



**House
Legislative
Analysis
Section**

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STATE AIRCRAFT FUND

House Bill 4041 (Substitute H-1)
First Analysis (6-15-87)

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Sponsor: Rep. Francis R. Spaniola
Committee: Appropriations

Mich. State Law Library

THE APPARENT PROBLEM:

The Michigan Department of Transportation owns and operates a fleet of eight airplanes: four general transport planes, which provide transportation services for state employees and officials, and four planes used for aeronautics safety and inspection programs. The costs of buying, maintaining, and operating the aircraft fleet come from the aeronautics fund and from the hourly rental rates charged to state users.

The average age of the four general transportation aircraft is 6.25 years, with the ages of the entire current fleet ranging from 4 to 22 years. If no aircraft are replaced in the next seven years, the average age of the general transportation aircraft in 1993 will be 13.25 years. Current funding does not reflect the costs of maintaining and operating this aging fleet, but newer, cost-efficient replacements cannot be bought without placing an undue burden on the aeronautics fund. The Department of Transportation has requested legislation which would reflect the cost of doing business and would allow for the maintenance of a safe and cost-efficient aircraft fleet.

THE CONTENT OF THE BILL:

The bill would amend the Aeronautics Code (a) to establish the Air Transport Revolving Fund, a revolving fund for the operation, maintenance, repair, and replacement of state aircraft and (b) to provide an appropriation of \$1.8 million from a number of sources.

The bulk of the money in the appropriation would come from the comprehensive transportation fund, the state general fund, the state trunkline fund, and the aeronautics fund (money and assets currently in the air transport division of the aeronautics fund which are designated for the operation, maintenance, repair, or replacement of state aircraft would be transferred to the revolving fund).

MCL 259.1 to 259.208

FISCAL IMPLICATIONS:

The bill would require a one-time appropriation from the state general fund of \$557,000, with the complete breakdown of the \$1.8 million appropriation as follows:

Comprehensive transportation fund	\$1,003,000
General fund/general purpose	557,000
Aeronautics fund	119,000
State trunkline fund	80,100
Game and fish fund	12,000
State park and concession revenue	8,400
Liquor purchase revolving fund	7,800
Forest management fund	4,900
Waterways fund	3,200
MSHDA fee and charges	2,200
Public utility assessments	2,000

ARGUMENTS:

For:

The current method for funding state air transport services does not reflect the cost of doing business (where the increases of purchase prices of aircraft due to inflation have outpaced aeronautics revenues) nor allow for the maintenance and operation of a safe and cost-efficient fleet. The bill would let the department replace older, less safe and less cost-efficient aircraft in the general transport fleet with newer, safer, and more cost-efficient aircraft without depleting the money needed to maintain, operate, and repair the existing fleet. The bill also would eliminate the need for the department to come to the legislature for additional appropriations every time a plane needs to be replaced.

Older aircraft are less safe and less cost-efficient to operate and maintain than newer aircraft. Parts for older aircraft are more difficult to obtain, and the high maintenance and operating expenses result in increased rental rates charged to state users.

Ideally, the Department of Transportation would like to maintain a fleet of general transport aircraft of between three and ten years of age. Research indicates that aircraft no newer than three years of age should be bought because after three years an aircraft's depreciation value stabilizes. Conversely, since advances in aviation technology have tended to occur approximately every ten years, in the interests of safety and cost-effectiveness aircraft in the fleet should also be no more than ten years old.

For:

In the past, the Department of Transportation (MDOT) has used aeronautics funds to buy airplanes used by other than MDOT employees and officials. The department believes that this past practice is counter to the constitutional direction for use of the aeronautics fund, a question that the bill would resolve.

For:

The sources of the initial appropriation to the fund reflect all the fund sources that support the use of state aircraft, which is fairer than using only general fund monies to establish the air transport revolving fund.

Against:

The state infringes upon a legitimate market for private businesses by maintaining and operating a fleet of aircraft for the use of state officials and employees. The fleet should be abolished and state services should be purchased from the private sector, which would obviate any need for the bill.

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Response: The existence of a state-owned fleet of aircraft eliminates a number of costly inefficiencies. In particular, travel arrangements for official state business would be time-consuming and difficult to schedule. It is in the best interests of the state if an efficient, cost-effective state aircraft program is maintained.

POSITIONS:

The Department of Transportation supports the bill.
(6-15-87)

The Department of Management and Budget supports the bill. (6-15-87)