Michigan Senate Finance Committee Hearing
May 14, 2014

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We Have A Problem

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The primary source of funding for the Michigan Airport System has become out dated. Michigan can not meet its' federal obligations for the next fiscal year.

1929 – Tax structure remains the same to date

3 cent per gallon tax on aviation fuel.
85 years running and no adjustments except in 1946 a rebate to airlines 1.5 cents.

Cost to construct/maintain the infrastructure is increasing

Revenue stream is 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

HB 4571, HB 4572, HB 4677

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Current Bills passed the House December of 2013 –$16 to $17 million to the SAF

Governor Synder's Proposed Budget - $2 Million of General Fund Dollars to meet Federal Grant match
- Does not cover the need -

State Aeronautics Fund – under current formula we do not have the funds to meet federal grants obligations –

In 2012 a one time $10 million appropriation to the SAF provided a one year program.

What Does The SAF Really Need?

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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

The need is for funding levels to be approximately $30 million or greater.

The need is to have a long term program for airports to be able to plan construction programs.

What Does This Funding Do?

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Over 100,000 jobs at MI airports

1,000 companies with one million employees - operate aircraft in MI

50 million annual passengers

1 billion pounds of air cargo/US mail annually

MI Airports provide access to all of MI 83 counties

3 of the larger airports alone provide an annual economic impact of more than $8 billion

Airports are economic engines.

Aviation's Impact To Michigan

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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

Projects In Michigan That Need Funding

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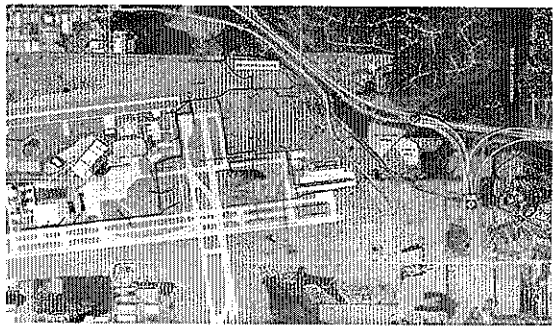
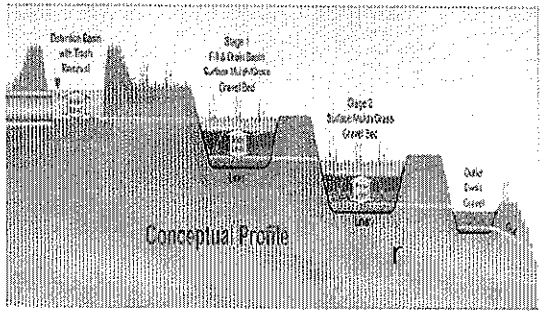
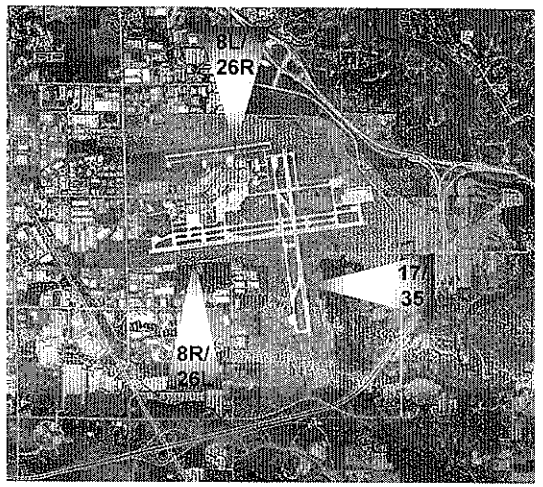
Grand Rapids – Storm water / Deicing Control Project & Grand Rapids Runway 8L/26R Reconstruction







Source of Funds		
Federal Discretionary	**$**	**11,685,010**
GRR Federal Entitlement	$	5,787,754
State of Michigan	$	1,498,489
Gerald R. Ford International Airport	$	998,489
TOTAL	**$**	**19,969,742**

Source of Funds	
AIP Entitlement	$4,050,000
AIP Discretionary	$
State	$225,000
Gerald R. Ford International	$225,000
TOTAL	**$4,500,000**

