

Memorandum

To: Chair and Commissioners

Date: November 24, 2008

From: Chris Kunze
Chair of the Technical Advisory Committee on Aeronautics

File No: Reference # 4.10b

ACTION

Ref: Technical Advisory Committee on Aeronautics Report on Aviation Issues

Issue:

Should the Commission accept from its Technical Advisory Committee on Aeronautics (TACA) its annual report on upcoming issues?

Recommendation:

Staff recommends that the Commission accept TACA's report on upcoming issues and use the report to develop the Commission's own annual report to the Legislature.

Summary of TACA Recommendations:

TACA recommends that the Commission add to its annual report the upcoming issues identified in the attached TACA report and summarized below.

TACA recommends that the Commission recommend to the Legislature and the Administration that they:

- Act to address state aviation system needs through legislation that would provide a stable funding source from the aviation jet fuel sales tax for the Aeronautics Account. The Commission would program and allocate the funds to publicly-owned general aviation airports and air carrier public use airports for airport security, safety, capacity needs and comprehensive land use compatibility plans.
- Update the California Public Utilities Code sections 21670 through 21679 to further solidify and strengthen airport land use law to preclude and prevent incompatible land use around airports.
- Should inform the California Congressional delegation of the need to maintain and increase the federal funding, including appropriations, for aeronautics in the next re-authorization.

TACA recommends that the Commission direct it to work in 2009 with representatives of the Business, Transportation and Housing Agency and the Department to:

- Identify potential roles and policies for the State in developing California's aviation system, such as NextGen initiatives.

- Support appropriate legislative proposals that would:
 - Dedicate the Aeronautics Account revenues derived from the existing aviation fuel excise tax and the potential set-aside of a portion of future general aviation jet fuel sales tax for aviation purposes.
 - Increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants to ensure that California receives the maximum amount of federal funding and uses state funds effectively for planning and matching fund purposes.
 - Update the California Public Utilities Code sections 21670 through 21679 to further solidify and strengthen airport land use law to preclude and prevent incompatible land use around airports.
 - Amend current statute to allow local agencies to request Commission approval for an agency to use its own funds, to advance funding for the required match of a Federal Airport Improvement Program grant with the agreement for later repayment by the State.
- Authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation departments to promote the use of a larger number of California's airports and use more efficiently the existing system capacity. Existing and newly upgraded facilities often are under-utilized and have available capacity for more flights. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations, especially in light of the growth of air taxi services using small very light jets (VLJs).

Background: If California is to remain competitive in the global economy, its aviation system must:

- Be improved to facilitate significant growth in air passenger and air cargo movement.
- Provide ground access for and fully integrate increasing freight, business and corporate aviation into the statewide transportation system by having the state and local jurisdictions plan and/or provide highway and arterials in corridors to and from public airports.
- Prevent adverse community impacts caused by aviation by having guidelines in place to provide more protection to airports from incompatible land uses and development.
- Continue a high quality of life for our citizens by integrating land use, transportation and housing, while adhering to established California noise and planning standards for airports.

California cannot meet these goals for its aviation system if it continues to leave aviation decision-making to the unpredictable nature of local politics and priorities alone. The State should take responsibility – in cooperation with local, regional, and federal agencies – for providing 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.

TACA Report on Aviation Issues

The rapidly expanding role of aviation in moving people and goods in the global economy requires the State to act proactively to position itself as a practical and accessible region for commercial and business aviation use. California's economic future depends upon efficient air and surface transportation infrastructure that will connect all areas of the State to the global economy. If California is to remain competitive in the global economy, its aviation system must:

- Be improved to facilitate significant growth in air passenger and air cargo movement.
- Provide ground access for and fully integrate increasing freight, business and corporate aviation into the statewide transportation system by having the state and local jurisdictions plan and/or provide highway and arterials in corridors to and from public airports.
- Prevent adverse community impacts caused by aviation by having guidelines in place to provide more protection to airports from incompatible land uses and development.
- Continue a high quality of life for our citizens by integrating land use, transportation and housing, while adhering to established California noise and planning standards for airports.

California cannot meet these goals for its aviation system if it continues to leave aviation decision-making to the unpredictable nature of local politics and priorities alone. The State should take responsibility – in cooperation with local, regional and federal agencies – for providing the leadership and support 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 activities and CASP development, including funding priorities for general aviation and air carrier public use airports in California.

