



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
17

Meeting Date: **DECEMBER 13, 2012**

Subject:

December 2012 Legislative Report and 2013 Legislative Agenda

Recommendation:

Adopt Resolution No. 2012-0129, approving the December 2012 Legislative Report and the 2013 Legislative Agenda.

Background/Justification:

The Legislative Advocacy Program Policy adopted by the Board on November 10, 2003, requires that Authority staff present the Board with monthly reports concerning the status of legislation with potential impact to the Authority. This policy also requires the Board to adopt a legislative agenda to serve as the foundation for the Authority's legislative advocacy program.

The December 2012 Legislative Report updates Board members on legislative activities that have taken place during the month of November. The Authority Board gives direction to staff on legislative issues by adoption of a monthly Legislative Report (Attachment A). The 2013 Legislative Agenda (Attachment B) includes general legislative guidelines and specific goals that the Authority's legislative team recommends that the Board approve for the upcoming year. Following Board approval, staff will work with the Authority's legislative consultants to closely monitor the policy areas included in the 2013 Legislative Agenda and implement Board direction.

State Legislative Action

The Authority's legislative team is not recommending that the Board adopt any new positions on state legislation.

The State Legislature convened the 2013-2014 regular session on December 3, 2012.

Federal Legislative Action

The Authority's legislative team is not recommending that the Board adopt any new positions on federal legislation.

000623

Following the November elections, the Congress reconvened a "lame-duck" post-election session and is expected to focus on avoiding the \$109 billion in across-the-board "sequestration" spending reductions scheduled to begin on January 2, 2013. Congress is also expected to consider the potential extension of several tax reductions that will expire at year's end without Congressional action.

On November 13th, the House passed S.1956, the European Union Emissions Trading Scheme Prohibition Act of 2012. This legislation, passed by the Senate on September 22nd, would prohibit U.S. airlines from participating in the European Union's emission trading scheme. It is unclear whether or not President Obama will sign this legislation into law.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Equal Opportunity Program:

Not applicable.

Prepared by:

MICHAEL KULIS
DIRECTOR, INTER-GOVERNMENTAL AND COMMUNITY RELATIONS

RESOLUTION NO. 2012-0129

**A RESOLUTION OF THE BOARD OF THE SAN
DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
APPROVING THE DECEMBER 2012 LEGISLATIVE
REPORT AND THE 2013 LEGISLATIVE AGENDA**

WHEREAS, the San Diego County Regional Airport Authority (Authority) operates San Diego International Airport as well as plans for necessary improvements to the regional air transportation system in San Diego County, including serving as the responsible agency for airport land use planning within the County; and

WHEREAS, the Authority has a responsibility to promote public policies consistent with the Authority's mandates and objectives; and

WHEREAS, Authority staff works locally and coordinates with legislative advocates in Sacramento and Washington, D.C. to identify and pursue legislative opportunities in defense and support of initiatives and programs of interest to the Authority; and

WHEREAS, under the Authority's Legislative Advocacy Program Policy, the Authority Board gives direction to Authority staff on pending legislation; and

WHEREAS, the Authority Board in directing staff may adopt positions on legislation that has been determined to have a potential impact on the Authority's operations and functions.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the December 2012 Legislative Report and the 2013 Legislative Agenda (Attachments A and B); and

BE IT FURTHER RESOLVED that the Board of the San Diego County Regional Airport Authority FINDS that this Board action is not a "project" as defined by the California Environmental Quality Act (CEQA), Pub. Res. Code §21065; and is not a "development" as defined by the California Coastal Act, Pub. Res. Code §30106.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a special meeting this 13TH day of December, 2012, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY RUSSELL
DIRECTOR CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

000626

December 2012 Legislative Report

Federal Legislation

Legislation/Topic

S. 3542 (Klobuchar/ Blunt), H.R. 6028 (Walsh) – The No-Hassle Flying Act of 2012

Background/Summary

This bill would streamline security screening of checked baggage on commercial flights originating from preclearance airports outside of the United States. This would apply to airports with agreements that delineate and implement security standards and protocols that are comparable to the United States.

