked about benefits, officials in 6 of the 14 communities mentioned that EAS helps to bring tourists to the community. One community official told us that having access to air service through EAS was a key factor in the community's being selected to host the Boy Scout Jamboree, which brought 8,000 volunteers and 45,000 Boy Scouts to the area.
- **Creation of jobs related to air service:** Officials from 4 of the 14 communities also mentioned that EAS brought jobs related to air service to the community, including TSA personnel, airport employees, airline employees, and concessionaire employees such as those at fixed-based operators and airport restaurants.²² In addition, some community officials told us that having air service in the community creates other types of

²¹If a community did not mention a specific economic benefit, it does not necessarily mean that it would not agree that it is a benefit to the community.

²²FAA defines a fixed-based operator as a business granted the right by the airport to operate fueling facilities, hangars, tie-down and parking, aircraft rental, aircraft maintenance, flight instruction and other aeronautical services at an airport.

jobs and supports area industries, such as hotels, restaurants, and rental car companies.

Further, community officials told us that EAS provides other benefits in addition to economic benefits. Officials from 11 of the 14 communities mentioned that EAS allows residents to more easily travel and be connected to the rest of the world. Officials in 3 communities said that residents use EAS to travel to larger cities for medical services that are not available locally, such as procedures and appointments with specialists.

Officials whom we interviewed in three communities that lost eligibility for subsidized EAS told us that losing air service has had a negative economic effect. For example, officials in one community told us that the lack of air service has decreased the ability of local businesses, hospitals, and colleges to recruit for professional-level jobs, such as physicians and professors, who have travel needs to maintain proficiency in their field. An official from another community told us that losing EAS led to decreased enplanements, which, in turn, reduced the amount of AIP funding that the airport receives. With less AIP funding, the airport is not able to pay for improvements that would attract or enable air carriers to serve the community.

Most of the studies we reviewed²³ found there to be a correlation between aviation activity and economic development.²⁴ Specifically, several of the findings indicate that greater aviation activity in a region is correlated with some increase in the growth in population, employment, or per capita incomes. The size of the influence in these findings was relatively small but statistically significant. For example, one study found that a 1 percent rise in passengers per capita was associated with 0.055 percent rise in output per capita and another study found that a 10 percent increase in number of nonstop destinations served from an airport was associated with a 0.13 percent increase in employment and a 0.2 percent increase in average wage.²⁵

²³See Richard K. Green, "Airports and Economic Development," *Real Estate Economics*, vol. 35 (2007); Florian Allroggen and Robert Malina, "Do the Regional Growth Effects of Air Transport Differ Among Airports?" *Journal of Air Transport Management*, vol. 37 (2014); Ismail Cagri Ozcan, "Economic Contribution of Essential Air Service Flights on Small and Remote Communities," *Journal of Air Transport Management*, vol. 34, (2014); Richard Florida, Charlotta Mellander, and Thomas Holgersson, "Up in the Air: The Role of Airports for Regional Economic Development," *The Annals of Regional Science*, vol. 54 (2015); Xinxiang Chen, Guanghua Chi, and Guangqing Chi, "Do Airports Boost Economic Development by Attracting Talent? An Empirical Investigation at the Subcounty Level," *Social Science Quarterly*, vol. 99 (2018); Volodymyr Bilotkach, "Are Airports Engines of Economic Development? A Dynamic Data Panel Approach," *Urban Studies*, vol. 52 (2015); Bruce A. Blonigen and Anca D. Cristea, "Airports and Urban Growth: Evidence from a Quasi-Natural Policy Experiment," National Bureau of Economic Research Working Paper 18278, (2012); Kenneth Button, Soogwan Doh, and Junyang Yuan, "The Role of Small Airports in Economic Development," *Journal of Airport Management*, vol. 4 (2010); Nicholas Sheard, "Airports and Urban Sectoral Employment," *Journal of Urban Economics*, vol. 80 (2014); Ray Rasker, Patricia H. Gude, Justin A. Gude, and Jeff van den Noort, "The Economic Importance of Air Travel in High-Amenity Rural Areas," *Journal of Rural Studies*, vol. 25 (2009); Kenneth Button, and Junyang Yuan, "Airfreight Transport and Economic Development: An Examination of Causality," *Urban Studies*, vol. 50 (2013); Zackary Neal, "Creative Employment and Jet Set Cities: Disentangling Causal Effects," *Urban Studies*, vol. 49 (2012); and Kirsi Mikkala and Hannu Tervo, "Air Transportation and Regional Growth: Which Way Does the Causality Run?" *Environment and Planning A*, vol. 45 (2013).

²⁴Determining whether aviation activity leads to local economic growth is challenging because the causation between these factors may be bidirectional. While aviation activity may drive growth in jobs, incomes, and economic output in a region, it is also possible that such economic growth leads to more robust aviation activity. Thus, a correlation between air service and economic activity does not necessarily indicate that air service leads to stronger local economies.

²⁵See Richard Florida, Charlotta Mellander, and Thomas Holgersson, "Up in the Air: The Role of Airports for Regional Economic Development," *The Annals of Regional Science*, vol. 54 (2015) and Volodymyr Bilotkach, "Are Airports Engines of Economic Development? A Dynamic Data Panel Approach," *Urban Studies*, vol. 52 (2015).

One study that specifically examined the effect of subsidized air service found that the availability of EAS was related to a small but statistically significant increase in per-capita income in the local market. Specifically, this study found that a 1 percent increase in traffic at an airport receiving subsidized EAS was related to a 0.12 percent increase in per-capita income.²⁶ Further, another study that focused solely on small airports found airport activity was associated with higher per-capita income, while another study found that more rural areas experienced an even greater benefit of nearby aviation activity than did more urban areas.²⁷ However, two of the studies we reviewed found that the effect of aviation activity on local economic factors may be greater in areas with larger airports, which tend to be in larger metro areas, than in areas with smaller airports.²⁸

Statutory Changes Have Limited Communities' EAS Eligibility, but Nearly One-Third of Communities in the Program Continue to Receive Service through Waivers

Since 2010, Changes Limited Communities' EAS Eligibility and Increased Flexibility of Air Carriers' Operations

Since 2010, four statutory changes and a change in DOT's enforcement policy have limited the number of communities that are eligible to receive EAS. (See app. II for a detailed list of statutory changes.)

- The Airport and Airway Extension Act of 2011 prohibited DOT from continuing to provide subsidies to communities with annual per-passenger EAS subsidies of over \$1,000, regardless of their distance from the nearest hub airport.

²⁶Cagri Ozcan, "Economic Contribution of Essential Air Service Flights on Small and Remote Communities," *Journal of Air Transport Management*, vol. 34, (2014).

²⁷Kenneth Button, Soogwan Doh, and Junyang Yuan, "The Role of Small Airports in Economic Development," *Journal of Airport Management*, vol. 4 (2010).

²⁸Florian Allroggen and Robert Malina, "Do the Regional Growth Effects of Air Transport Differ Among Airport?" *Journal of Air Transport Management*, vol. 37 (2014) and Richard Florida, Charlotta Mellander, and Thomas Holgersson, "Up in the Air: The Role of Airports for Regional Economic Development," *The Annals of Regional Science*, vol. 54 (2015).

