TECHNICAL ADVISORY COMMITTEE ON AERONAUTICS
2012 REPORT ON ISSUES

California cannot meet the goals it has for its aviation system if it continues to underfund the State Aeronautics Account which hampers State involvement in aviation system support efforts, including those by airport sponsors, users and the Federal Aviation Administration (FAA). The State, in cooperation with local, regional, and federal agencies, should provide and identify the leadership and resources needed to develop the aviation system essential to our economy in the 21st Century. California must continually assess its role in aviation to ensure that California remains competitive in the global economy.

Aviation Planning

The policy element of the California Aviation System Plan (CASP) defines the State's continuous aviation system planning process. The policy element defines the roles of federal, State, regional and local participants in the process. It covers issues affecting aviation and aviation's relationship with other modes. The policy element also defines the policies and implementing actions for guiding Caltrans' Division of Aeronautics (Aeronautics) activities and CASP development, including funding priorities for general aviation and air carrier public use airports in California.

The Caltrans role in aviation includes planning and assisting with the development of infrastructure capacity improvements and the maintenance of the airport system. For several years, the CASP policy element has emphasized how funding limitations restrict Caltrans' role, while also proposing options for increased funding of the State aviation program.

The California Transportation Commission's (Commission) role, in addition to providing advice to the Legislature and to the Secretary of Transportation, is to provide policy direction to Caltrans in the development of the aeronautics plans and programs, adopt the CASP and its various elements, program projects in the Aeronautics Program, and allocate funds.

Existing State Aviation Funding

The State Aeronautics Account represents the sole State source of funding for the Division of Aeronautics and the programs it administers. Revenue sources for the Aeronautics Account include an 18-cent per gallon excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Air carrier, military aircraft and aviation manufacturing are exempt from the two-cent per gallon excise tax on jet fuel. The annual revenue transferred by the State Controller's Office (SCO) into the State Aeronautics Account has steadily decreased. In fact, the highest transfer of $8.36 million occurred in Fiscal Year (FY) 1999-00 and since then it has declined steadily. In FY 2011-12, the SCO reported a transfer of $ 5.2 million into the State Aeronautics Account. The Account continues to slowly decline in absolute numbers and certainly in terms of purchasing power. In the past, increased general aviation jet fuel sales have helped slow the decline, but the downward trend will continue in the State Aeronautics Account until another funding source comes on line.

The Commission has long supported increasing State funding to develop an integrated system of airports that adequately meets the demands of California's economy. The Commission supports redirecting a portion of State sales tax revenues from the sale of general aviation jet fuel to fund State aviation programs. These tax revenues are a "user fee" paid by the aviation industry and users.

California's general aviation system is deteriorating under current funding conditions. In California, aviation and related activities represent nine percent of the State's gross domestic product. General aviation historically has received about $7 to $8 million annually from excise taxes on general aviation gasoline and jet fuel, but the excise tax contribution to the Aeronautics Account has steadily decreased in recent years to an amount now only slightly more than $5 million, while the bulk of the annual aviation-related excise taxes goes to the General Fund. This amount of aviation user excise taxes being allocated to the Aeronautics Account is much less than the $15 to $50 million annually that other comparable state airport support programs are appropriated, according to a survey by the National Association of State Aviation Officials. In addition, the aviation user excise tax allocation to the Aeronautics Account must fund Division of Aeronautics operating costs and the Annual Credit Grant program prior to funding any airport AIP match or A&D program capital projects.

Based on the Caltrans Aeronautics 2011 Capital Improvement Plan, $6.4 million annually is needed for capital projects, leaving a current funding deficit of at least $2.4 million. As currently constituted, with most of the revenues directed to the General Fund, the Aeronautics Account is not an adequate, reliable dedicated funding source for important safety, security, capacity, airport land use compatibility, and other related airport projects.

If the Legislature and the Administration were to establish an additional percentage transfer from the general aviation jet fuel sales tax from the State General Fund to the State Aeronautics Account as a set minimum, it would establish a stable baseline of aviation funding. Since the State Aeronautics Account is declining, an annual baseline minimum would provide some of the resources to develop a program to meet future aviation needs. California could make significant progress in implementing State priorities for increasing airport capacity and safety, security, enhancing air passenger mobility, improving air cargo efficiency, mitigating the impacts of airport operations on local communities, and mitigating the impacts of land use encroachment on airport operations.

In addition to establishing an additional funding source, the existing Aeronautics Account must be protected to prevent the transfer of funds to other accounts. The State's adopted 2009-2010 budget transferred $4 million from the Aeronautics Account to the General Fund, thus eliminating existing funds that should have been dedicated to the State's three airport funding programs. That budget action also suspended for the 2009-2010 fiscal year the Public Utilities Code provisions establishing the funding programs. Therefore, aviation fuel excise taxes could continue to be collected and deposited in the Aeronautics Account, but those funds could not be used for funding for airport purposes until after January 1, 2011.