Anticipated Impact/Discussion

Currently, TSA has the discretion to determine on a location-by-location basis if re-screening checked baggage is necessary. This bill would free up TSA resources for other priorities and reduce the number of missed connections.

Status: S. 3542: 9/13/12 – Introduced and referred to the Senate Committee on Commerce, Science, and Transportation
H.R. 6028: 9/11/2012- Approved by the House in a voice vote, and referred to Senate Committee on Commerce, Science, and Transportation

Position: Support (10/4/12)

Legislation/Topic

H.R. 6328 (Hochul) – Clothe a Homeless Hero Act

Background/Summary

This bill would require the Transportation Security Administration (TSA) to distribute unclaimed clothing to needy or homeless veterans.

Anticipated Impact/Discussion

Currently, the TSA turns over unclaimed clothing to SDIA's lost and found. If left unclaimed, the clothing is donated to the K9 unit of the Harbor Police Department for training.

Status: 8/2/12 – Introduced and referred to the House Committee on Homeland Security

Position: Support (9/6/12)

Legislation/Topic

S. 3216/H.R. 5855 - Fiscal Year 2013 Department of Homeland Security Appropriations

Background/Summary

This bill would fund Department of Homeland Security (DHS) operations and programs for Fiscal Year 2013. Highlights of the Senate version of the bill include:

- Overall funding level of \$45.2 billion
- \$11.9 billion for Customs and Border Patrol (CBP) (21,186 officers)
- Requires CBP to be more transparent with airport authorities in its staffing decisions
- Additional \$4.5 million to expand Global Entry Program to 5 additional airports
- \$7.6 billion for Transportation Security Administration (48,000 TSA screeners)
- A \$2.50 increase in airline passenger security fees

Highlights of the House version of the bill include:

- \$10.2 billion for Customs and Border Patrol (21,186 officers)
- Continues the current limit of 46,000 TSA screeners
- Does not include Administration-backed language allowing CBP to enter into reimbursable fee agreements for CBP services
- Does not include an increase in the passenger security fee
- Includes an additional \$15 million for the Screening Partnership Program

Anticipated Impact/Discussion

Passage of a Fiscal Year 2013 DHS Appropriations bill will ensure annual funding levels for TSA and CBP operations for the year and will assist the Authority to ensure adequate operation and staffing levels at SDIA.

Status: 5/22/12 – S. 3216 - Senate Appropriations Committee approved
6/7/12 – H.R. 5855 - Approved by the House on a vote of 234 to 182

Position: Support (6/7/12)

Legislation/Topic

H.R. 4166 (Doggett) – Coal Tar Sealants Reduction Act of 2012

Background/Summary

This bill would prohibit the manufacturing of coal tar sealant one-year after the bill is enacted into law, the processing or sale of coal tar sealant one and one-half years after the bill is enacted into law and would prohibit the use of coal tar sealant two and one-half years after the bill is enacted into law.

Anticipated Impact/Discussion

The Authority applied coal tar on SDIA's runway in 2006 and doesn't anticipate needing to re-apply until 2014. The current alternative material to coal tar would require applications at least every five years, and has more limited availability, which could increase costs to the Authority.

Status: 3/9/12 – Referred to the House Committee on Energy and Commerce

Position: Watch (5/3/12)

Legislation/Topic

H.R. 2179 (Miller) – Transportation Security Administration (TSA) Transfer of Unclaimed Funds Act

Background/Summary

This bill would direct the Assistant Secretary of Homeland Security to annually transfer unclaimed money recovered at airport security checkpoints to the local United Service Organizations (USO). These funds would be used for activities supporting the local USO airport centers. The funds are currently used by the TSA for civil aviation security.

