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Bureau of Aeronautics & Freight Services

Rob Abent, Bureau Director
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Michigan's Aviation System

- 235 licensed, public-use landing facilities
- 18,610 active pilots
- 7,200 registered aircraft
- 30 scheduled airlines
- 6 aircraft manufacturers
- 131 aircraft/component repair stations
- 6 military aviation facilities
- $19B annual economic impact

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Bureau of Aeronautics & Freight Services
- Statutory Responsibilities -

–Airport Improvement Program (State & Federal)
–Aircraft Registration
–Tall Structures Act
–Aircraft Dealer Licensing
–Airport Manager Licensing
–Airport Inspection & Licensing
–Airport Loan Program
–Enforcement of Aeronautics Code
–Maintenance of State Aeronautics Fund
–Aviation Safety
–Airport System Plan
–Airport Planning & Zoning

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Michigan is a Block Grant State

- Michigan is one of only 10 FAA-designated Block Grant states

- Investment of Airport Improvement Program funds are determined at the state -not federal- level

- Maintaining block grant status was ranked as the most important issue in a recent membership survey conducted by the Michigan Association of Airport Executives (MAAE)

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Funding Michigan's Aviation System

- Michigan aviation fuel tax first implemented in 1929 at 3¢ per gallon
- PA 327 of 1945 provided a 1.5¢ per gallon rebate to scheduled, interstate airlines
- The largest source of funding for the State Aeronautics Fund…
  - Aviation fuel tax
  - Wayne County Parking Tax (dedicated for debt service and infrastructure)
- The balance is generated from a variety of sources including fees for aircraft registration, tall structure permits, and flight school licensing

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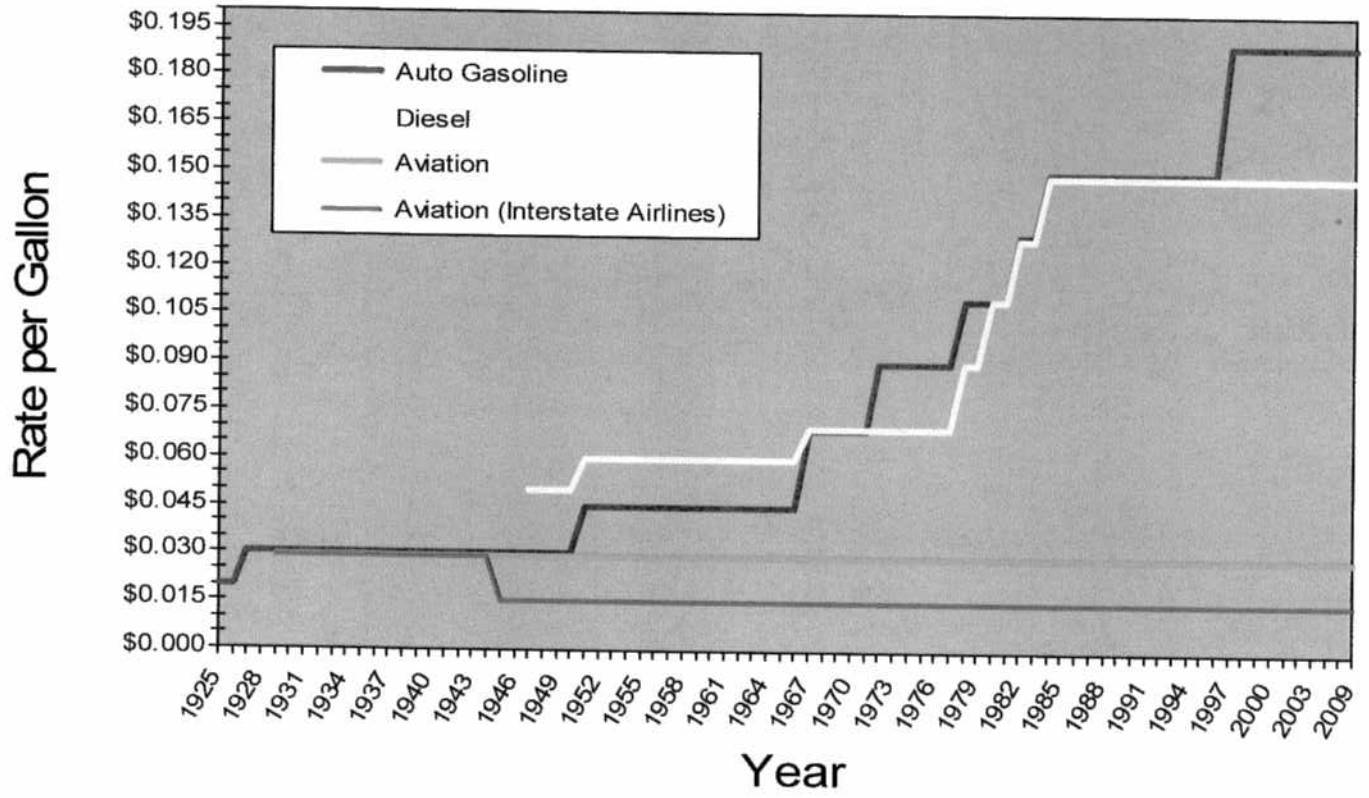
Historical Approaches to Transportation Funding