- The FAA Modernization and Reform Act of 2012 removed eligibility for communities within 175 miles of a large- or medium-hub airport that do not have an average of at least 10 enplanements per day during the most recent fiscal year, unless DOT grants them a waiver.
- The FAA Modernization and Reform Act of 2012 removed EAS eligibility for communities that did not receive EAS between September 30, 2010, and September 30, 2011, thus preventing further growth of the program. This limitation does not apply to Alaska and Hawaii. The number of communities that would otherwise be eligible for service if not for this provision is unknown. We are aware of at least one community that lost eligibility based on this requirement. However, DOT has not been able to determine how many communities fall into this category due to a number of complicating factors, including an unclear count of the number of communities that were initially eligible for EAS in January 1979 and changes in eligibility in the intervening years.
- The Consolidated Appropriations Act of 2014 and subsequent appropriations acts required the Secretary of Transportation to negotiate a local cost share with communities located less than 40 miles from the smallest hub airport before entering into a new contract using EAS subsidies. Two communities in the contiguous United States—Pueblo, Colorado and Lancaster, Pennsylvania—were initially subject to this provision.²⁹ Currently, Lancaster, Pennsylvania is the only community in the contiguous United States subject to the provision.
- In October 2014, DOT issued a Notice of Enforcement Policy stating that it would start enforcing the annual subsidy-per-passenger cap of \$200 for communities located less than 210 miles from a medium- or large-hub airport after September 30, 2015, thereby limiting the number of communities eligible for EAS in 2016. However, DOT may grant a waiver to communities that have not met the cap.³⁰

We also identified two statutory changes since 2010 that increased the flexibility of air carriers' operations for the EAS program, and one that

²⁹In 2017, the community of Pueblo, CO, requested that DOT review the distance calculation between the airport and the nearest small-hub airport because of highway and airport terminal work over the years. The Federal Highway Administration was asked to validate the distance and determined that the total mileage was over 40 miles, meaning that the cost-share provision no longer applies.

³⁰While the DOT and Related Agencies Appropriations Act of 2000 made the \$200 subsidy per passenger cap permanent, DOT decided not to enforce it from 2007 until September 30, 2015 due to conditions in the industry, such as a loss of air carriers providing service and an increase in fuel prices.

automatically grants waivers for the \$200 subsidy-per-passenger cap to communities that meet certain requirements.

- The Consolidated and Further Continuing Appropriations Act of 2012 and subsequent appropriations acts eliminated the requirement that aircraft providing service under the EAS program have a minimum 15-seat passenger capacity. Officials from about half (8 of 17) of the communities that we interviewed were in favor of the elimination of this requirement. As a result of this change, the number of EAS communities in the contiguous United States receiving service with eight- or nine-seat aircraft increased from 23 percent (25 of 107 communities) in 2010 to 47 percent (50 of 107 communities) in 2019.³¹
- The FAA Reauthorization Act of 2018 explicitly allowed the Secretary of Transportation to consider the flexibility of current operational dates and airport accessibility when issuing requests for proposal of EAS at seasonal airports. DOT had already been considering seasonal service for some communities. Two of the communities that we interviewed—Bar Harbor, ME, and Cody, WY—have seasonal EAS because the number of passengers fluctuates during different times of the year.
- The FAA Reauthorization Act of 2018 required DOT to automatically grant waivers for annual subsidy-per-passenger cap of \$200 if (1) a community's subsidy per passenger for a fiscal year is lower than any of the previous 3 fiscal years or (2) if the subsidy per passenger for a fiscal year is less than 10 percent higher than the highest subsidy per passenger for the previous 3 fiscal years. The Secretary may only waive this subsidy cap once per community. According to DOT, it began implementing this provision in 2019 using fiscal year 2018 data.

As described earlier, DOT is allowed to waive some eligibility requirements. DOT can grant waivers to communities for (1) not meeting the 10-enplanements per-day requirement or (2) exceeding the \$200 subsidy-per-passenger cap in the prior fiscal year.

There are several steps that DOT generally follows when granting EAS waivers:

- DOT collects information from the prior fiscal year to determine which communities no longer meet EAS eligibility requirements.

³¹Prior to this change, communities entitled to 15-seat or larger aircraft were allowed to have EAS with smaller aircraft only if they waived their rights to the larger aircraft.

- DOT issues a “show cause” order that directs the EAS community or other interested persons to submit information to show why DOT should not terminate the eligibility of the community.
- The communities that are listed in the “show cause” order may provide DOT with information demonstrating that they met EAS requirements or submit a petition to DOT that demonstrates that the community’s failure to meet eligibility requirements is a temporary situation in order to retain eligibility. If the community does not provide new information to demonstrate that they met EAS requirements or submit a petition, then the community’s eligibility for EAS is terminated.
- DOT then issues a final order that changes its initial determination, grants a waiver to the community, or terminates the community’s eligibility for EAS. If a community disagrees with DOT’s decision to terminate eligibility, it may submit a petition for restoration.

While Some Communities Lost Eligibility for EAS since 2010, DOT Granted Most Waiver Requests, Enabling Many EAS Communities to Continue to Receive EAS

As a result of these changes in statute and enforcement policy, 12 communities lost eligibility for EAS since 2010 and either were not eligible for a waiver, did not apply for one, or applied for a waiver and were not granted one (see table 1).

Table 1: Reasons That Communities in the Contiguous United States Lost Eligibility and Funding for Essential Air Service (EAS) since 2010

Community	Exceeded \$1,000 Average Per-Passenger Subsidy	Did Not Meet 10 Enplanements Per-Service-Day Requirement ^a	Exceeded \$200 Per-Passenger Subsidy ^b
Alamogordo, New Mexico	X		
Athens, Georgia ^c		X	
Ely, Nevada	X		
Franklin/Oil City, Pennsylvania		X	X
Great Bend, Kansas	X		
Hagerstown, Maryland ^d		X	X
Huron, South Dakota	X		
Jamestown, New York ^e		X	X
Kingman, Arizona	X		

Community	Exceeded \$1,000 Average Per-Passenger Subsidy	Did Not Meet 10 Enplanements Per-Service-Day Requirement ^a	Exceeded \$200 Per-Passenger Subsidy ^b
Lewistown, Montana	X		
Miles City, Montana	X		
Worland, Wyoming	X		

Source: GAO Analysis of DOT Orders. | GAO-20-74

Note: This list only includes communities that did not receive a waiver from DOT. In addition, an unknown number of communities lost eligibility due to the provision in the FAA Modernization and Reform Act of 2012 that removed EAS eligibility of communities that did not receive EAS between September 30, 2010, and September 30, 2011. These are not included in the table.

^aThis requirement applies to communities located 175 miles or less from the nearest large- or medium-hub airport.

^bThis requirement applies to communities located 210 miles or less from a medium- or large-hub airport.

^cAthens, Georgia did not apply for a waiver.

^dHagerstown, MD did not meet fiscal year 2018 requirements and submitted a waiver petition to DOT in fiscal year 2019. DOT denied the petition and service was terminated on October 18, 2019. The community challenged this decision in the U.S. Court of Appeals for the District of Columbia Circuit, and the matter is pending before the court. *Board of County Commissioners, et al v. DOT, et al*, Case No. 19-1208 (2019).

^eJamestown, New York did not meet the 10 enplanements per-service-day requirement and exceeded the \$200 per-passenger subsidy in fiscal year 2015 and applied for and received a waiver from DOT in 2016. In fiscal year 2016, Jamestown did not meet these requirements and applied for a waiver in 2017 but did not receive one.