Anticipated Impact/Discussion

This legislation would provide a direct financial benefit to SDIA's own USO facility instead of funding a large federal program.

Status: 5/8/12 – Approved by the House Committee on Homeland Security

Position: Support (4/12/12)

Legislation/Topic

H.R. 2469 (Cohen) - End Discriminatory State Taxes for Automobile Renters Act of 2011

Background/Summary

This bill would prohibit most state and local governments from imposing taxes on the rental of motor vehicles.

Anticipated Impact/Discussion

Because the bill exempts federally assisted airports from the proposed tax prohibition if a concession fee is involved, there would be no direct impact to SDIA or the Authority.

Status: 7/8/11 – Introduced and referred to the House Committee on the Judiciary

Position: Watch (8/4/11)

Legislation/Topic

H.R. 1691 (Richardson) - Prevention of Unreasonable Fees Act

Background/Summary

This bill would prohibit the operator of a “transportation terminal” (e.g. airport) from charging fees to providers of limousine and other prearranged ground transportation, unless the fee is pre-approved by the U.S. Secretary of Transportation. Under this bill, transportation terminal operators would be limited to the collection of fees charged to the general public for access to, or use of, the terminal, and for the availability of ancillary facilities. Transportation terminal operators would still be allowed to require vehicles for hire to use, and pay for, segregated parking facilities if the fee is the same as that charged to the public. The bill would also allow the state or its political subdivisions to require a license or fee (other than a prohibited transportation terminal fee) for a motor vehicle providing certain other prearranged ground transportation.

Anticipated Impact/Discussion

According to the author’s staff, this bill was introduced to prevent excessive fees such as those collected for repeated circling and registration for limited use of airport facilities. San Francisco International Airport was specifically identified as an example by the author. This bill is opposed by Airports Council International-North America (ACI-NA), and the American Association of Airport Executives (AAAE). Limousine and taxi drivers contribute to the wear and tear on airport roads, including SDIA, and can legally be charged for their usage.

Status: 5/3/11 – Introduced and referred to the House Committee on Transportation and Infrastructure

Position: Oppose (7/7/11)

Legislation/Topic

H.R. 1474/S. 785 (Duncan/Thune) - Freedom from Government Competition Act of 2011

Background/Summary

This bill requires that any government entity receiving federal funds contract out all federally-funded work – except in cases of national defense/homeland security and where there is no private source - to the private sector. This bill would require airports to contract with a private fixed base operator (FBO) to provide services at their airport.

This legislation was initiated on behalf of the National Air Transport Association in an effort to prevent airports from serving as FBO's. It is opposed by Airports Council International-North America (ACI-NA), and the American Association of Airport Executives (AAAE).

Anticipated Impact/Discussion

Although the Authority currently uses a private company for SDIA's FBO, this bill would mandate that the airport contract with a private FBO in the future, eliminating our option to provide our own FBO services, should the Authority choose to do so.

Status: 4/12/11- H.R. 1474 - Introduced and referred to the House
Committee on Oversight and Government Reform
4/12/11 – S. 785 - Introduced and referred to the Senate
Committee on Homeland Security and Governmental Affairs

Position: Oppose (6/2/11)

Legislation/Topic

H.R. 1586 (King) - Expanding Airport Security Screening Opt-Out Programs

Background/Summary

The bill would authorize the Secretary of Homeland Security to approve applications submitted by airports for private screening programs if such applications have not been acted on by the TSA within 120 days of receipt. The Secretary must approve the application unless it can demonstrate that doing so would hurt the effectiveness of screening or otherwise harm aviation security.

Anticipated Impact/Discussion

This legislation would result in an expedited review of a Screening Partnership Program application should the Authority decide to use this program in the future.

Status: 4/15/11 – Referred to the House Committee on Homeland Security

Position: Watch (5/5/11)

Legislation/Topic

H.R. 386 (Lungren) - Securing Cockpits Against Lasers Act of 2011

Background/Summary

This Act amends the federal criminal code to prohibit the aiming of the beam of a laser pointer at an aircraft or in its flight path, and imposes a fine and/or prison term of up to five years for such action.