The Caltrans role in aviation consists of 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 Commission's role, in addition to providing advice to the Legislature and to the Secretary of Business, Transportation and Housing, 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

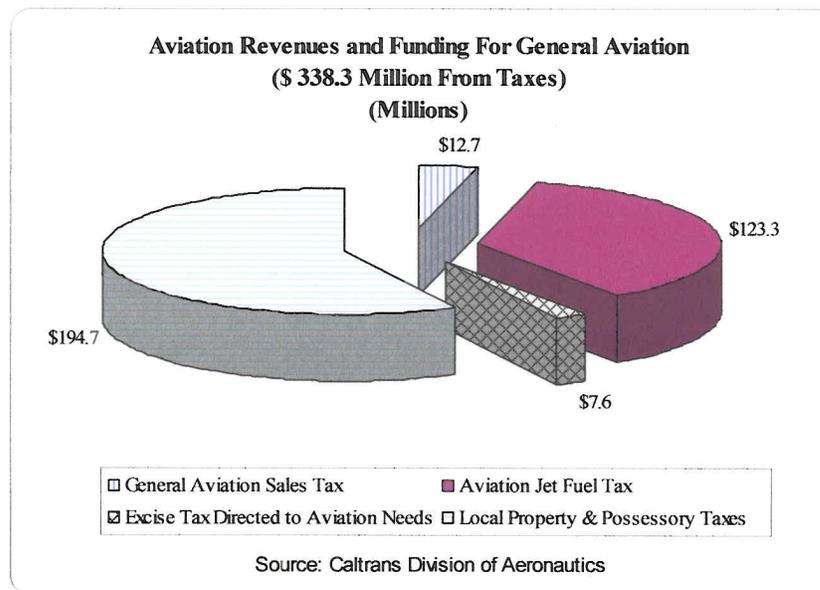
The State Aeronautics Account represents the sole State source of funding for the Division of Aeronautics and the programs it administers. Revenue sources for the Aeronautics Account include an 18-cent per gallon motor vehicle fuel excise tax on general aviation gasoline and a two-cent per gallon excise 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

TACA Report on Aviation Issues

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) 1990-00 and since then it has declined steadily. In FY 2007-08, the SCO reported a transfer of \$7.44 million into the State Aeronautics Account, the Account continues to slowly decline in absolute numbers and certainly in terms of purchasing power. Although increased general aviation jet fuel sales have helped slow the decline, the downward trend continues. The State Aeronautics Account will continue to decrease 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, in the same way that sales tax revenues on gasoline and diesel fuel, currently directed to highway and transit program funding are user fees on drivers.

The latest available data show that aviation activities annually generate \$338.3 million in taxes from aviation activities that flow into state and local government coffers, yet only 2.3 percent or \$7.6 million from excise taxes addresses aviation needs (see chart). Of the remaining \$330.7 million in tax revenues, sales tax on aviation jet fuel and general aviation gasoline accounts for an estimated \$123.3 million and \$12.7 million respectively. Property taxes and possessory interests account for the remaining \$194.7 million. The State General Fund received \$77.3 million of the \$123.3 million generated from sales and use tax on general aviation jet fuel.



If the Legislature and the Administration were to establish a 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.

TACA Report on Aviation Issues

Federal Re-authorization of Vision 100

Vision 100, Century of Flight Authorization Act of 2003, is a four-year statute that lapsed September 2007. The Act provides funding for the Federal Aviation Administration's Airport Improvement Program. These revenues are extremely 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 10 percent of the funds appropriated.

Over the past several years, the Federal administration proposed smaller appropriations than the authorized levels for the AIP program, including General Aviation Airport Entitlements, and the Small Community Air Service Development Program. Smaller appropriations have negatively impacted the funding for nearly 200 of California's general aviation airports. The Legislature and Governor should inform the California Congressional delegation of the need to maintain and increase the federal funding, including appropriations, for aeronautics in the next re-authorization.

In February 2007, the Federal Aviation Administration (FAA) introduced the Administration's proposal for meeting the challenges of transforming the aviation system to handle future demand. The Administration's proposal included fundamental changes to the funding structure of the FAA and the services it provides.

This year Congress attempted to pass a four-year extension of Vision 100. Congress, however, was unable to agree on a long-term reauthorization of federal aviation policies and programs. Congress also struggled with un-related highway funding disputes in the Senate that entangled the aeronautics re-authorization and prevented passage.