Michigan Fuel Excise Taxes



- **Auto fuel excise tax adjusted upward 8 times**
- **Diesel fuel tax adjusted upward 6 times**
- **Aviation fuel tax rate NEVER increased**
- **Interstate airlines receive 50% rebate beginning in 1945**

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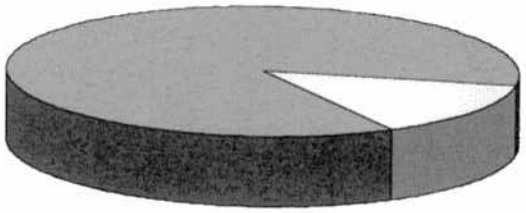
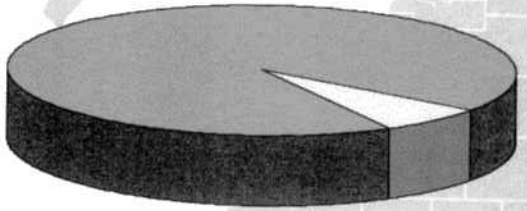
Michigan's Aviation Fuel Tax

1929



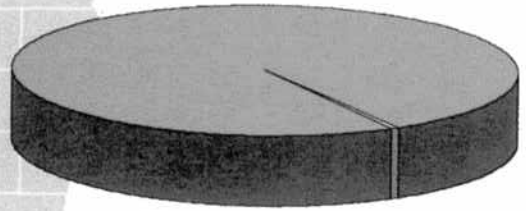
Total Price: 21¢ per gallon
Tax Rate: 3¢ per gallon
State Tax: 14% of cost per gallon

1969



Total Price: 40¢ per gallon
Tax Rate: 3¢ per gallon
State Tax: 7.5% of cost per gallon

2009



Total Price: $2.29 per gallon
Tax Rate: 3¢ per gallon
State Tax: 1.4% of cost per gallon

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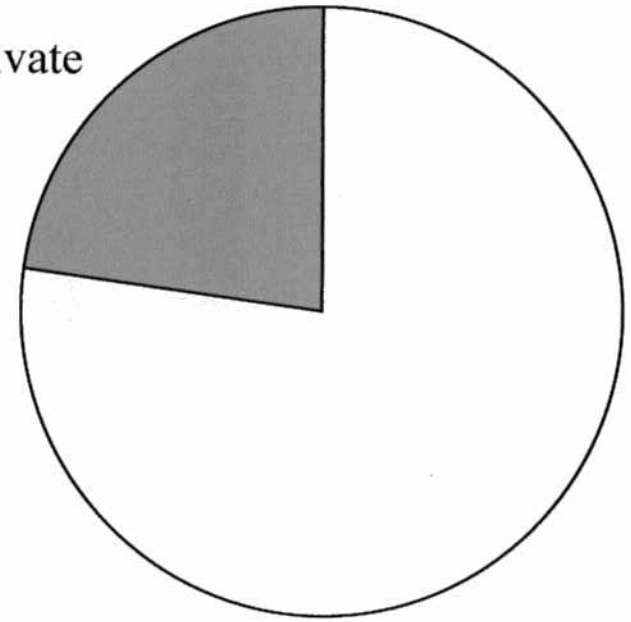
Michigan Aviation Fuel Tax
Primary Contributors