The following would be exempt from the prohibition:

- Individuals conducting research and development or flight test operations for an aircraft manufacturer or the Federal Aviation Administration
- Department of Defense or Department of Homeland Security personnel conducting research, development, operations, testing or training
- Individuals using a laser emergency signaling device to send a distress signal

Anticipated Impact/Discussion

Although this legislation would have no direct impact to the Authority or SDIA, it could enhance aviation safety by protecting pilots from laser interferences.

Status: 2/28/11 – Approved by the House on a voice vote and referred to the Senate Judiciary Committee

Position: Support (4/7/11)

Legislation/Topic

H.R. 235 (Brady) - Cut Unsustainable and Top-Heavy Spending Act of 2011

Background/Summary

This bill would eliminate several federal programs including grants to large and medium hub airports under the Airport Improvement Program (AIP). This bill would also rescind any unobligated funds made available for such grants.

Anticipated Impact/Discussion

Because SDIA relies on AIP funding for its capital improvements program, the elimination of this funding could limit the Authority from moving forward on some airport projects.

Status: 1/7/11 – Introduced and referred to thirteen House Committees

Position: Oppose (4/7/11)

Legislation/Topic

H.R. 3011 (Rogers) - Transportation Security Administration Reauthorization

Background/Summary

This bill would reauthorize for two years the Transportation Security Administration (TSA) and TSA programs. If approved, this would be the first TSA reauthorization since the creation of the agency in 2001. Specifically, this bill would fund the TSA at \$7.8 billion in FY 2012 and at \$7.5 billion in FY 2013. It would also establish a "trusted traveler" program at airports to expedite passengers meeting certain security criteria through security checkpoints.

Anticipated Impact/Discussion

If passed, this legislation would help to ensure that SDIA remains adequately staffed by TSA personnel and could assist in reducing security checkpoint wait times for some passengers.

Status: 9/22/11 - Introduced and referred to the House Committee on Homeland Security and the House Committee on the Judiciary

Position: Support (10/6/11)

Legislation/Topic

S. 1660 (Reid)/ H.R. 12 (Larson) - The American Jobs Act of 2011

Background/Summary

This legislation proposes spending \$447 billion for the purpose of creating jobs. Specifically, the bill would alter the Internal Revenue Code by reducing employment and unemployment tax rates, providing new tax credits and through other actions. The Senate has proposed funding the proposal with by imposing a surtax on individuals with annual incomes of \$1 million or more.

The bill includes \$50 billion for investment in transportation infrastructure. Of that amount, \$2 billion would go toward airport infrastructure projects. Airport development grants funded through this legislation would not require a local match.

This legislation would also exempt private activity bonds issued by airports in 2011 and 2012 from the alternative minimum tax. In addition, the bill would create a \$10 billion for a National Infrastructure Bank and provide \$1 billion for the Next Generation Air Transportation system.

Anticipated Impact/Discussion

If enacted into law, this legislation could provide new funding for SDIA projects.

Status: 10/5/11 - Introduced in the Senate
9/21/11 – Introduced in the House and referred to eleven House
Committees

Position: Watch (11/3/11)

Legislation/Topic

**H.R. 2594/ S. 1956 (Mica/ Thune) – European Union Emissions Trading
Scheme Prohibition Act of 2011**

Background/Summary

This legislation would direct the Department of Transportation to prohibit operators of U.S. civil aircraft from participating in any emissions trading scheme unilaterally established by the European Union. Under the European Union's carbon-emissions trading system, beginning in January 2012, U.S. airlines flying into or out of Europe must reduce their carbon dioxide emissions or pay a fine. The U.S. airline industry is opposed to the program based on its belief that it violates international agreements and infringes on U.S. sovereignty.

