

# Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 27, 2012

Reference No.: 3.18  
Information

From: BIMLA G. RHINEHART  
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Subject: **TECHNICAL ADVISORY COMMITTEE ON AERONAUTICS REPORT ON ACCOMPLISHMENTS AND ISSUES**

## **ISSUE:**

The Technical Advisory Committee on Aeronautics (TACA) is presenting its annual report on its accomplishments and issues.

## **BACKGROUND:**

TACA reports annually to the Commission on its accomplishments and issues. The key elements of the report are used in developing the Commission's Annual Report to the Legislature.

# **TECHNICAL ADVISORY COMMITTEE ON AERONAUTICS**

## **2012 REPORT ON ACCOMPLISHMENTS**

### **Air Transportation**

The policy element of the California Aviation System Plan defines the State's continuous aviation system planning process, and defines the roles of federal, State, regional and local participants in the process. This provides guidance in preparing the Division of Aeronautics (Aeronautics) Program, which comes from a 10-year Capital Improvement Plan comprised of a fiscally unconstrained list of projects from eligible airports. The Aeronautics Program, a biennial three-year program of projects, is fiscally constrained. The Aeronautics Account, which receives revenues from State general aviation fuel and jet fuel taxes, funds the Aeronautics Program. Funding from the Aeronautics Program, combined with local matching funds, is used by airports to match Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants and to fund capital outlay projects at public-use airports through the Acquisition and Development (A&D) element of the California Aid to Airports Program (CAAP). The CAAP also includes a statutory annual credit grant program, which provides annual non-discretionary grants of \$10,000 for 149 publicly-owned, public-use general aviation airport in the State. Aeronautics Account funds are applied first to Caltrans Aeronautics operations, then to the annual credit grant program. Any remaining funds are then available for the projects in the Aeronautics Program adopted by the California Transportation Commission (Commission).

#### **Commission's Aviation Responsibilities**

The Commission's primary responsibilities regarding Aeronautics include:

- Advising and assisting the Legislature and the Secretary of Transportation Agency (Agency) in formulating and evaluating policies and plans for aeronautics programs;
- Adopting the California Aviation System Plan (CASP); a comprehensive plan defining State policies and funding priorities for general aviation and commercial airports in California; and
- Adopting and allocating funds under the biennial three-year Aeronautics Program, which directs the use of Aeronautics Account funds to provide a part of the local match required to receive Federal AIP grants and fund A&D capital outlay projects for airport rehabilitation, safety and capacity improvements at eligible public-use airports.

Under Section 14506.5 of the California Government Code, the chairman of the Commission appoints a Technical Advisory Committee on Aeronautics (TACA), after consultation with members of the aviation industry, airport operators, pilots, and other aviation interest groups and experts, as appropriate. TACA gives technical advice to the Commission on the full range of aviation issues that affect the State's air transportation system of airports. The current membership of TACA includes representatives from airport businesses, pilots and aircraft owners, representatives from aviation users groups, managers of commercial and rural airports, a past manager of a commercial air and spaceport, metropolitan and local planning organizations, and federal and State aviation agencies.

This statutorily mandated advisory committee lends its expertise to the Commission as they carry out their responsibility in advising the Secretary of the Transportation Agency and the Legislature on State policies and plans for transportation programs in California. For example, TACA has been

working with Caltrans, the Agency and the Legislature to develop potential stable revenue sources and to clarify roles and policies for the State in developing and maintaining California's aviation system.

The current members of TACA:

- Michael Armstrong, Aviation Program Manager, Aviation Planning, Southern California Association of Governments
- Daniel Burkhart, Director of Regional Programs, National Business Aviation Association (note: Mr. Burkhart retired as of July, 2012, and the Commission will be receiving recommendations for his replacement in the near future)
- Mark S. Bautista, Deputy General Manager, Monterey Peninsula Airport District, representing the Association of California Airports
- Gary Cathey, Chief, Division of Aeronautics, California Department of Transportation, Ex Officio
- Harry A. Krug, Private Pilot
- Chris Kunze, TACA Chairman, Staff Advisor, Long Beach Municipal Airport
- Robin Hunt, Federal Aviation Administration, Ex Officio
- Fran Inman, California Transportation Commission, Commission Liaison
- Bruce MacRae, Vice President State Government Affairs, West Region, UPS
- Mark F. Mispagel, Attorney/Consultant, Law Offices of Mark F. Mispagel
- John Pfeifer, Aircraft Owners and Pilots Association (AOPA), California Regional Representative
- Jon Stout, General Manager, Charles M. Schultz Sonoma Co Airport, representing the California Airports Council
- Alexander Waters, Vice President of Business Development, KaiserAir, Inc.
- William T. Weil, Jr., City Manager of California City

### **Acquisition & Development Match Rate Unchanged**

By statute, the Commission annually establishes a local matching rate between 10% and 50% that local agencies must meet to receive Acquisition and Development (A&D) grants. At its June 2012 Meeting, based upon the Department's and TACA's advice, the Commission retained the 10 percent A&D local match requirement that it originally established in 1995. This action continues to ensure that the maximum number of airports participate in the Aeronautics Program. Further, a low match rate does not result in a small number of large grants because statute limits California Aid to Airports Program A&D Grants to a maximum of \$500,000 per airport per year.