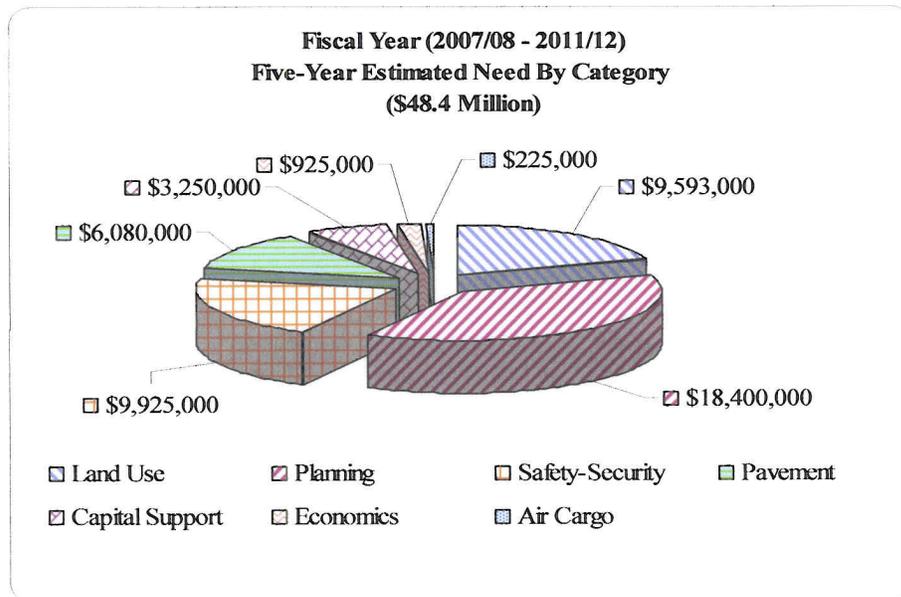
Prior to the session's end, Congress passed HR 6984 to extend current taxes and FAA spending authority through March 31, 2009. FAA can continue to collect taxes for and make expenditures from the Airport and Airway Trust Fund. Authorizations include \$4.5 billion for operations, \$1.95 billion for the Airport Improvement Program, and \$1.36 billion for facilities and equipment. President Bush signed the bill on September 30, 2008.

The extension gives the new Congress and new Administration time to craft a multi-year measure. A complete reauthorization package must provide long-term stability and continue to modernize America's aviation system.

Continuing Aeronautics Issues

The Commission, based on proposals from its Technical Advisory Committee on Aeronautics (TACA), recommends that the Legislature and the Administration act to address state aviation system needs through legislation that would provide a stable funding source of about \$9 million per year from the aviation jet fuel sales tax for the Aeronautics Account. The Commission would program and allocate the funding to publicly owned general aviation airports and air carrier 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 plans to enhance the capacity and capability of those airports. The chart below shows the latest estimated five-year need by category.

TACA Report on Aviation Issues



At the Commission's direction, TACA will work in 2009 with representatives of the Business, Transportation and Housing Agency and the Department to:

- Identify potential roles and policies for the State in developing California's aviation system.
- Support appropriate legislative proposals that would:
 - dedicate the Aeronautics Account revenues derived from the existing aviation fuel excise tax and the potential set-aside of a portion future general aviation jet fuel sales tax for aviation purposes.
 - increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants, to ensure that California receives the maximum amount of federal funding and uses state funds effectively for planning and matching fund purposes.
 - update the California Public Utilities code sections 21670 through 21679 to further solidify and strengthen airport land use law to preclude and prevent incompatible land use around airports.
 - amend current statute to allow local agencies to request Commission approval for an agency to use its own funds, to advance funding for the required match of a Federal Airport Improvement Program grant with the agreement for later repayment by the State.
- Authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation departments to promote the use of a larger number of California's airports and use more efficiently the existing system capacity. Existing and newly upgraded facilities often are under-utilized and have available capacity for more flights. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations, especially in light of the growth of air taxi services using small very light jets (VLJs).

TACA Report on Aviation Issues

- Continue working on “Focus Points” identified by TACA as important to its on-going efforts to support California aviation and properly advise the Commission:
 - Communicate through and to the Commission and others the importance of Division of Aeronautics and Aeronautics CIP funding,
 - Support goals and the mission of Commission and Caltrans Aeronautics Division through such activities as the review and input on:
 - the draft California Airports Best Practices Guide,
 - the draft CASP System Requirements Element,
 - NextGen activities and implementation, and
 - ALUC information and education materials.
 - Solicit and receive input from stakeholders regarding needs that the State should address at its level (e.g. update requirements for ALUC handbook, participation in State stakeholders summit, and possibly direct communications with aeronautics groups that share common goals with the Commission.)
 - Identify and track aviation and airport dynamics on a proactive basis, as well as identifying statewide interests and responsibilities. This could include making recommendations when Caltrans updates the CASP System Requirements Element to consider the increasing importance of reliever/regional airports in light of hub-airport capacity constraints, population location, opportunities provided by military base reuse, air travel infrastructure needs associated with VLJs and other evolving trends.
 - Track, and recommend State involvement where appropriate, in evolving areas with potential airport impacts, such as aviation safety and security.
 - Support Division of Aeronautics activity to promote use of alternate airports for general aviation, air cargo, air taxi, and other uses for enhanced system capacity.