Anticipated Impact/Discussion

This legislation is not expected to have any direct impact on SDIA or the Authority.

Status: 9/22/12 – Approved unanimously by the Senate
11/13/12 – Approved by the House by voice vote
11/16/12- Presented to the President

Position: Watch (11/3/11)

Legislation/Topic

**H.R. 3116 (King) – Department of Homeland Security (DHS) Authorization
Act for Fiscal Year 2012**

Background/Summary

This legislation would reauthorize Department of Homeland Security (DHS) operations and programs and DHS programs for the first time since DHS was created in 2003. Provisions in the bill would require an internal review by Customs and Border Protection (CBP) to ensure there is adequate staffing at each of the ten international airports in the U.S. with the largest volume of international travelers.

The legislation would also require implementation of the exit component of the U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT) program at airports.

Anticipated Impact/Discussion

Approval of this bill could help ensure that SDIA continues to have an adequate level of federal security and sufficient CBP staffing for international flight passenger processing.

Status: 10/13/11 – Approved by the House Committee on Homeland Security by a vote of 20 to 12

Position: Watch (12/1/11)

Legislation/Topic

S. 2322 (Murray)/H.R. 5972 - Fiscal Year 2013 Transportation Appropriations Act

Background/Summary

This legislation provides annual funding for the Department of Transportation and Federal Aviation Administration (FAA) operations and programs. Both the Senate and House versions of this legislation would fund the Airport Improvement Program (AIP) at \$3.35 billion – the full amount authorized for this program in the recently enacted FAA Reauthorization bill. Both versions would provide \$9.7 billion for FAA operations and would continue the prohibition on the use of AIP funds to replace baggage conveyor systems, reconfigure terminal baggage areas or make other improvements necessary to install bulk explosive detection systems. Both bills would prohibit the FAA from requiring airports to provide space free of charge in airport-owned buildings.

The House bill provides the FAA with \$2 million to enhance investigations of airport revenue diversion. The House bill also includes a provision preventing airports from receiving AIP funds unless they agree to provide cost-free space in non-revenue producing areas to DOT to conduct outreach on air passenger rights.

Anticipated Impact/Discussion

Approval of this bill would assist the Authority by providing annual AIP funding for which the Authority could compete.

Status: 4/19/12 – S. 2322 - Passed by Senate Appropriations Committee
6/29/12 – H.R. 5972 - Passed by House on a vote of 261 to 153

Position: Support (5/3/12)

**San Diego County Regional Airport Authority
2013 Legislative Agenda**

State Policy/Legislation

Pension Reform

On September 12, 2012, Governor Brown signed into law Assembly Bill 340, comprehensive pension reform legislation. The pension reform legislation applies to all public employers and public pension plans in California (excluding the University of California and charter cities and counties). AB 340 establishes a limit on the compensation that can be used to calculate defined benefits and requires new employees to pay 50% of their pension benefit costs. In addition, benefits for new members will be calculated using a three-year compensation period. Staff anticipates the introduction of a "clean-up" pension reform bill early in the next State Legislative session.

Recommendation: Monitor any pension reform bills considered by the State Legislature and work with Authority staff to identify potential areas of concern and implement the new pension reform provisions.

Tax Reform

During the November 2012 elections, the state's voters passed Proposition 30, increasing for seven years personal income taxes for earnings over \$250,000 and increasing sales and use taxes by a quarter-cent for four years. These tax increases are projected to increase state revenues by \$6 billion annually. In addition to these changes, the State Legislature is expected to consider a broader tax reform package to eliminate certain "loopholes" and add new fees. The Governor's position on such tax reform proposals is unclear.

Recommendation: Monitor tax reform legislation for any potential impact to the Airport Authority or its customers.

Healthcare

The Obama Administration has begun the process of providing states and other stakeholders with the specific guidance necessary to implement the Patient Protection and Affordable Care Act (PPACA) signed into law on March 23, 2010. All five members of the California Health Care Exchange Board have been appointed and the process of developing the health care plans that will be available to consumers by the 2014 implementation date has begun.