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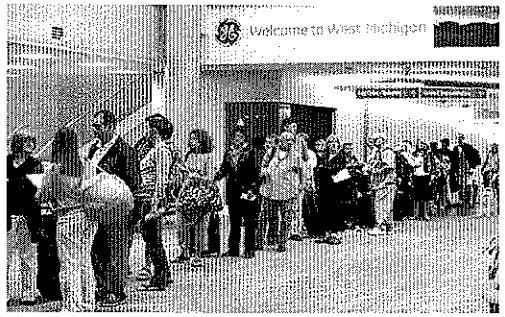
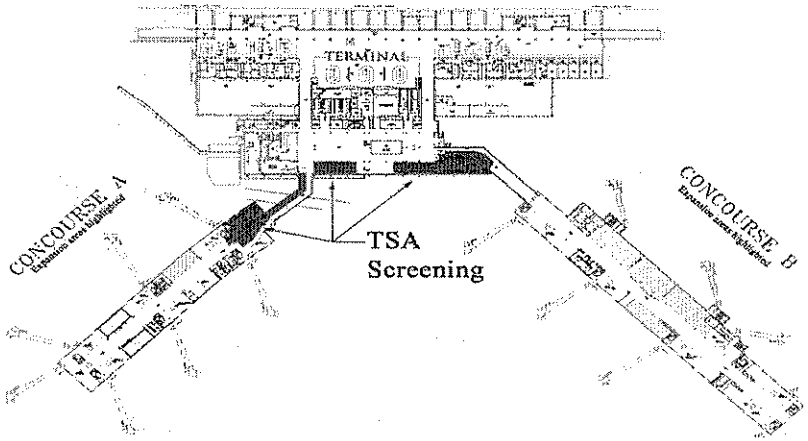
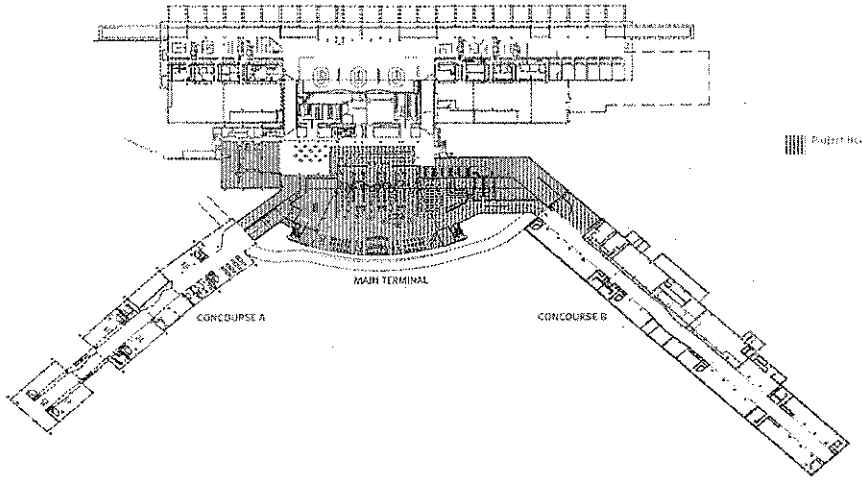
Grand Rapids Concourse A and B Expansion & Consolidated Security Screening Checkpoint

Funding	
AIP Entitlement	$6,332,220
PFC	$1,750,000
State	$449,012
GFIA	$3,640,419
TOTAL	$12,171,651



Funding	
AIP Entitlement	$6,738,459
PFC	$8,304,000
State	$981,444
GFIA	$9,468,147
TOTAL	$25,492,050





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Examples Of Projects In Michigan That Need Funding

TVC Resurface and extend RWY 10 -28, associated TWY development, new precision approach

FNT Rehabilitate RWY 18/36, Deicing System Improvements, and new Aircraft Rescue and Fire Fighting vehicle, Obstruction Survey

AZO Extend main RWY 17/35 from 6500 feet to 7500 feet for safety and capacity needs

LAN RWY 10R-28L and Taxiway Bravo Pavement Rehabilitation, ARFF (Fire Station) Expansion, Runway 6-24 Runway Safety Area Improvements

Houghton Lake Roscommon County Blodgett Memorial HTL

*MDOT determined that the airport generates $4.1 million in economic impact to the local economy annually. The airport supports a flight school and an Fixed Based Operator (FBO, provide fuel, aircraft services etc...).

*HTL just completed a $1 million extension on our parallel taxiway. We now have a full parallel taxiway for runway 9-27. This project was needed to address a serious safety issue with back-taxiing aircraft on runway 27 and arriving aircraft on runway 27 with the possibility of runway incursions.

*2014 Crack sealing and paint marking. The airport is working preserve existing pavements, many of which are well beyond their useful life, in an effort maximize the longevity of those very pavements. This is a difficult task especially after the winter we just encountered. Using "band aid" type repairs on the main runway to make the pavement last just a little longer before a complete rehab is needed.

*2015 fencing project, design and construction. Total estimated cost is $700,000. This project addresses serious safety issues regarding wildlife, mainly white-tail deer but also coyotes, black bear and various rodent species.

*The Office of Aeronautics provides an extremely valuable service to the airport. They do an excellent job of managing Federal Projects not only for Roscommon County Airport but for the many NPIAS airports . Roscommon County(airport sponsor) would not be able to pay 10% of any given Federal project. The current funding structure is 90%Federal, 5% State match and 5% Local match. This would represent a 100% increase for their share of a project. Many smaller General Aviation airports simply would not be able to come up with the addition 5%.