Charter/Business/Private

23%



Scheduled Interstate Airlines

77%

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State Comparison of Aviation Fuel Taxes

State	Fuel Type	Excise Tax	Sales Tax	Exemption or Refund
Michigan	Jet	3¢ per gallon	6%	Yes- 1.5¢ per gallon for scheduled interstate airlines
	Avgas	3¢ per gallon	6%	Yes- 1.5¢ per gallon for scheduled interstate airlines
Georgia	Jet	None	4%	No
	Avgas	1¢ per gallon	4%	No
Kentucky	Jet	None	6%	$1M cap on jet fuel
	Avgas	18.3	6%	Partial rebate of 15¢ on Avgas
Minnesota	Jet	5¢ per gallon	None*	Yes- graduated refund after annual purchase >50,000 gallons
	Avgas	5¢ per gallon	None*	Yes- graduated refund after annual purchase >50,000 gallons
Tennesee	Jet	1.4¢ per gallon	4.5%	Yes- for international, common carriage flights
	Avgas	1.4¢ per gallon	4.5%	Yes- for international, common carriage flights
Utah	Jet	9¢ per gallon	6.8%	Yes- airline fuel rate is 4¢ per gallon
	Avgas	9¢ per gallon	6.8%	Yes- airline fuel rate is 4¢ per gallon

* Minnesota does not charge sales tax but instead charges an aircraft registration fee of 1% of the aircraft value

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State Aeronautics Fund

- SAF provides operational funding for Aeronautics programs as well as the state share of Federal Airport Improvement Program Projects

- Federal funding currently provides 95% of airport projects costs. The remaining balance is covered by the state (2.5%) and local (2.5%)

- H.R. 915 (FAA reauthorization act of 2009) proposes to alter this ratio to 90% federal, 5% state, and 5% local. This would further endanger Michigan's ability to leverage federal funding

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Airport Improvement Program (AIP) 2005-2009

Federal	$313,962,000
State	$ 69,059,600
Local	$ 19,668,874
TOTAL	**$ 402,690,474**

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Investment at Michigan Airports Served by Delta Airlines - 2008

Detroit Metro Airport	$36,670,000
14 other "Delta" Airports	$35,530,000
(Alpena, Lansing, Marquette, Escanaba Muskegon, Flint, Pellston, Houghton, Sault Ste. Marie, Grand Rapids, Saginaw Iron Mountain, Traverse City, Kalamazoo)	
TOTAL (Federal/State/Local)	**$72,200,000**

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Aeronautics Budget

- For FY2009, legislative authorization for operations & capital improvements exceeds estimated revenue by 38% due to continually declining revenues
- Over the last three years, we have balanced the Aeronautics budget by:
  - Suspending the Air Service Program
  - Suspending safety equipment acquisition and installation
  - Eliminating staff positions
  - Eliminating all non-critical travel
  - Reduced interdepartmental charges
  - Enhanced charge-backs to federal funds for operations