While some communities lost eligibility for EAS, many communities that did not meet eligibility requirements since 2014 continue to receive EAS because they were granted at least one waiver from DOT. From fiscal year 2014 through fiscal year 2019, DOT granted a total of 110 waivers to 37 communities—about one-third of the number of communities currently in the program (see fig. 3). The number of communities that received waivers in recent years has increased during this time period, in part due to DOT’s decision to enforce the \$200 subsidy-per-passenger cap. DOT granted waivers to 15 communities because they experienced a hiatus in service during the year that resulted in the community’s not meeting the 10 average daily enplanements requirement or exceeding the \$200 subsidy-per-passenger cap.

Figure 3: Essential Air Service Communities that Received Waivers from the Department of Transportation (DOT) from Fiscal Year 2014 through Fiscal Year 2019

Essential air service community	Fiscal year						Total number of years that community received a waiver
	2014 ^a	2015	2016 ^b	2017	2018	2019	
Muscle Shoals, AL							5 years
Kingman, AZ							1 year
Prescott, AZ							3 years
Show Low, AZ							2 years
El Centro, CA							3 years
Merced, CA							3 years
Visalia, CA							1 year
Alamosa, CO							3 years
Pueblo, CO							3 years
Macon, GA							4 years
Fort Dodge, IA							5 years
Mason City, IA							4 years
Salina, KS							2 years
Owensboro, KY							4 years
Hagerstown, MD						Terminated	4 years
Fort Leonard Wood, MO							1 year
Kirksville, MO							1 year
Greenville, MS							1 year
Tupelo, MS							3 years
Kearney, NE							3 years
Scottsbluff, NE							3 years
Jamestown, NY				Terminated			1 year
Parkersburg/Marietta, OH							3 years
Pendleton, OR							3 years
Altoona, PA							4 years
Bradford, PA							5 years
DuBois, PA							4 years
Franklin/Oil City, PA						Terminated	4 years
Johnstown, PA							4 years
Lancaster, PA							5 years
Watertown, SD							1 year
Jackson, TN							4 years
Victoria, TX							5 years
Vernal, UT							3 years
Staunton, VA							1 year
Clarksburg/Fairmont, WV							2 years
Morgantown, WV							2 years
Total	12	3	30	26	25	14	

Reason for waiver

<p> Did not meet 10 average daily enplanements requirement</p> <p> Exceeded \$200 subsidy cap</p>	<p> Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap</p> <p> Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap</p>	<p> Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458</p>
---	---	--

Source: GAO analysis of DOT waivers. | GAO-20-74

Note: The year in the figure indicates the year that DOT issued the waiver. Communities are found to be not in compliance with eligibility requirements based on data from the prior fiscal year.

^aDOT also found that Athens, GA did not maintain an average of 10 enplanements or more based on FY13 enplanement data. However, Athens, GA did not request a waiver and as a result, DOT terminated its eligibility for the Essential Air Service program.

^bThe \$200 subsidy cap was first waived based on data from fiscal year 2015.

Of the communities that petitioned for waivers, DOT granted waivers to all but three—Jamestown, NY; Franklin/Oil City, PA; and Hagerstown, MD.

- Jamestown did not meet the 10 enplanements per-day requirement and exceeded the \$200 subsidy cap in fiscal year 2016. DOT officials did not grant a waiver to Jamestown because they did not think there was sufficient evidence that Jamestown would ever have enough service to meet eligibility requirements.
- Franklin/Oil City has not met the 10 enplanements per-day requirement in each year since fiscal year 2013 and has exceeded the \$200 subsidy cap in each year since fiscal year 2015. DOT did not grant a waiver to Franklin/Oil City because of its continued non-compliance with these requirements and its proximity to a medium hub airport. Pittsburgh International Airport is 85 driving miles away. In September 2019, Franklin/Oil City filed a petition to DOT for reconsideration. DOT denied the petition.
- Hagerstown has not met the 10 enplanements per-day requirement since fiscal year 2013 (except fiscal year 2016), and has exceeded the \$200 subsidy cap each fiscal year since fiscal year 2015. DOT did not grant a waiver to Hagerstown because of its proximity to a large hub airport—Hagerstown is less than 70 miles from Washington Dulles International Airport—and the fact that there was not sufficient evidence to indicate that Hagerstown would be able to meet eligibility requirements in the future.³² In August 2019, Hagerstown filed a petition to DOT for reconsideration. DOT denied the petition, and Hagerstown filed suit to challenge the decision in federal court.

Athens, GA, which did not meet the 10-enplanements per-day requirement, was eligible to submit a waiver request but did not do so.

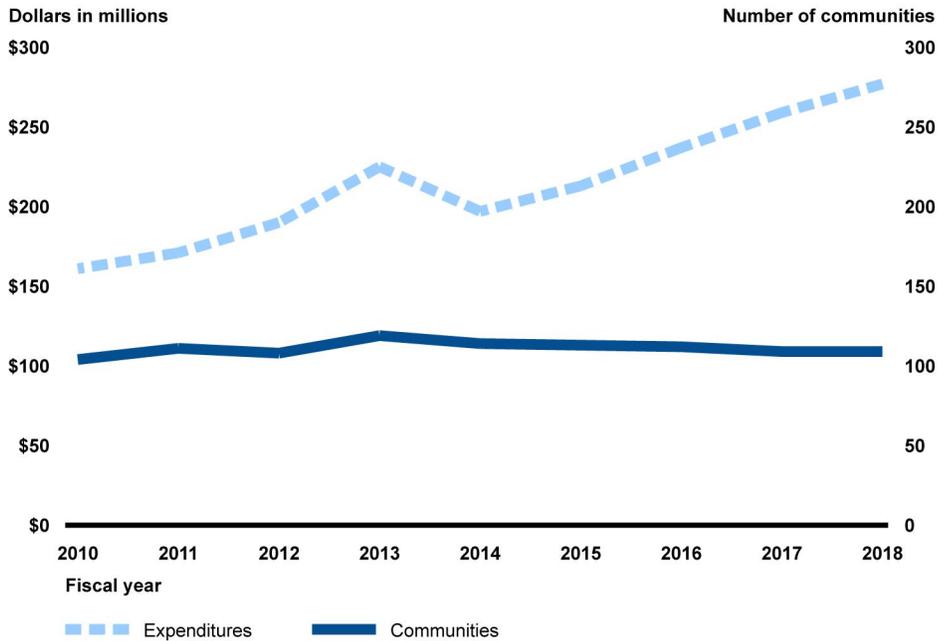
³²Although DOT is prohibited from providing an EAS subsidy to any community that is located less than 70 miles from a large- or medium-hub airport, DOT can calculate the shortest driving distance using a different route under certain circumstances. The Vision 100 Century of Aviation Reauthorization Act originally directed the Secretary of Transportation to consult with the governors of the states or the governors' designees, and to consider their certification as to the "most commonly used route" between the community and the nearest large or medium hub. Pub. L. No. 108-176, § 409(d) (Dec. 12, 2003). Recent legislation ((Pub. L. No. 115-254, § 457, 132 Stat. 3186, 3350 (2018)) extended this provision through September 30, 2023.