### **State Legislation**

The Commission advises and assists the Legislature and the Agency Secretary in formulating and evaluating policies and plans for Aeronautics Programs. The Commission is concerned about the

shifting of Aeronautics Account funds to the General Fund (GF). Over 50 percent (\$4.0 million) of its average annual budget was transferred to the GF in September 2010. In fact, the Commission focused over the last few years on the need to establish a stable funding source and for additional funding to allow more capital improvements for general aviation airports. TACA recommended legislation to provide the Aeronautics Account with a stable revenue source. The suggested legislation would prohibit permanent transfer of funds from the Aeronautics Account to the GF. Under the suggested legislation, the State shall repay all transfers, as if they were loans, with interest at a specified future date.

The Commission, along with its TACA advisors, is also concerned about the impacts from incompatible land use around airports and recommended that the Legislature take action on this issue. For several years, the Commission has included in its Annual Report the recommendation to work with representatives of the Agency and the Department to: "...update, as necessary, 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." Over the last four years, several TACA members, representing their respective organizations and Commission staff have met with several legislative staff personnel regarding the Commission recommendations on incompatible land use around airports.

TACA members, representing their own organizations, opposed measures which would have eliminated Public Utilities Code sections requiring most counties to establish airport land use commissions, and measures which potentially could have eliminated the State's airport funding programs and transferred general aviation fuel excise tax revenues to the General Fund through 2015.

### **Federal Re-Authorization for Aeronautics**

Vision 100, Century of Flight Authorization Act of 2003, was a four-year statute that lapsed September 2007. The Act provided 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 ten percent of the funds appropriated. After more than four years and 23 continuing resolutions, in February of 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, airports will be able to program and utilize AIP funding in a more effective manner than in recent years under repeated continuing resolutions. The Act did not include any new aviation user fees or tax increases. This multi-year reauthorization is consistent with your Commission's position on the need for a multi-year program, as recommended by TACA.

### **Other Activities and Accomplishments**

In summary, during the 2012 year, including the items noted above, TACA addressed:

- TACA recommended, and the CTC appointed to TACA a representative of the California Airports Council, a new representative of the Association of California Airports, and an independent private pilot/aircraft owner.
- TACA recommended to the CTC a 10% Aeronautics A&D State Grant local match rate, and a 5% match rate for federal Airport Improvement Program (AIP) grants at California airports. These match rates were subsequently approved by the Commission.
- TACA continued to recommend that the Commission and aviation benefactors within the State support efforts to provide a stable funding source, as well as increased funding, for the Aeronautics Account.
- TACA members, along with Commission members and staff, provided an informational briefing to members of the Assembly Transportation Committee. The briefing focused on the need for an estimated additional \$2.4 million annually from existing user fees and the need for reliability of fund availability in order to adequately address the State's funding of aeronautics grant programs. Efforts were made to distribute the briefing document to other aviation support groups within the State, in order to enlist their engagement in the under-funding issue.
- TACA received briefings, discussed, and several members were actively engaged in legislative issues at the State level, including airport area land use planning, State oversight of flight training, and airport-specific issues, and at the federal level including specific legislation content issues related to FAA long term funding, and regulatory and other measures to reduce/eliminate lead content in certain aviation fuel.
- TACA recommended to Caltrans that a Governor's letter of support be generated regarding the Mojave Air and Spaceport and other California airports' efforts to be selected by the FAA for one of the country's sites for testing Unmanned Aerial Vehicles. The economic benefits of a test site(s) within the State include the support that it would provide to local major universities and aerospace firms involved in research in this new technology.
- TACA monitored, and some of its members actively engaged lawmakers in order to exclude certain aviation activities, including flight training, from being required to pay sales taxes on aviation related transactions.
- TACA is exploring the potential of having the State re-allocate FAA grant funding for unused non-primary airport entitlements within the State, in support of the State's prioritized unfunded airport capital improvement projects.

# **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 21<sup>st</sup> 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.