Tax Structure That Meets The Standard

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1. Tax structure must meet FAA policy on revenue diversion

2. Tax structure must make Michigan Competitive with other States

3. Tax Structure must be sufficiently funded to meet the infrastructure needs

Detroit News Article

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MAAE is not asking for a tax increase

MAAE is not asking for corporate tax breaks

MAAE is asking for funds generated by aviation to go to aviation as required by FAA policy

MAAE believes this change will make Michigan competitive and attractive for both the airlines and general aviation

MAAE is supporting HB 4677 to replace lost dollars for school/local units of government

With this proposal airports receive the funds needed for infrastructure improvements -

If funding is not provided local airports will have to fund. These costs will be passed onto the user (airline or general aviation tenant) increasing the cost to operate. This will results in reduced air service and create the potential of closing airports.

What Is The Return On Investment?

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Allows for the leveraging of Federal Funds

FAA Airport Improvement Program Grants
90% federal share – State/Local pay 5% each
NO matching funds = NO federal funds.
Increases opportunity to match discretionary funding

Allows MDOT Aeronautics to...

Offer State/Local programs that have been reduced and/or suspended:

Pavement maintenance programs
paint markings
ARFF training grants
turf runway markings
All Weather Airport Access.

Continue to Administer the State Block Grant Program

Provide programming and planning assistance to MI airports.

Allows for Economic Development

Airports

Airlines, Business Aviation, General Aviation – more flights = more gallons bought = more opportunity for infrastructure improvements

When aviation grows all business grows in Michigan.

States Compete for Air Service

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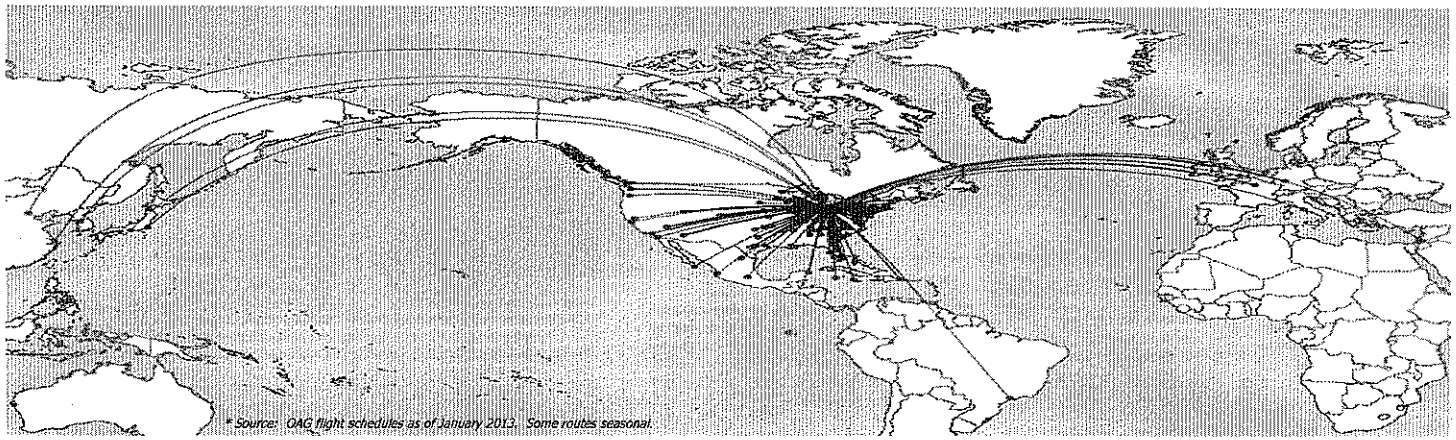
International Routes are Highly Coveted: The addition of one wide-body international flight to Europe & Asia can create up to 1,200 jobs and generate approx. $150 million for the local economy. Airlines are choosing other states like Washington to fly international routes where in the past they choose Michigan. The domestic routes feed these international routes with passengers. If the domestic routes operate with a tax structure that is not competitive the airlines will move to airports in states that are competitive to improve return on investment.



- DTW is fortunate to have nonstop service to 27 international destinations including key business markets such as: Amman, Jordan ;Amsterdam; Beijing; Frankfurt; London; Paris; Rome; Mexico City; Nagoya; Sao Palo; Seoul; Shanghai; Tokyo; Toronto; and more...
- These international flights are supported by local and connecting traffic from another 120 nonstop domestic routes through DTW; it's critical that our carriers costs remain competitive with other markets, to keep existing routes and attract new service.
- Source Wayne County Airport Authority

Thank You

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