While The Number of Communities Receiving EAS Has Remained Relatively Stable Since 2010, Program Expenditures Have Increased by About 70 Percent

The number of communities in the contiguous United States receiving EAS changed little since the beginning of fiscal year 2010 to the beginning of fiscal year 2018—from 104 on October 1, 2009, to 109 on October 1, 2017. However, program expenditures for EAS communities in the contiguous United States have increased from approximately \$161.3 million in fiscal year 2010 to \$276.9 million in fiscal year 2018—an increase of nearly 72 percent (see fig.4). Some of the increased program expenditures were due to increased costs of certain critical resources over the last several years, such as pilots' salaries. However, even when total expenditures are adjusted for the effect of inflation, expenditures still rose substantially. Notably, we found a nearly 50 percent increase in spending that is not accounted for by the general rise in prices over these years, despite a roughly consistent number of communities served by the program.³³

³³It is unclear the extent to which program costs would have been affected if DOT had not granted waivers.

Figure 4: Essential Air Service Expenditures and Communities Served in the Contiguous United States as of October 1 for Fiscal Years 2010 through 2018, Nominal Dollars



Source: GAO analysis of the Department of Transportation Essential Air Service (EAS) data. | GAO-20-74

According to DOT officials, some of the cost increase is related to factors that also affected the rest of the airline industry, such as increased costs for pilots, flight crew, and mechanics. For example, in 2018 we found that compensation for commercial airline pilots has increased in recent years, most noticeably in new-hire compensation at regional airlines. Our analysis of Bureau of Labor Statistics data from 2012 through 2017 showed that the median wages in the pilot occupation increased by approximately 2.4 percent per year, while wages for all occupations increased by about 1 percent per year over this period.³⁴

DOT officials told us that other factors contributing to increased program costs are more specific to EAS. For example, some regional airlines that serve EAS communities have experienced financial difficulties, and in some cases, contracts with new carriers have increased in price to factor in costs associated with replacing the previous carrier’s service. DOT

³⁴See GAO, *Military Personnel: Collecting Additional Data Could Enhance Pilot Retention Efforts*, GAO-18-439 (Washington, D.C.: June 21, 2018).

officials noted that larger air carriers that serve many markets have more options available to help offset industry-wide cost increases, such as increasing fares on more commercially viable routes, whereas some of the smaller carriers that primarily service EAS markets have fewer options on the revenue side to offset cost increases.

EAS Program Stakeholders Cited Challenges to Retaining Eligibility and Suggested Options for Reform

Communities and Air Carriers Reported Challenges That Include Maintaining Quality Air Service and Dealing with a Shortage of Qualified Pilots to Serve EAS Routes

Community officials and air carriers that we interviewed described several challenges they face with regard to maintaining viable service. Many of these challenges compound each other.

Quality of Service: According to officials from the communities we interviewed, an air carrier provides good quality service to an EAS community when the service is reliable (i.e., flights are on time, at convenient times, and are not frequently cancelled), offers connections to multiple locations, and includes benefits such as the ability to easily catch a connecting flight and check bags to the final location. Some community officials also said good quality service involves seamless connections to large hubs with regional jets. When a carrier does not provide what communities and passengers see as quality service, the number of enplanements decreases because people stop using the service. As a result, the carrier may decrease the number of flights per day to make the service financially viable. However, the reduction in frequency could further degrade the quality of service. Carrier representatives explained that many factors affect the quality of service carriers are able to provide and communities explained that unreliable service can result in several problems for them.

- **Decline in Enplanements:** Officials in most of the communities (15 of 17) said that a lack of quality service from the carrier had been a challenge and in many instances (14 of 17) had led residents to opt to travel to an alternative larger airport for service. The resulting decline in the number of enplanements can put a community at risk of losing EAS eligibility

because it may not be able to achieve an average of at least 10 enplanements per service day or stay under the \$200 subsidy-per-passenger cap. Officials from one community said that its EAS carriers' cancelled flights and lack of interline agreements with mainline airlines had resulted in customers choosing to drive 80 miles to fly out of a large hub airport rather than use the local airport.

- **Providing Service within Subsidy Caps:** Four of the carriers we interviewed said that increased costs—such as those resulting from increased pilot wages—make it difficult to provide service within the subsidy caps, which have not been increased to account for inflation. An official from one carrier said that factors such as the increasing costs for pilots and an insufficient number of aircraft operating with less than 50 seats make it difficult for a community airport to comply with the \$200 subsidy-per-passenger cap. According to representatives of the carrier, in some instances, they are paying their pilots 75 percent more than they were 5 years ago. They said that to compensate, the carrier may have to raise fares, a step that could lead to losing passengers and potentially put communities at risk of losing eligibility for EAS.
- **Loss of Customers' Confidence:** Three of the carriers we interviewed said that when they were selected to replace carriers that had not provided reliable service to a community, it took time to regain the community's confidence and attract people to use their EAS air service. If these air carriers had not been able to regain the community's confidence and increase enplanements, the community may have lost eligibility for EAS.
- **Loss of AIP Funding:** A decline in the number of enplanements may also lead to a reduction in AIP funding available to the airport. AIP funding is important for small communities that have fewer financial resources than large- or medium-sized airports.³⁵ AIP funding can help airports make improvements that could attract more business, such as from commercial and business aviation.

Pilot shortage: Aviation stakeholders have voiced concerns that there is an insufficient supply of qualified pilots to support current and future demand from U.S. regional and mainline airlines. In May, 2017, the Working Group on Improving Air Service to Small Communities found that as a result of the pilot shortage, there were too few pilots to fly all the EAS

³⁵Larger airports are much more likely to issue tax-exempt bonds or finance capital projects with the proceeds of Passenger Facility Charges. Congressional Research Service, *Financing Airport Improvements*, R43327, (Washington, D.C.: updated March 15, 2019).

routes.³⁶ In June 2018, we found that labor market indicators for the pilot occupation were consistent with the existence of a pilot shortage.³⁷ Carriers and community officials that we interviewed cited the following as issues related to the pilot shortage.

- **Difficulty Retaining Pilots:** Officials from 6 of the 10 carriers we interviewed said that it has been a challenge to retain sufficient pilots to provide the air service they have committed to providing under EAS. Pilots often start their careers with smaller air carriers that may serve EAS communities, and after a few years in the business, pilots are hired by larger airlines offering higher pay and more opportunities for advancement. Officials from 3 of the 10 carriers we interviewed said that they have responded to the pilot shortage by operating eight- or nine-seat aircraft under Part 135 regulations,³⁸ which allows them to use pilots that have less flight time as first-officers. This increases the pool of pilots who can fill first-officer positions and gives these pilots the opportunity to build flight hours toward their Airport Transport Pilot license.³⁹
- **Reduced Service Quality:** Officials from 15 of the 17 communities we spoke with said that a shortage of pilots has been a challenge.

³⁶DOT, *Report of the Working Group on Improving Air Service to Small Communities*, (Washington, D.C.: May 9, 2017). Section 2303 of the FAA Extension, Safety, and Security Act of 2016 (Pub. L. No. 114-190, 130 Stat. 615) directed the Secretary of Transportation to establish a Working Group on Improving Air Service to Small Communities. The mandate of the Working Group was to consider, among other things: (1) current or potential new air service programs, including the Essential Air Service program and the Small Community Air Service Development program; (2) initiatives to help support pilot training and aviation safety; and (3) whether federal funding for airports serving small communities is adequate.

³⁷[GAO-18-439](#).