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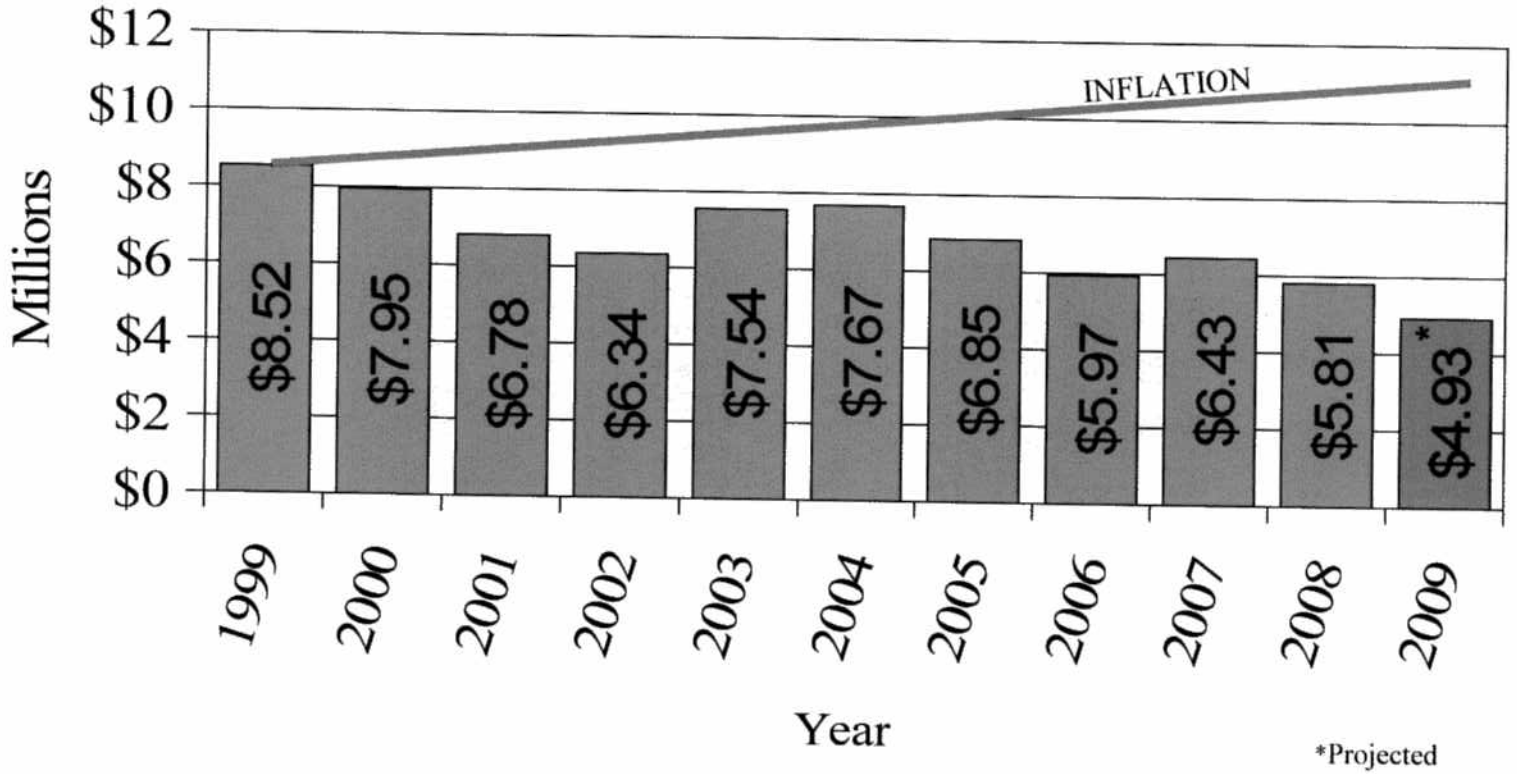
Declining Fuel Tax Revenues to the State Aeronautics Fund



*Projected

- **Fiscal Year 2008 produced the lowest fuel tax revenue in over a decade**
- **Fiscal Year 2009 revenues are down approximately 15% YTD**
- **Adjusted for inflation, state fuel tax revenue is less than half that of a decade ago**