Recommendation: Continue to track the development and implementation of the rules and guidance related to the new health care law along with any new state health care proposals to ensure Authority compliance with PPACA.

High-Speed Rail Prioritization/Alignment

The favored alternative for the 167-mile San Diego to Los Angeles high-speed rail (HSR) segment includes a stop at the proposed intermodal transit center (ITC) near San Diego International Airport. On September 12, 2012, the Federal Railroad Administration issued a Record of Decision approving the HSR alignment between Merced and Fresno, allowing construction on the first HSR section to commence in 2013.

Recommendation: *Coordinate with the San Diego Association of Governments and other local agencies to support the San Diego to Los Angeles HSR segment and the placement of a HSR stop at the proposed ITC. Continue to monitor any legislation related to the High-Speed Rail Authority.*

Airport Land Use Compatibility Plans

In 2011, Assemblymember Hueso introduced Assembly Bill 662, legislation that would alter the current state requirements and guidelines for the development of Airport Land Use Compatibility Plans (ALUCPs). Representatives of the Authority, which serves as the Airport Land Use Commission for public airports in San Diego County, participated in discussions on this legislation with representatives of Assemblymember Hueso's office, the military, and other jurisdictions. AB 662 was not approved by the State Legislature during the 2011-2012 legislative session.

Recommendation: *Continue to monitor efforts to amend the current ALUCP process and analyze their potential impacts on San Diego International Airport and the ALUC.*

Coal Tar

State legislation concerning the use of coal tar was considered by the State Legislature during the 2011-2012 legislative session. Specifically, the bill would have prohibited the sale and use of coal tar pavement products on several areas, including airport runways. Passage of this legislation would have prevented the use of coal tar products at San Diego International Airport and could have increased the cost of future Airport Authority repaving projects. This legislation was not approved by the Legislature.

Recommendation: *Monitor any legislation that would prevent the potential use of coal tar at airports and analyze its impact on San Diego International Airport.*

California Environmental Quality Act – Public Events

In response to a local court decision subjecting fireworks displays and other public events to the California Environmental Quality Act (CEQA), legislation to exempt such events from CEQA was introduced. Specifically, the legislation would have allowed lead agencies to grant categorical exemptions for certain events. This legislation was not approved by the State Legislature.

Recommendation: Identify and monitor any legislation that could assist the Authority in continuing its involvement in holding or partnering with other organizations to host community events.

Customer Facility Charge

Legislation included in a 2012-1013 budget trailer bill eliminated the State Controller's role in reviewing Customer Facility Charge (CFC) audits. However, airports remain under a state mandate to prepare separate, independent CFC audits that no state agency has a role in reviewing. California Airports Council (CAC) members have proposed legislation to eliminate the mandated separate CFC audit requirement.

Recommendation: Support CAC efforts to eliminate the separate CFC audits currently required under state law.

Protection of Caltrans Aeronautics Funding

The California Department of Transportation, Division of Aeronautics periodically awards grant funding to California airports. The California Airports Council (CAC), of which the Authority is a member, periodically seeks grant funding from the Division of Aeronautics.

Recommendation: Continue to work with the CAC to protect this state funding program, and assist the CAC in partnering with the Division of Aeronautics for grant opportunities.

Unfunded Mandates

Since its creation as an independent agency, the Authority has borne significant costs resulting from several unfunded state mandates. Staff will identify any proposals for unfunded state mandates that would impact the Authority and determine their potential costs to the agency.

Recommendation: Identify any proposed unfunded state mandates and analyze their impact/cost to the Authority/San Diego International Airport.

State Grants

Staff will continue to work with the Authority's legislative consultants and others to identify and apply for any applicable state grant funding, including grants for security, emergency preparedness, and planning programs.

Recommendation: Continue to identify and pursue available State funding for Authority programs and projects.

