

Michigan Senate Commerce Committee

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**MAAE**  
Michigan Association  
of Airport Executives

Source of funding is out dated, does not meet the needs.



The primary source of funding for the Michigan Airport System has become out dated.

1929 – Tax structure remains the same to date

*3 cent per gallon tax on aviation fuel.*

*86 years running and one adjustment in 1946 to provide a rebate to airlines 1.5 cents.*

Cost to construct/maintain the infrastructure is increasing

Revenue stream has been declining for several reasons.

*Fuel is being tanker into the state – less sales*

*Michigan tax system is a tax on top of a tax*

State Aeronautics Fund (SAF) – No longer support operations

## Goals of the funding package

1. Tax Structure must be sufficiently funded to meet the infrastructure needs of Michigan Airports
2. Tax structure must comply with FAA policy on revenue diversion
3. Tax structure to make Michigan competitive with other States



## Tax structure must meet FAA policy on revenue diversion

States that impose taxes on aviation fuel are subject to use the revenue collected for a State aviation program or for airport related purposes and can not divert for other reasons.

Michigan must provide assurance that revenues from State taxes on aviation fuel will be used for aviation related purposes – these include airport capital and operating costs, and State Aviation Programs.

This policy applies to use of proceeds from Proposal A since this was enacted after December 1987.



## What is this funding all about?

Leaves in place the excise tax at \$.03 with a \$.015 rebate for airline operators who fly interstate schedules – money goes to SAF

Corrects the Revenue Diversion by the 2% from Proposal A is divided between the SAF at 35% and the Qualified Airport Fund at 65%

The Qualified Airport Fund – for airports that meet the definition of a Qualified Airport in the Aeronautics Code of a Qualified Airport.

Qualified Airport means an airport other than a military airport, that has **10,000,000** or more enplanements in any 12 months

**Only Airport that is a Qualified Airport is Detroit Metro**

GRR	1,171,795
FNT	418,735
TVC	199,801
LAN	190,379
AZO	134,175
MBS	125,072
MQT	41,006
ESC	17,241

As reported on the State Aeronautics web site



## What Does The SAF Really Need?

Infrastructure Improvements needed \$730 million 2015 to 2019 – Source MDOT

Many projects are on hold or cannot be funded.

Michigan receives on average \$100 million in federal grant dollars. To receive Michigan's SAF must match at 5% or a minimum of \$5 million dollars is required. Local Airport/units of government provide additional match

State has no funds to support operations which include:

- Airport Inspections
- Navigational Support/Weather Service
- Pavement Management/Maintenance
- Air Service Development/Fire Training
- Educational Programs

To meet the expectations of the "Good" the State would need \$31.5 million for infrastructure

# Remember the Transportation Funding Task Force

## **"Do Nothing" Investment: \$121 million annually**

The "do nothing" scenario represents the current level of public investment in aviation infrastructure in Michigan, and is not sufficient to fund infrastructure needs adequately. Eventually, some airports will succumb to budgetary pressures worsened by the lack of state funding and this is particularly true with privately-owned, public-use airports.

## **"Good" Investment: \$242 million annually**

The "good" investment level for aviation essentially doubles the investment in aviation infrastructure. Additional investment from state and local sources of \$63 million per year could leverage a total of \$163 million in federal funds to achieve this investment level, should the federal funds be made available. Any additional state investment not used to match federal funds would be used directly for investment in airport infrastructure and safety programs.

## **"Better" Investment: \$327 million annually**

The "better" investment level requires an annual investment of \$327 million, comprised of \$197 million in potential federal funds and \$130 million from state and local sources. This level of investment would create or retain 5,200 jobs throughout the state. With a "better" investment level, all backlogged maintenance, repair, and new capital needs would be met as outlined in the 2008 MASP. Funds for capital projects would also be available, including intermodal connectivity, precision instrument approaches, and general aviation terminals. Investment in curtailed state and local programs, such as All Weather Access and Airport Rescue and Fire Fighting Training, would be reinstated and maintained at an acceptable level. This investment level would allow the state to be much more proactive in the asset management approach to airport pavement preservation, as well as train emergency personnel, promote safety, and recruit and retain commercial airline service.

Tax Structure must be sufficiently funded to meet the infrastructure needs of Michigan Airports

***These bills will address the following:***

- FAA Airport Improvement Program Grants
- 90% federal share – State/Local pay 5% each
- Continue to Administer the State Block Grant Program
- Provide programming and planning assistance to MI airports

***These bills are not addressing the following:***

- Transportation Funding Task Force identified infrastructure needs.
- Return State/Local programs that have been reduced and/or suspended – these programs are desperately needed for the middle tier airports like Battle Creek, Oakland Pontiac, TVC, MBS, FNT, AZO, Jackson
- Airport Inspections
- Navigational Support/Weather Service
- Pavement Management/Maintenance
- Air Service Development/Fire Training
- Educational Programs

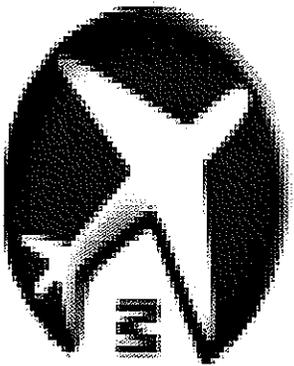
## Aviation's Impact To Michigan



Aviation, both commercial and general aviation, is an economic generator for Michigan:

- Aviation contributes more than \$20 billion annually to the Michigan economy.
- Michigan ranks 5th nationwide in the number of registered business aircraft
- Business aviation is the fastest growing segment

Thank You



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