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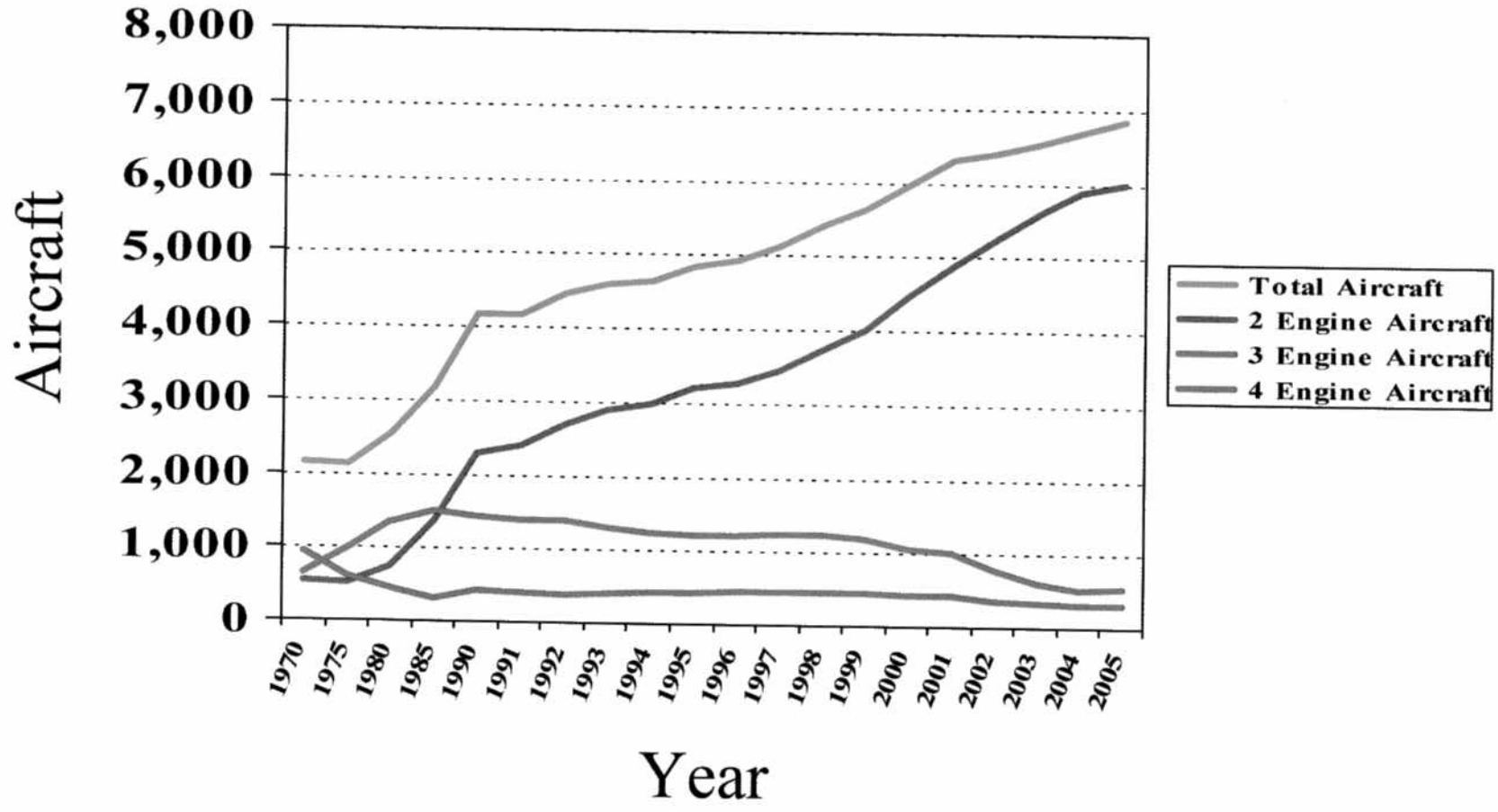
US Airlines- Fleet Evolution