³⁸14 C.F.R. Part 135 prescribes rules governing the commuter or on-demand operations to hold an air carrier certificate. Nonscheduled-service airlines are generally issued a Part 135 certificate by FAA and operate aircraft other than turbojet-powered airplanes having no more than nine passenger seats and a payload capacity of 7,500 pounds or less. Operating under 14 C.F.R. Part 135 rules allows an airline to operate multiengine airplanes with a first officer (second-in-command) who has a commercial pilot certificate (minimum 250 hours of flight time) and an instrument rating. The first officer is the second pilot of an aircraft, and has the authority to assume command of the aircraft in the event of incapacitation of the captain.

³⁹14 C.F.R. Part 121 provides guidance for operators that are generally large, US-based carriers with regularly scheduled air service, regional air carriers and all cargo operators. Under 14 C.F.R. Part 121, captains and first officers must hold an Air Transport Pilot certificate, which requires, among other things, a minimum of 1,500 hours of total flight time as a pilot.

Specifically, the pilot shortage has resulted in a reduction in service quality for some EAS communities because the air carrier has not been able to attract enough pilots to provide reliable service. Six of 17 communities told us that their enplanements declined and that some had lost service for a period of time due to a lack of pilots. For example, an official from one community said their carrier ended service to the community in 2014 due the industry-wide pilot shortage.

Airport costs: Air carriers must pay fees to use airport facilities. Fees are charged for landing, counter and gate space, parking, and other airport facilities. These varied fees are part of carriers' operating costs. Officials from 3 of the 10 carriers we talked to said that these airport costs may be difficult to cover because carriers serving the EAS program use relatively smaller aircraft with fewer passengers, and therefore, the carrier must charge more per passenger to cover the costs. For example, an official from one carrier we interviewed said that a community wanted to have an EAS flight that flew into Las Vegas; however, the airport in Las Vegas charged a single-aisle 9-seat aircraft the same landing fee as any other single-aisle aircraft, some of which can hold hundreds of passengers.

Production and supply of small aircraft: Because there is a lack of availability of aircraft between 19 and 50 seats, in some cases, DOT, airlines, and communities have to choose service with a plane that is either too small or too large for demand. Manufacturers have said they are generally not producing this size aircraft because there is less demand and higher costs since they must certify them under Part 25 regulations for scheduled commercial service as opposed to the lower costs incurred under Part 23 regulations.⁴⁰

- **Insufficient or Excess Capacity:** Officials from 12 of the 17 communities we interviewed said that the declining production and supply of 19- to 50-seat aircraft has been a challenge for the EAS program. Officials from 2 communities we interviewed said they have moved to larger 50-seat aircraft, which means the communities might have too much capacity. On the other hand, officials from 11 of the 17 communities we interviewed expressed concerns about receiving service from a carrier that operates aircraft with less than 15 seats because, according to six communities we spoke with receiving air service from a carrier that only operates eight- or nine-seat aircraft may not provide sufficient capacity to allow the

⁴⁰FAR Part 25 includes airworthiness standards for aircraft with more than 19 or more seats or a maximum takeoff weight greater than 19,000 lbs. FAR Part 23 includes airworthiness standards for aircraft with 10 to 19 seats.

community to fulfill the EAS annual enplanement requirements, and thus, the community could lose eligibility for EAS. In addition, officials from 5 of the 17 communities were concerned that some people have an aversion to or difficulty getting into small aircraft that could deter them from using the service.

- **Financial Effects on Air Carriers:** Officials from 5 of the 10 carriers we interviewed said that the lack of available aircraft between 19 and 50 seats is a challenge. For example, an official from one carrier was concerned that operating eight- or nine-seat aircraft may limit their ability to serve EAS communities whose enplanements are increasing because the carriers would have to add seat capacity either through increased frequency of flights or larger aircraft they do not currently own in order to decrease the subsidy-per-passenger costs. However, if the carrier uses an aircraft with 50 or more seats, the carrier must have sufficient increasing demand to fill that plane on a regular basis to justify the capital expenditure and increased costs to operate. Furthermore, according to officials from another air carrier, eight- or nine-seat aircraft were not designed to operate with the frequency that small carriers are using them, which can reduce reliability and increase maintenance and operating costs.

Driving Distance Calculation: While communities that we interviewed cited several specific benefits of the local air service they receive, as previously discussed, some expressed concerns about specific aspects of the program. Officials from 5 of the 17 communities we interviewed said that DOT's calculation of the shortest driving distance between the community and the nearest large- or medium-hub can affect their eligibility requirements.⁴¹ DOT relies on the driving distance calculation to determine which communities are subject to the 10-enplanement and \$200 subsidy-cap requirements.⁴² According to community officials, the easiest, safest, and quickest route from the community to the airport may be further than what DOT has calculated as the shortest driving distance, which could make the community exempt from these requirements. For example, one community official we spoke with told us that most people in the community take the expressway to the nearest hub airport, which is

⁴¹14 C. F. R. Part 398 DOT determines a community's distance, by driving miles, to the nearest large- or medium-hub airport by measuring the shortest driving distance from the center of the EAS community to the nearest large- or medium-hub airport.

⁴²Communities more than 175 miles from a large- or medium-hub are exempt from the 10-enplanements requirement, and communities more than 210 miles from a large-or medium-hub are exempt from the \$200 subsidy per-passenger cap.

further from the center of the community to the airport than the two-lane route DOT uses in its calculation. An official from another community we interviewed said that DOT should take into account the time required to drive the route and the safety of the roadway when calculating the distance for EAS eligibility. The official explained that the route should take 2 hours to drive but often takes much longer due to traffic and delays, and expressed concerns that the route is very dangerous.

Carrier Contracts: Contracts in the EAS program are in the form of DOT Orders announcing the carrier selected to serve a route and the subsidy awarded to the carrier. The Orders contain information such as the annual subsidy rate, the time frame for service, and various carrier requirements. Officials from 6 of the 17 communities we interviewed said that the structure of DOT's contracts with EAS carriers can present a challenge because the communities feel they provide little to no leverage over a carrier that provides unreliable service. Officials from five communities said that EAS contracts do not include performance requirements or have penalties if the carrier does not meet service quality standards or targets. As previously discussed, officials from 15 of the 17 communities we interviewed told us that they had not received quality service at some point in the EAS program, which can result in declining enplanements and, ultimately, the community losing eligibility for the EAS program. However, if a community wants to have DOT cancel a contract, the community might lose air service if there is not another carrier interested in providing service.

DOT has stated that the EAS program already provides financial incentives for carriers to provide reliable service.⁴³ For example, DOT states that its "no fly, no pay" policy encourages carriers to complete flights because DOT reimburses carriers only for flights that they actually operated. Further, DOT also believes that carriers have financial incentives to increase completion rates above the rate estimated in their proposals. Because carriers frequently account for predictable flight cancellations they have an incentive to beat their estimate. Furthermore, carriers have the financial incentive to provide quality service to avoid losing enplanements and maintain a financially viable service.

⁴³DOT, *U.S. Department of Transportation Notice of Policy, Incentives to Improve Subsidized Essential Air Service*, (Washington, D.C.: Sept. 1, 2016).

Stakeholders Suggested Several Options for Changing the EAS Program to Improve Service, but Some Would Likely Increase Costs

The communities and air carriers we interviewed suggested potential reforms to EAS that they believed would improve service to their communities. Several of these changes would likely result in increased program costs.