Proposition 39 – Clean Energy Project Funding

During the November 2012 statewide election, California voters passed Proposition 39, which changes the method by which out-of-state corporations calculate the amount of taxes paid to the state. For the first five years, half of the additional revenues generated by Proposition 39 (estimated to be \$500 million annually) will be spent on clean energy

projects. The Authority is currently considering several energy-related projects at San Diego International Airport. Staff could apply for Proposition 39 funding once specific clean energy projects have been identified and approved.

Recommendation: Work with the Authority's legislative consultants to identify San Diego International Airport projects that may be eligible for Proposition 39 funding and submit any necessary grant applications.

Federal Policy/Legislation

Funding for Federal Aviation Administration Programs

The FAA Modernization and Reform Act of 2012 extended federal aviation programs through 2016. The Congressional focus now turns to oversight and funding for FAA programs. The Airport Improvement Program (AIP) has faced downward pressure in recent years, and this pressure is unlikely to abate during the next session of Congress.

Recommendation: Strongly advocate for passage of full funding for AIP during the ongoing appropriations discussions. Further, as conversations begin on the next FAA reauthorization bill, continue to pursue additional funding opportunities.

Passenger Facility Charge

Proposals and conversations continue to occur regarding an increase in the current Passenger Facility Charge (PFC) limit. The Administration included such a proposal in its Fiscal Year 2013 budget and the debates surrounding PFCs and funding mechanisms are likely to be a focus during the next session of Congress. Some large hub airports have proposed an elimination of the current \$4.50 PFC limit as a trade-off for no longer receiving AIP entitlement and discretionary funds. It is possible that Congress will consider a restructuring of the PFC and AIP programs during its tax extenders and tax reform debates.

Recommendation: Continue to advocate for an increase in the current PFC limit.

Customs and Border Protection Staffing

The U.S. Customs and Border Protection Agency (CBP) is responsible for ensuring that the individuals and cargo entering the U.S. possess the proper documentation to enter the country. CBP personnel allocations at California airports, as well as CBP fee and airport designation structures, are insufficient to meet the growing demand of passengers arriving to the U.S. from international destinations. When the CBP is unable to accommodate passenger processing for new international service, airports, airlines, regions and the CBP itself, lose revenue opportunities. Currently, CBP operations do not include staffing resource consultations with airports. Airport Authority Board and staff representatives have met with CBP officials both locally and at CBP headquarters to discuss the CBP staffing needs at San Diego International Airport. These conversations have resulted in additional staffing at San Diego International Airport and the expedited deployment of Global Entry Program kiosks at the airport.

Recommendation: Authority staff and consultants should continue to closely coordinate with CBP officials to ensure that an adequate level of CBP passenger processing resources will be provided for existing and new international service.

North Side Airfield Roadway Improvements

Authority staff continues to move forward with improvements to the north side of the airfield, such as the Washington Street project and the new Rental Car Center. As a result, infrastructure improvements such as new interior roadways are required. Staff will continue to identify and apply for potential funding sources (e.g. Transportation Investment Generating Economic Recovery (TIGER) grants) to assist in the implementation of the north side airfield projects.

Recommendation: Continue to work with all interested parties to identify and obtain funding necessary to implement the proposed north side airfield improvements.

Elimination of Alternative Minimum Tax on Private Activity Bonds

The American Recovery and Reinvestment Act of 2009 provided a two-year alternative minimum tax (AMT) exemption for private activity bonds. The FAA estimates that U.S. airports, including SDIA, issuing private activity bonds during this tax “holiday” will save over \$1 billion over the life of the bonds. Airport industry advocacy associations continue to advocate for an extension to the AMT exemption, which expired at the end of 2010.

The Future of Aviation Advisory Committee, created by U.S. Transportation Secretary LaHood, advocated in 2011 for an extension to the AMT exemption. Additionally, on August 22, 2011, the California Legislature approved Assembly Joint Resolution 3, expressing the Legislature’s desire for Congress to extend the Alternative Minimum Tax holiday.