Michigan Airport System Plan

- Key asset management document
- Used to determine funding priorities at Michigan's public use airports
- Categorizes airports into a tier-based system

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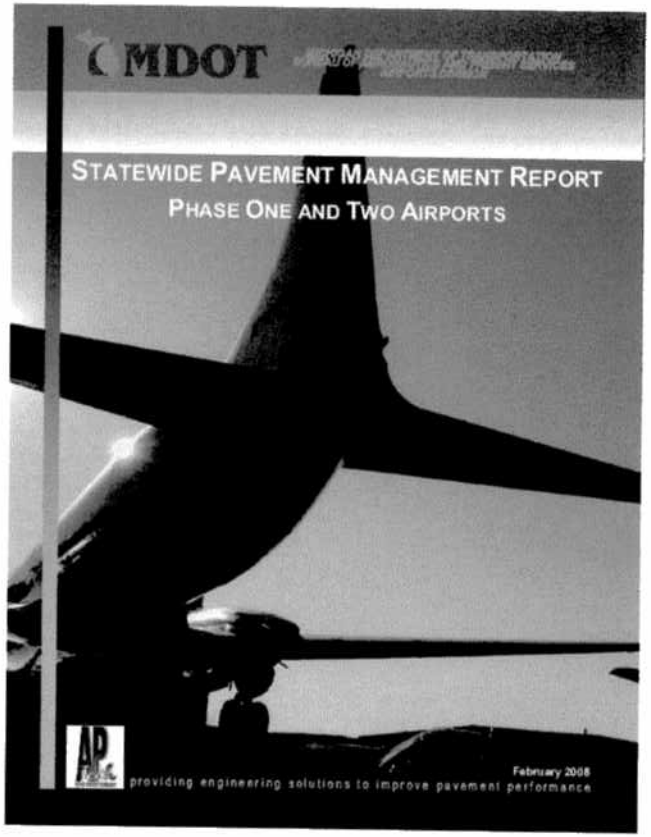
Michigan Airport Pavement Management System

- Helps identify system needs
- Facilitates programming decisions for funding
- Assisting local jurisdictions with planning



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Transportation Funding Task Force (TF2)

The TF2 examined three funding scenarios for Michigan's aviation system…

Do Nothing: Inability to leverage federal Airport Improvement Funding as early as 2011

Good: Limited restoration of airport safety programs, addresses $1.6B backlog of airport capital projects, creates or retains 3,800 jobs

Better: Address ALL identified capital projects, creates or retains 5,200 jobs

For every $1M spent on new infrastructure, 44 new jobs would be created

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Transportation Funding Task Force (TF2)
- Recommended Options -

1. Increase the aviation fuel tax.
2. Increase aircraft registration fees.
3. Abolish the commercial airline refund.
4. Work with Congress to increase Michigan's aviation block grant.
5. Redirect the state sales tax on aviation fuel and products (or an equivalent amount from unallocated sales tax revenue) to aviation purposes.
6. Convert the cents-per-gallon aviation fuel tax to a percent of sales price.
7. Work with Congress to make reliever and super-reliever airports eligible for the same federal funding as primary airports.

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Transportation Funding Task Force (TF2)
- Legislative Initiatives -

Current proposals to amend the Michigan Aeronautics Code would:

- Change the aviation fuel tax from 3¢ per gallon to a percentage of the wholesale price as follows:
  - 2.5% in 2010 (generating $9.5M)
  - 3.0% in 2011 (generating $11.9M)
  - 4.0% in 2012 (generating $16.8M)

- Retain the airline fuel tax rebate ($2.5M)

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Preserving a Safe Aviation Infrastructure

Enhancing revenues to the State Aeronautics Fund will:

- Allow Michigan to continue matching federal funds
- Address the $1.6B backlog of airport capital needs
- Restore vital safety programs
- Satisfy the needs of business & industry
- Serve Michigan's travel and tourism industry
- Maintain our partnership with the federal government

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Questions?

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