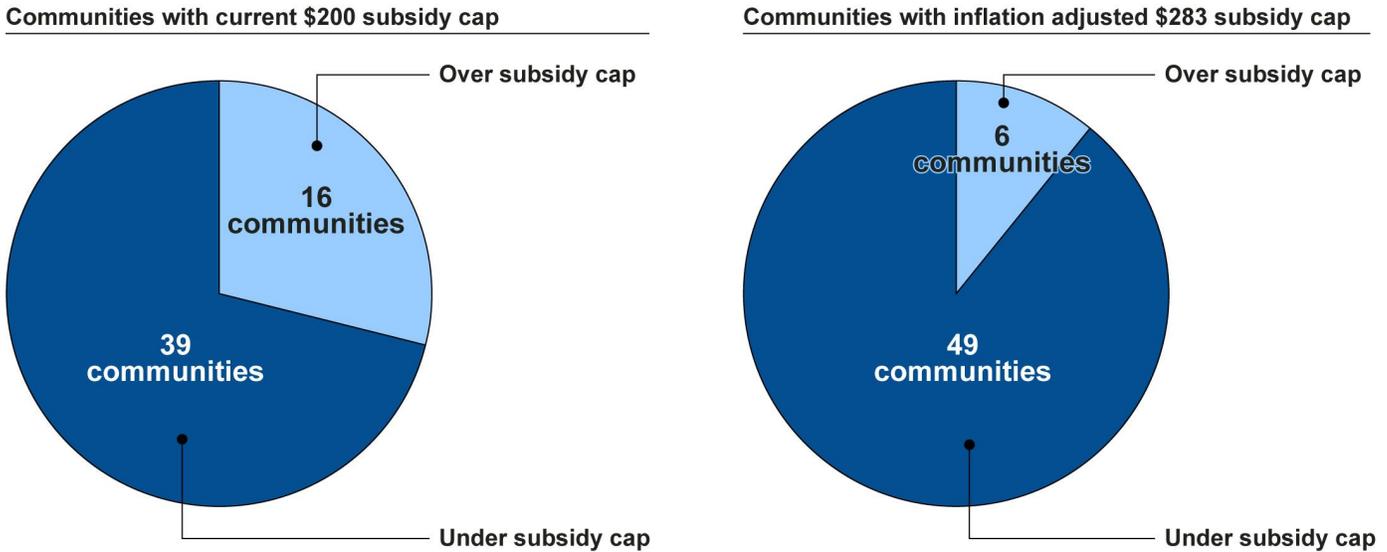
- Change the subsidy cap: Officials from two communities and four carriers we interviewed said that the \$200 per-passenger-subsidy cap should be changed, either by indexing the cap to inflation or increasing the cap temporarily for a community to allow a carrier more flexibility to develop a market for new service in a community or to account for higher labor costs. Since the subsidy cap is established in statute, revising it would require a legislative change. An official from one community said that increasing the cap for inflation would allow a carrier to use a larger aircraft, thereby improving use of the airport. One air carrier official said the cap needs to be increased to reflect rising labor costs. In its October 2014 notice of enforcement policy, DOT said that while it recognized the cap has not kept pace with inflation, the requirements of the statute did not provide DOT with the discretion to adjust the subsidy cap amount or refrain from enforcement.⁴⁴ However, DOT issued waivers to 34 communities that did not meet the \$200 subsidy cap from 2014 through 2019.⁴⁵

If the subsidy cap were tied to inflation since its inception in 2000, the cap would be \$283 in 2018. Of the 55 communities that were subject to the subsidy cap in 2018 because they are within 210 miles of a medium- or large-hub airport, 39 were under the subsidy cap and 16 exceeded it. Our analysis shows that if the subsidy cap were adjusted for inflation, an additional 10 communities would fall under the subsidy cap, and only 6 communities would exceed it. See figure 5.

⁴⁴79 Fed. Reg. 60951 (Oct. 9, 2014).

⁴⁵DOT issues waivers based on data from the previous fiscal year.

Figure 5: Of the 55 Essential Air Service Communities in the Contiguous United States Subject to the \$200 Subsidy Cap in 2018, the Number within Current and Inflation-Adjusted Subsidy Caps



Source: GAO analysis of Department of Transportation data. | GAO-20-74

- Renegotiate EAS agreements:** Officials from 3 of the 10 carriers we interviewed said they should be permitted to request additional funds from DOT during the course of a contract. In 2009, we reported that allowing air carriers to renegotiate EAS contracts in response to rising costs would enable carriers to continue rather than file a Notice of Termination.⁴⁶ As previously discussed, carriers we interviewed cited airport and operating costs as challenges they have encountered over the course of an EAS contract. Legislation passed in 2003 explicitly provided DOT with the option of adjusting the subsidy paid to an EAS carrier if the carrier’s expenses substantially increased.⁴⁷ However, DOT officials said that to date no carrier has petitioned for such an increase.
- Revise DOT’s calculation of the driving distance:** As mentioned earlier, to determine whether an EAS community is subject to the 10-enplanement-per-day and subsidy-cap requirements, DOT must determine the shortest

⁴⁶GAO-09-753. Through a Notice of Termination an air carrier may end, suspend, or reduce air transportation to an eligible place below the level of basic essential air service established for that place under section 41733 of title 49 only after giving the Secretary of Transportation, the appropriate State authority, and the affected communities at least 90 days’ notice before ending, suspending, or reducing that transportation. 49 U.S.C. § 41734 (a).

⁴⁷Pub. L. No. 108-176, § 402(a), 117 Stat. 2490, 2543.

driving distance from the center of the community to the nearest large- or medium-hub airport. Officials from four of 17 communities we interviewed suggested that DOT adjust its calculation to account for local factors, such as the time required to drive the shortest route, the condition of the road, and the most common route that members of the community use to get to the nearest large- or medium-hub airport. Considering these factors could result in communities not being subject to the limit on eligibility of requiring an annual subsidy per passenger of \$200 or less, if the more commonly used or faster route is more than 210 miles from the nearest large or medium hub airport.

- Allow communities to regain eligibility: Officials from two communities and two carriers we interviewed suggested that subject to the availability of funds, communities that lost eligibility for the EAS program should be allowed to regain it if they are having difficulty obtaining air service without a subsidy. Officials from one community and one carrier we interviewed said communities that lost EAS eligibility as a result of unreliable service from their carrier should not be penalized by losing EAS program eligibility. According to DOT, they consider such circumstances when deciding to grant a community a waiver. In other instances, communities lost eligibility because they were not receiving EAS in fiscal year 2011. An official from one carrier suggested communities that regain eligibility could pay a co-share of the subsidy costs, possibly limiting the effect on the cost of the program.

Some of the options that communities and carriers suggested, such as revising DOT's process for carrier selection and restructuring DOT's contracts with carriers could address the challenges in the EAS program but not necessarily increase program costs.

- Revise DOT's process for carrier selection: Officials from 3 of the 17 communities and 4 of the 10 carriers we interviewed suggested that DOT adjust its method for carrier selection to account for factors such as the carrier's financial viability, ability to comply with enplanement requirements, and agreements with mainline carriers, as well as the number of available pilots and mechanics in order to ensure that carriers are capable of providing good service to EAS communities. In addition, officials from one community also suggested that DOT give more weight to community preferences regarding carrier selection. While DOT is required to consider factors such as service reliability, interline agreements, and carrier financial and operating fitness when selecting a carrier, most of the communities we interviewed cited the quality of service they have received through the EAS program as a challenge.