Congress is expected to consider an array of tax extenders and tax reform issues in early 2013 and may consider the tax treatment of private activity bonds during this debate.

Recommendation: Support industry efforts to provide an Alternative Minimum Tax exemption for airport private activity bonds.

Surface Transportation Reauthorization Bill

Congress recently passed the Moving Ahead for Progress in the 21st Century Act (MAP-21), which extends surface transportation authorizations through the end of FY 2014. This short time-frame means that the 113th Congress will need to begin crafting its next surface transportation reauthorization almost immediately. Although Congressionally-directed funding opportunities (“earmarks”) have been largely eliminated due to opposition in the House, Congress should be engaged early to ensure that the next surface transportation reauthorization includes provisions and programs that could be beneficial for SDIA projects, as well other local transportation projects that could benefit SDIA. Staff will work with the Authority’s legislative consultants and local transportation agencies to include categories and funding opportunities in the next surface transportation reauthorization bill that could benefit SDIA.

Recommendation: Monitor and advocate for funding that would benefit San Diego International Airport in the next surface transportation reauthorization bill. Monitor and engage Congress and the Administration on the implementation of MAP-21.

Intermodal Transit Center Funding

Following a year-long airport planning effort involving several elected and appointed San Diego leaders, a concept for an Intermodal Transit Center (ITC) connecting SDIA to other regional transit modes was agreed upon. The San Diego Association of Governments (SANDAG) has begun the planning for the ITC in coordination with Authority staff, who are planning a Rental Car Center that will connect to the ITC. Additional coordination will be necessary as this project moves forward. The Authority is supporting the efforts of SANDAG in identifying and obtaining funding necessary to build the ITC project.

Recommendation: Continue to coordinate with SANDAG and other transportation agencies to assist in identifying and advocating for funding necessary to advance the Intermodal Transit Center.

Health Care

With the recent U.S. Supreme Court ruling upholding the Patient Protection and Affordable Care Act (PPACA) and the 2012 election outcomes, the potential for the repeal of the PPACA has greatly diminished. However, modifications to the bill are possible and the implementation process is currently moving forward without delay.

Recommendation: Monitor implementation and any proposed changes to the PPACA and identify proposals that could impact the Authority.

Education Program Tax Exempt Reimbursement Level

Section 127 of the U.S. tax code allows an employee to exclude from income up to \$5,250 per year in employer-provided tuition assistance for undergraduate and graduate-level courses. Without Congressional action, this provision will expire at the end of the year. The Authority currently provides up to \$5,000 per year tuition reimbursement to employees, who could be adversely impacted should the current exemption be allowed to expire. Congress is expected to consider proposals to extend this provision during its anticipated tax extenders and tax reform debate early in 2013.

Recommendation: Advocate to extend, or make permanent, the current employer-provided tuition assistance exemption.

Federal Grants

The Authority was awarded a Voluntary Airport Low Emission (VALE) Grant for \$2 million to install preconditioned air units that aircraft will use to reduce the amount of time they need to run their engines, providing fuel savings and emissions reductions.

Authority staff will continue to work with our legislative consultants and others to identify and apply for any applicable federal grant funding, including Airport Improvement Program (AIP), VALE Program, Transportation Investment Generating Economic Recovery (TIGER), Homeland Security, stimulus/infrastructure, and planning funding.

Recommendation: Continue to identify and pursue available federal funding for SDIA programs and projects.

Quieter Home Program

In August 2012, the FAA issued a Program Guidance letter clarifying the requirements for homeowner eligibility to participate in federally-funded residential sound insulation programs. FAA staff have indicated a willingness to work with individual airports in developing the specific criteria that will be used to determine homeowner eligibility for structures located in noise impacted areas.

Recommendation: Work with the FAA and others to develop specific program eligibility criteria that reflects the unique climate conditions present in the San Diego region.