As such, to ensure that adequate Aeronautics Account resources are available to address the State's aviation needs, TACA continues to recommend that:

- The user-funded Aeronautics Account should not be diverted to non-aviation uses.
- At least the most recent diversion (of the 3 during the past 10 years) of $4 million should be reimbursed to the Aeronautics Account.
- The 2009-2010 suspension of grant programs should not be repeated.

- An additional percentage of aviation user fee revenue should be appropriated to the Aeronautics Account, in order to address the approximately $2.4 million in annual State underfunding of California's primarily general aviation airport capital needs.

Federal Re-authorization of Vision 100

Vision 100, Century of Flight Authorization Act of 2003, was a four-year statute that lapsed in September of 2007. The Act provided funding for the Federal Aviation Administration's Airport Improvement Program. These revenues are important for the overall preservation and enhancement of California's public use airport system. Nationwide the annual authorized AIP funding levels averaged around $3.55 billion. California typically receives around eight to ten percent of the appropriated funds.

After more than four years and 23 continuing resolutions, in February 2012, Congress passed and the President signed the FAA Modernization and Reform Act of 2012. The Act provides a four year, $63 billion authorization package for the FAA. Included are $13.4 billion in Airport Improvement Program funding. At $3.35 billion per year, AIP funding will be slightly lower than recent years. With a stable four year program, however, airports will be able to program and utilize AIP funding in a more efficient and effective manner than in recent years under repeated continuing resolutions. The Act did not include any new aviation user fees or tax increases.

Continuing Aeronautics Issues

The Commission, based on proposals from TACA, should recommend that the Legislature and the Administration act to address State aviation system needs through legislation that would provide an additional stable funding source of at least $2.4 million per year from the general aviation sales tax on jet fuel for the Aeronautics Account. The Commission would program and allocate the funding to California's publicly owned public use airports for activities addressing airport safety/security, capacity needs, and needed studies such as economic and land use studies, and comprehensive land use compatibility planning to enhance the capacity and capabilities of those airports**.**

During 2012, as part of the budget process, an attempt was made to eliminate a provision of the Public Utilities Code (PUC) which require counties to establish Airport Land Use Commissions (ALUC). The proposal was rejected by Senate and Assembly budget subcommittees. TACA will need to monitor and provide recommendations to amend existing provisions of the PUC that provides for the establishment and operation of ALUCs as an unfunded mandate. Future proposals may try to resurrect this effort. Also in 2012, SB 1005 and AB 1465 appeared to eliminate the three Aeronautics funding programs and redirect the excise tax on general aviation gasoline and jet fuel to the General Fund through 2015. TACA will also need to monitor and appropriately respond to future proposals to redirect Aeronautics Account revenue to the General Fund.

At the Commission's direction, TACA will work in 2013 with representatives of the Transportation Agency and the Department on the following issues:

- TACA will continue to try and address the issue of under-funding of the State Aeronautics Account. The State has 10 percent of all US registered aircraft; however it is in the lowest 1/3 of

all states regarding state-level funding for airports. Also, aviation activity in California generates over $300 million annually in taxes to State and local government, however only about 2 percent of all aviation user taxes are invested back into State Aeronautics Account for airport safety inspections, regulatory enforcement, land use compatibility planning, and airport capital investment. In addition to this, over the past years a significant percentage of Aeronautics Account has been redirected to the State's General Fund, further impacting the shortfall in funding California's aviation system needs.

- TACA will continue to support efforts to find ways to strengthen airport compatible land use laws, protocols, and education to protect our State's airports.
- TACA will work to identify and track aviation and airport dynamics along with State interests and responsibilities, in areas such as the increased importance of reliever and regional airports in light of future hub-airport capacity constraints, opportunities provided by military base reuse, and air travel infrastructure needs associated with evolving trends.
- TACA will recommend State involvement, where appropriate, in evolving areas with potential airport/aviation impacts, such as aviation safety, security, flight training, environmental, and other issues.
- TACA will continue to work with Aeronautics to promote use of alternate airports for general aviation, air cargo, air taxi, and community safety purposes.
- TACA will work with Aeronautics to review and provide input on aviation planning at the regional, State, and federal level.
- TACA will review and provide input, when requested, on current and future Division of Aeronautics' administered programs and program content.
- TACA will monitor and make recommendations to the Commission as appropriate, regarding FAA/EPA efforts at the federal level to phase-out leaded aviation gasoline, in a manner which is environmentally responsible and within a reasonable timeframe.
- TACA will monitor and support efforts to enhance environmental quality and airspace capacity, efficiency, and safety through near-term implementation of Next Generation (NextGen) air traffic control management technologies.
- TACA will monitor and make recommendations, as appropriate, regarding regulatory, technology, and use factor changes/trends in aviation and airspace (e.g. use of drones/Unmanned Aerial Vehicles), which can impact aviation within the State.
- TACA will ensure that its membership well-represents aviation stakeholders within the State, and will solicit and receive input from aviation stakeholders regarding needs that the State should address.
- TACA, as always, welcomes and will address any items referred to it by the Commission.