- Include performance measures in DOT's contracts with air carriers: Officials from four communities and one carrier suggested that DOT include performance measures in EAS contracts to ensure carriers are held accountable for providing a given level of service and subject to penalties for not meeting service quality targets. For example, one community official suggested that on-time performance and percentage of flights cancelled could be included as performance measures for EAS carriers. Officials from three communities and one carrier suggested that DOT include more requirements for service to EAS communities. For example, DOT could require that EAS carriers provide service to large-hub airports and have agreements with mainline carriers that could enhance quality of service; however, an official from one air carrier told us the carrier was reluctant to enter into agreements with smaller air carriers that serve EAS communities because they did not want their reputation to be negatively affected if the air carrier did not provide reliable service. An official from another carrier suggested that it is beneficial for carriers to enter into longer contracts because they can spend more time building the air service market for the communities they serve rather than renewing contracts. The officials said that for longer contracts DOT should include performance measures that require the carrier to provide a minimum level of reliable service or lose the route.
- Limit airport fees for EAS carriers: Officials from 3 of the 10 carriers we interviewed thought DOT should limit fees airports charge to EAS flights, such as landing fees and gate charges in order to increase the financial viability of EAS routes. Airport fees can be based on any number of factors including weight and number of seats on the aircraft.⁴⁸ According to FAA's policy on establishing airport charges, it recognizes airports are allowed to charge fees to help ensure their financial viability and at the same time those fees should be reasonable and not unjustly discriminatory. FAA's policy further indicates that the issue of rates and charges is best addressed at the local level by agreement between users and airports.
- Change EAS from a carrier subsidy program to a community grant program: Officials from three communities we interviewed thought that similar to AEAS, DOT could consider providing a grant to a community in lieu of traditional EAS to allow the community more control over the service they receive. For example, an official from one community said that they liked the additional control the AEAS program has given the community over the service and that AEAS gives the community more

⁴⁸14 C. F. R. Part 302.

weight with the carrier when there is a complaint about the service. Officials from three air carriers told us that a potential downside to this option is that it would be more complicated because carriers would need to work with individual communities for payment instead of just DOT. In addition, officials from three communities told us that they lack the technical expertise needed to effectively administer such a program.

Agency Comments

We provided a draft of this report to DOT for review and comment. DOT provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Transportation, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report please contact me at 202-512-2834 or vonaha@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



Andrew Von Ah
Director, Physical Infrastructure Issues

List of Addressees

The Honorable Roger Wicker
Chairman
The Honorable Maria Cantwell
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable Peter DeFazio
Chairman
The Honorable Sam Graves
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Jeffrey A. Merkley
United States Senate

The Honorable Ron Wyden
United States Senate

The Honorable Greg Walden
House of Representatives

Appendix I: List of Entities GAO Interviewed

Table 2: Federal Agencies, Communities, and Air Carriers GAO Interviewed

Category	Category member
Federal Agencies	Department of Transportation
Communities	Prescott, AZ
Communities	Macon, GA
Communities	Fort Dodge, IA
Communities	Dodge City, KS
Communities	Paducah, KY
Communities	Bar Harbor, ME
Communities	Escanaba, MI
Communities	Tupelo, MS
Communities	Glendive, MT
Communities	Jamestown, NY
Communities	Klamath Falls, OR
Communities	Pendleton, OR
Communities	Huron, SD
Communities	Watertown, SD
Communities	Victoria, TX
Communities	Beckley, WV
Communities	Cody, WY
Air Carriers	SkyWest Airlines
Air Carriers	Boutique Air
Air Carriers	Cape Air
Air Carriers	Southern Airways Express
Air Carriers	Contour Airlines
Air Carriers	Air Choice One
Air Carriers	American Airlines
Air Carriers	United Airlines
Air Carriers	Advanced Air
Air Carriers	Public Charters, Inc. doing business as North Country Sky

Source: GAO. | GAO-20-74

Appendix II: Federal Laws Enacted Since 2010 That Affect the Essential Air Service Program

Figure 6: Changes in Federal Law since 2010 That Restrict Communities' Eligibility for the Essential Air Service (EAS) Program

Legal change	Source
Prohibits the Department of Transportation from providing EAS subsidies to communities with annual per-passenger subsidies of over \$1,000, regardless of distance from the nearest hub airport.	Airport and Airway Extension Act of 2011, Part IV (Pub. L. No. 112-27).
Removes eligibility for communities with fewer than 10 enplanements per day during the most recent fiscal year. This restriction will not apply to locations that are more than 175 driving miles from a large- or medium-hub airport. The Secretary of Transportation may waive the 10 enplanement requirement if the location can demonstrate that the reason the location does not average 10 enplanements per day is due to a temporary decline in enplanements.	FAA Modernization and Reform Act of 2012 (Pub. L. No. 112-95).
Requires the Secretary of the Department of Transportation to negotiate with the community over a local cost share before being allowed to use EAS subsidies to enter into a new contract for communities located less than 40 miles from the nearest small hub airport.	The Consolidated Appropriations Act of 2014 (Pub. L. No. 113-76). This provision has been extended until December 20, 2019. Pub. L. No. 116-69, § 101 (Nov. 21, 2019).
Removed EAS eligibility of communities that did not receive EAS service between September 30, 2010, and September 30, 2011.	Consolidated and Further Continuing Appropriations Act, 2012, (Pub. L. No. 112-55). FAA Modernization and Reform Act of 2012, (Pub. L. No. 112-95).

Source: GAO analysis of federal law. | GAO-20-74

**Appendix II: Federal Laws Enacted Since 2010
That Affect the Essential Air Service Program**

Figure 7: Changes in Federal Law since 2010 that Increase Flexibility of Operations for the Essential Air Service (EAS) Program

Legal change	Source
Eliminates requirement that aircraft providing service under EAS have a minimum 15-seat passenger capacity	Consolidated and Further Continuing Appropriations Act, 2012 (Pub. L. No. 112-55). This provision has been extended until December 20, 2019. Pub. L. No. 116-69, § 101 (Nov. 21, 2019).
Allows the Secretary of the Department of Transportation to consider the flexibility of current operational dates and airport accessibility when issuing requests for proposal of EAS at seasonal airports	FAA Reauthorization Act of 2018 (Pub. L. No. 115-254).

Source: GAO analysis of federal law. | GAO-20-74

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Andrew Von Ah, (202) 512-2834 or vonaha@gao.gov

Staff Acknowledgments

In addition to the contact above, Cathy Colwell (Assistant Director); Stephanie Purcell (Analyst in Charge); Amy Abramowitz; David Hooper; Bonnie Pignatiello Leer; John Mingus; Dominic Nadarski; Malika Rice; Pamela Snedden; Laurel Voloder; and Elizabeth Wood made key contributions to this report.

Appendix IV: Accessible Data

Data Tables

Accessible Data for EAS Expenditures and Communities for Fiscal Years 2010 through 2018

Year	Expenditures (in millions of dollars)	Number of communities as of October 1
2010	161	104
2011	171	111
2012	190	108
2013	225	119
2014	197	114
2015	213	113
2016	237	112
2017	259	109
2018	277	109

Accessible Data for Figure 2: Sources of Essential Air Service's Funding for Fiscal Years 2010 through 2018

Year	Overflight fees	Discretionary funds
2010	50	150
2011	50	149.7
2012	50	165.5
2013	97.7	135.5
2014	118.9	149
2015	110.2	155
2016	105.7	175
2017	121.8	150
2018	133.3	155

Accessible Data for Figure 3: Essential Air Service Communities that Received Waivers from the Department of Transportation (DOT) from Fiscal Year 2014 through Fiscal Year 2019

Essential air service community	2014a	2015	2016b	2017	2018	2019	Total number of years that community received a waiver
Muscle Shoals, AL	Did not meet 10 average daily enplanements requirement		Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	5 years
Kingman, AZ	Did not meet 10 average daily enplanements requirement						1 year
Prescott, AZ			Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap		3 years
Show Low, AZ		Did not meet 10 average daily enplanements requirement	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap				2 years
El Centro, CA	Did not meet 10 average daily enplanements requirement		Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap			3 years
Merced, CA	Did not meet 10 average daily enplanements requirement		Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap			Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	3 years

Appendix IV: Accessible Data

Essential air service community	2014a	2015	2016b	2017	2018	2019	Total number of years that community received a waiver
Visalia, CA			Exceeded \$200 subsidy cap				1 year
Alamosa, CO			Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap		3 years
Pueblo, CO			Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap		3 years
Macon, GA	Did not meet 10 average daily enplanements requirement		Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap		4 years
Fort Dodge, IA	Did not meet 10 average daily enplanements requirement		Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	5 years
Mason City, IA		Did not meet 10 average daily enplanements requirement	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap		4 years
Salina, KS			Exceeded \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap			2 years

Appendix IV: Accessible Data

Essential air service community	2014a	2015	2016b	2017	2018	2019	Total number of years that community received a waiver
Owensboro, KY			Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	4 years
Hagerstown, MD	Did not meet 10 average daily enplanements requirement		Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Terminated	4 years
Fort Leonard Wood, MO						Exceeded \$200 subsidy cap	1 year
Kirksville, MO					Exceeded \$200 subsidy cap		1 year
Greenville, MS	Did not meet 10 average daily enplanements requirement						1 year
Tupelo, MS			Exceeded \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Exceeded \$200 subsidy cap		3 years
Kearney, NE			Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap		3 years

Appendix IV: Accessible Data

Essential air service community	2014a	2015	2016b	2017	2018	2019	Total number of years that community received a waiver
Scottsbluff, NE			Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap		3 years
Jamestown, NY			Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Terminated			1 year
Parkersburg/Marietta, OH			Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap		Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	3 years
Pendleton, OR			Exceeded \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap		3 years
Altoona, PA			Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	4 years

Appendix IV: Accessible Data

Essential air service community	2014a	2015	2016b	2017	2018	2019	Total number of years that community received a waiver
Bradford, PA	Did not meet 10 average daily enplanements requirement		Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	5 years
DuBois, PA			Exceeded \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	4 years
Franklin/Oil City, PA	Did not meet 10 average daily enplanements requirement		Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Terminated	4 years
Johnstown, PA			Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	4 years
Lancaster, PA	Did not meet 10 average daily enplanements requirement		Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	5 years
Watertown, SD			Exceeded \$200 subsidy cap				1 year

Appendix IV: Accessible Data

Essential air service community	2014a	2015	2016b	2017	2018	2019	Total number of years that community received a waiver
Jackson, TN	Did not meet 10 average daily enplanements requirement		Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap		4 years
Victoria, TX		Did not meet 10 average daily enplanements requirement	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	Did not meet 10 average daily enplanements requirement and exceeded \$200 subsidy cap	5 years
Vernal, UT				Service hiatus resulted in not meeting 10 average daily enplanements requirement and/or \$200 subsidy cap	Exceeded \$200 subsidy cap	Non-compliant with \$200 per passenger subsidy cap but granted waiver under Pub. Law No. 115-254 § 458	3 years
Staunton, VA					Exceeded \$200 subsidy cap		1 year
Clarksburg/Fairmont, WV			Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap			2 years
Morgantown, WV					Exceeded \$200 subsidy cap	Exceeded \$200 subsidy cap	2 years
Total	12	3	30	26	25	14	

Accessible Data for Figure 4: Essential Air Service Expenditures and Communities Served in the Contiguous United States as of October 1 for Fiscal Years 2010 through 2018, Nominal Dollars

Year	Expenditures (in millions of dollars)	Number of communities as of October 1
2010	161	104

Year	Expenditures (in millions of dollars)	Number of communities as of October 1
2011	171	111
2012	190	108
2013	225	119
2014	197	114
2015	213	113
2016	237	112
2017	259	109
2018	277	109

Accessible Data for Figure 5: Of the 55 Essential Air Service Communities in the Contiguous United States Subject to the \$200 Subsidy Cap in 2018, the Number within Current and Inflation-Adjusted Subsidy Caps

Category	Communities with current \$200 subsidy cap	Communities with inflation adjusted \$283 subsidy cap
Over subsidy cap	16 communities	6 communities
Under subsidy cap	39 communities	49 communities

Accessible Data for Figure 6: Changes in Federal Law since 2010 That Restrict Communities' Eligibility for the Essential Air Service (EAS) Program

Legal change	Source
Prohibits the Department of Transportation from providing EAS subsidies to communities with annual per-passenger subsidies of over \$1,000, regardless of distance from the nearest hub airport.	Airport and Airway Extension Act of 2011, Part IV (Pub. L. No. 112-27).
Removes eligibility for communities with fewer than 10 enplanements per day during the most recent fiscal year. This restriction will not apply to locations that are more than 175 driving miles from a large- or medium-hub airport. The Secretary of Transportation may waive the 10 enplanement requirement if the location can demonstrate that the reason the location does not average 10 enplanements per day is due to a temporary decline in enplanements.	FAA Modernization and Reform Act of 2012 (Pub. L. No. 112-95).

Legal change	Source
Requires the Secretary of the Department of Transportation to negotiate with the community over a local cost share before being allowed to use EAS subsidies to enter into a new contract for communities located less than 40 miles from the nearest small hub airport.	The Consolidated Appropriations Act of 2014 (Pub. L. No. 113-76). This provision has been extended until December 20, 2019. Pub. L. No. 116-69, § 101 (Nov. 21, 2019).
Removed EAS eligibility of communities that did not receive EAS service between September 30, 2010, and September 30, 2011.	Consolidated and Further Continuing Appropriations Act, 2012, (Pub. L. No. 112-55). FAA Modernization and Reform Act of 2012, (Pub. L. No. 112-95).

Accessible Data for Figure 7: Changes in Federal Law since 2010 that Increase Flexibility of Operations for the Essential Air Service (EAS) Program

Legal change	Source
Eliminates requirement that aircraft providing service under EAS have a minimum 15-seat passenger capacity	Consolidated and Further Continuing Appropriations Act, 2012 (Pub. L. No. 112-55). This provision has been extended until December 20, 2019. Pub. L. No. 116-69, § 101 (Nov. 21, 2019).
Allows the Secretary of the Department of Transportation to consider the flexibility of current operational dates and airport accessibility when issuing requests for proposal of EAS at seasonal airports	FAA Reauthorization Act of 2018 (Pub. L. No. 115-254).

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [Email Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at <https://www.gao.gov>.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: <https://www.gao.gov/fraudnet/fraudnet.htm>

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

Orice Williams Brown, Managing Director, WilliamsO@gao.gov, (202) 512-4400,
U.S. Government Accountability Office, 441 G Street NW, Room 7125,
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548



Please Print on Recycled Paper.